

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
INDEPENDENT AUDITORS' REPORT

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

BOARD OF EDUCATION

Antonio Castillo	President
Rudy Martinez	Vice President
Floraida Tapia	Secretary
Antonia Martinez - Sanchez	Member
Christopher Matson	Member

SCHOOL OFFICIALS

Dr. Jack Props	Superintendent
Lyndsey Padilla	Principal
LaQuita Wheeler	Dean of Students
Trude Bauler	Business Manager



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of Vaughn 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 audit standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require 10 year schedules on pages 58 - 62 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements the combining and individual fund financial statements and any other schedule required by the Audit Rule that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and any other schedule required by the Audit Rule 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of Vaughn Municipal Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing in 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 Vaughn Municipal Schools internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 15, 2019

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS	
Current assets	
Cash and cash equivalents	\$ 541,551
Restricted cash	204,766
Property taxes receivable	17,366
Due from other governments	132,787
Inventory, at cost	<u>766</u>
Total current assets	897,236
Non-current assets	
Capital assets	12,005,889
Less accumulated depreciation	<u>(6,947,908)</u>
Total non-current assets	<u>5,057,981</u>
Total assets	5,955,217
Deferred outflows - ERB	
Contributions - subsequent contributions	138,144
Change in assumption	799,189
Change in proportion	155,262
Deferred outflows - RHCA	<u>19,705</u>
Total deferred outflows	<u>1,112,300</u>
Total assets and deferred outflows	<u>\$ 7,067,517</u>

See independent auditors' report and accompanying notes to financial statements.

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

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS	
Current liabilities	
Accrued interest	\$ 16,182
Accrued compensated absences	9,647
Current portion of bonds payable	<u>270,000</u>
Total current liabilities	295,829
Long-term obligations	
Net pension liability	3,877,763
OPEB liability	927,939
Bonds payable	<u>2,120,000</u>
Total long-term liabilities	<u>6,925,702</u>
Total liabilities	7,221,531
Deferred inflows	
Deferred inflows - ERB	247,121
Deferred inflows - RHCA	<u>325,604</u>
Total deferred inflows	<u>572,725</u>
Total liabilities and deferred inflows	7,794,256
NET POSITION	
Net investment in capital assets	2,651,799
Restricted for	
Cafeteria fund (inventory)	766
Special revenue	340,576
Capital projects	309,714
Debt service	69,383
General fund	4,878
Unrestricted	<u>(4,103,855)</u>
Total net position (deficit)	<u>(726,739)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 7,067,517</u>

See independent auditors' report and accompanying notes to financial statements.

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

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses - Governmental Activities:					
Instruction	\$ 1,422,211	\$ 9,722	\$ 82,524	\$ -	\$ (1,329,965)
Support services	555,611	7,200	19,314	-	(529,097)
Central services	103,056	-	1,000	-	(102,056)
Operation and maintenance of plant	339,878	-	20,960	16,824	(302,094)
Student transportation	72,843	-	72,843	-	-
Food services	46,568	724	-	-	(45,844)
Interest on long-term debt	38,234	-	-	-	(38,234)
Depreciation	247,409	-	-	-	(247,409)
Total governmental activities	\$ 2,825,810	\$ 17,646	\$ 196,641	\$ 16,824	(2,594,699)
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					327,847
Property taxes, levied for debt services					407,763
Property taxes, levied for capital projects					189,734
State equalization guarantee					1,583,014
Interest and investment earnings					6,844
Subtotal, general revenue					2,515,202
Change in net position					(79,497)
Net position - beginning of year					(647,242)
Net position - end of year					\$ (726,739)

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Title XIX Medicaid 3/21 Years</u>	<u>Wind Farm Project</u>	<u>ED Tech Debt Service</u>
ASSETS					
Cash and cash equivalents	\$ 46,881	\$ 308,175	\$ 139,172	\$ 2,929	\$ -
Restricted cash	-	-	-	-	186,258
Property taxes receivable	1,285	7,254	-	-	3,724
Due from other funds	129,403	-	-	-	-
Inventory	-	-	-	-	-
Due from grantors	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 177,569</u>	<u>\$ 315,429</u>	<u>\$ 139,172</u>	<u>\$ 2,929</u>	<u>\$ 189,982</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	-	-	-	-	-
Deferred inflows:					
Deferred inflows - property tax	<u>1,012</u>	<u>5,715</u>	<u>-</u>	<u>-</u>	<u>2,934</u>
Total deferred inflows	<u>1,012</u>	<u>5,715</u>	<u>-</u>	<u>-</u>	<u>2,934</u>
Total liabilities and deferred inflows	1,012	5,715	-	-	2,934
Fund balances:					
Restricted, reported in:					
Special revenue fund	-	-	139,172	2,929	187,048
Debt service funds	-	309,714	-	-	-
Capital projects funds	-	-	-	-	-
General fund	4,878	-	-	-	-
Unassigned, reported in:					
General fund	171,679	-	-	-	-
Special revenue	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>176,557</u>	<u>309,714</u>	<u>139,172</u>	<u>2,929</u>	<u>187,048</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 177,569</u>	<u>\$ 315,429</u>	<u>\$ 139,172</u>	<u>\$ 2,929</u>	<u>\$ 189,982</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
 JUNE 30, 2019

	Capital Improvements SB-9	Bond Building	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 34,929	\$ -	\$ 9,465	\$ 541,551
Restricted cash	-	-	\$ 18,508	204,766
Property taxes receivable	5,103	-	-	17,366
Due from other funds	-	-	-	129,403
Inventory	-	-	766	766
Due from grantors	16,824	-	115,963	132,787
	<u>16,824</u>	<u>-</u>	<u>115,963</u>	<u>132,787</u>
 Total assets	 <u>\$ 56,856</u>	 <u>\$ -</u>	 <u>\$ 144,702</u>	 <u>\$ 1,026,639</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ -	\$ -	\$ 129,403	\$ 129,403
	<u>-</u>	<u>-</u>	<u>129,403</u>	<u>129,403</u>
Total liabilities	-	-	129,403	129,403
Deferred inflows:				
Deferred inflows - property tax	4,020	-	-	13,681
	<u>4,020</u>	<u>-</u>	<u>-</u>	<u>13,681</u>
Total deferred inflows	4,020	-	-	13,681
Total liabilities and deferred inflows	4,020	-	129,403	143,084
Fund balances:				
Nonspendable - Inventory	-	-	766	766
Restricted, reported in:				
Special revenue fund	-	-	11,427	340,576
Debt service funds	-	-	-	309,714
Capital projects funds	52,836	-	16,547	69,383
General fund	-	-	-	4,878
Unassigned, reported in:				
General fund	-	-	-	171,679
Special revenue	-	-	(13,441)	158,238
	<u>52,836</u>	<u>-</u>	<u>15,299</u>	<u>883,555</u>
Total fund balances	52,836	-	15,299	883,555
Total liabilities, deferred inflows and fund balances	<u>\$ 56,856</u>	<u>\$ -</u>	<u>\$ 144,702</u>	<u>\$ 1,026,639</u>

See independent auditors' report and accompanying notes to financial statements.

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

Amounts reported for government activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 883,555
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,057,981
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds	1,092,595
Deferred outflows of resources related to OPEB, applicable to future periods and therefore, not reported in funds	19,705
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds	(247,121)
Deferred inflows of resources related to OPEB, applicable to future periods and therefore, not reported in funds	(325,604)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds - property tax	13,681
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(3,877,763)
OPEB liability	(927,939)
Accrued interest	(16,182)
Compensated absences	(9,647)
General obligation bonds	<u>(2,390,000)</u>
Total net position - governmental funds	<u>\$ (726,739)</u>

See independent auditors' report and accompanying notes to financial statements.

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Title XIX Medicaid 3/21 Years</u>	<u>Wind Farm Projects</u>	<u>ED Tech Debt Service</u>
REVENUES					
Taxes	\$ 47,066	\$ 269,697	\$ -	\$ 268,200	\$ 138,066
Charges for services	7,200	-	-	-	-
State share taxes	-	-	-	-	-
State sources	1,545,909	-	-	-	-
Federal sources	-	-	19,314	-	-
Transportation distribution	72,843	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,673,018</u>	<u>269,697</u>	<u>19,314</u>	<u>268,200</u>	<u>138,066</u>
EXPENDITURES					
Current:					
Direct instruction	825,801	-	1,449	-	-
Instructional support	504,137	2,695	12,061	-	1,384
Central services	103,056	-	-	-	-
Operation and maintenance	272,323	-	-	27,848	-
Transportation	72,843	-	-	-	-
Food services	-	-	-	-	-
Capital outlay	-	-	-	267,825	-
Debt services:					
Principal payments	-	150,000	-	-	220,000
Interest	-	37,934	-	-	300
Total expenditures	<u>1,778,160</u>	<u>190,629</u>	<u>13,510</u>	<u>295,673</u>	<u>221,684</u>
Net change in fund balance	(105,142)	79,068	5,804	(27,473)	(83,618)
Fund balance - beginning of year	<u>281,699</u>	<u>230,646</u>	<u>133,368</u>	<u>30,402</u>	<u>270,666</u>
Fund balance - end of year	<u>\$ 176,557</u>	<u>\$ 309,714</u>	<u>\$ 139,172</u>	<u>\$ 2,929</u>	<u>\$ 187,048</u>

See independent auditors' report and accompanying notes to financial statements.

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

	Capital Improvements SB-9	Bond Building	Other Governmental Funds	Total
REVENUES				
Taxes	\$ 189,734	\$ -	\$ 8,915	\$ 921,678
Charges for services	-	-	10,446	17,646
State sources	-	-	20,230	1,566,139
Federal sources	-	-	112,444	131,758
Transportation distribution	-	-	-	72,843
Miscellaneous	16,824	4,654	2,190	23,668
Total revenues	206,558	4,654	154,225	2,733,732
EXPENDITURES				
Current:				
Direct instruction	-	50	139,828	967,128
Instructional support	-	-	35,334	555,611
Central services	-	-	-	103,056
Operation and maintenance	39,707	-	-	339,878
Transportation	-	-	-	72,843
Food services	-	-	46,568	46,568
Capital outlay	137,180	819,021	34,269	1,258,295
Debt services:				
Principal payments	-	-	-	370,000
Interest	-	-	-	38,234
Total expenditures	176,887	819,071	255,999	3,751,613
Net change in fund balance	29,671	(814,417)	(101,774)	(1,017,881)
Fund balance - beginning of year	23,165	814,417	117,073	1,901,436
Fund balance - end of year	<u>\$ 52,836</u>	<u>\$ -</u>	<u>\$ 15,299</u>	<u>\$ 883,555</u>

See independent auditors' report and accompanying notes to financial statements.

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

Amount reported for governmental activities in the statement of net position are different because:

Change in fund balances - total governmental funds	\$	(1,017,881)
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Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense		(247,409)
Capital outlay		1,258,295

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

Deferred outflows - ERB		(409,297)
Deferred outflows - RHCA		1,418
Change in deferred inflows - ERB		(94,096)
Change in deferred inflows - RHCA		(86,216)
OPEB liability		123,862
Net pension liability		16,396

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds.

12,581

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.

Change in accrued interest		(4,827)
Change in accrued compensated absences		(2,323)
Principal payment on bond		370,000

Change in net position of governmental activities	\$	<u>(79,497)</u>
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See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 GENERAL FUND COMBINED
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 39,964	\$ 39,964	\$ 45,781	\$ 5,817
Charges for services	13,200	13,200	7,200	(6,000)
State sources	1,503,431	1,556,825	1,545,909	(10,916)
Transportation Distribution	63,506	63,506	72,843	9,337
Miscellaneous	13,500	13,500	-	(13,500)
	1,633,601	1,686,995	1,671,733	(15,262)
Total revenues				
Expenditures:				
Current:				
Direct instruction	959,585	949,585	825,801	123,784
Instructional support	112,000	112,000	92,628	19,372
Central services	113,000	113,000	103,056	9,944
Operation and maintenance	193,973	299,378	272,323	27,055
Transportation	72,843	72,843	72,843	-
General administration	292,850	292,850	259,527	33,323
School administration	147,000	152,600	151,982	618
	1,891,251	1,992,256	1,778,160	214,096
Total expenditures				
Excess (deficiency) of revenues over expenditures	(257,650)	(305,261)	(106,427)	198,834
Net change in fund balance	(257,650)	(305,261)	(106,427)	198,834
Fund balance - beginning of year	281,699	281,699	281,699	-
Fund balance - end of year	\$ 24,049	\$ (23,562)	\$ 175,272	\$ 198,834
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (106,427)	
Net revenue accruals			1,285	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (105,142)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 TITLE XIX MEDICAID 3/21 YEARS SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 16,000	\$ 16,000	\$ 19,314	\$ 3,314
Total revenues	16,000	16,000	19,314	3,314
Expenditures:				
Current:				
Direct instruction	41,500	41,500	1,449	40,051
Instructional support	86,731	109,868	12,061	97,807
Total expenditures	128,231	151,368	13,510	137,858
Excess (deficiency) of revenues over expenditures	(112,231)	(135,368)	5,804	141,172
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(112,231)	(135,368)	5,804	141,172
Fund balance - beginning of year	133,368	133,368	133,368	-
Fund balance - end of year	<u>\$ 21,137</u>	<u>\$ (2,000)</u>	<u>\$ 139,172</u>	<u>\$ 141,172</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 5,804	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 5,804</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 WIND FARM PROJECTS - SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Charges for services	\$ 268,200	\$ 268,200	\$ 268,200	\$ -
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Capital Outlay	194,875	267,825	267,825	-
Operation and maintenance	134,641	10,777	10,651	126
Food services	20,000	20,000	17,197	2,803
Total expenditures	<u>349,516</u>	<u>298,602</u>	<u>295,673</u>	<u>2,929</u>
Excess (deficiency) of revenues over expenditures	<u>(81,316)</u>	<u>(30,402)</u>	<u>(27,473)</u>	<u>2,929</u>
Other financing sources (uses)				
Designated cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(81,316)	(30,402)	(27,473)	2,929
Fund balance - beginning of year	<u>30,402</u>	<u>30,402</u>	<u>30,402</u>	<u>-</u>
Fund balance - end of year	<u>\$ (50,914)</u>	<u>\$ -</u>	<u>\$ 2,929</u>	<u>\$ 2,929</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (27,473)	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (27,473)</u>	

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2019

ASSETS

Current Assets

Cash	<u>\$ 20,683</u>
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Total assets	<u>\$ 20,683</u>
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LIABILITIES

Current Liabilities

Deposits held in trust for others	<u>\$ 20,683</u>
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Total liabilities	<u>\$ 20,683</u>
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See independent auditors' report and accompanying notes to financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Vaughn Public Schools' management who is responsible for their integrity and objectivity. The financial statements and disclosures of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Blended component 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. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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 assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by State Equalization Guarantee, taxes and intergovernmental revenues.

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

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

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes 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. Property taxes are accrued as receivable when levied, net of estimated refund and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by district school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

The Title XIX Medicaid 3/21 Years Fund is to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children (Title XIX Social Security Act).

Wind Farm Project To use for PILOT moneys from Wind Turbines in the District. PILOT - Payment in Lieu of Taxes. This Fund is used in the same manner as 11000

ED Tech Debt to repay the General Obligation Education Technology Capital Improvement Note with NMFA. This note is used to acquire education technology equipment.

Capital Improvements SB-9 Fund is used to account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also to account for resources received from the State of New Mexico General Fund.

Additionally, the District reports the following agency fund:

BOND BUILDING CAPITAL FUND (31100) – This fund accounts for the revenue received from bonds sold by the school to be used for improvements and additions to school owned property.

Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

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

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

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption.

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, 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 Guadalupe and Torrance County. The funds are collected by the County Treasurers and are remitted to the District the following month.

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August 2019 is considered measurable and available and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2019.

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

Inventory - The District uses the consumption method of accounting for inventory. 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 actually are consumed.

Inventory is valued at cost utilizing the consumption basis of accounting. 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 food is recorded as an expenditure at the time individual inventory items are consumed.

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No deferred revenue was recorded for unused commodity inventory as of June 30, 2019.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C(5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives 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.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Furniture, Equipment Vehicles and Library Books	3-15

Unearned Revenues and Deferred Inflows of Resources - Under both accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by corresponding liability for unearned revenue. Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year end are classified as deferred inflow.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Compensated Absences - Twelve month employees are entitled to accumulate annual leave up to 10 days per year for the first five years. After five years of service, they will earn one and one quarter days per month for a total of 15 days per year. Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, no payment is due to the employee upon termination of employment.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Fund Balance of Fund Financial Statements - In the fund financial statements, governmental funds are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- 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. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability 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.

Unassigned - fund balance is the residual classification for the general fund. This classification 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. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The District's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net position invested in 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.
- b. Restricted net position consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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 insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program costs.

A school district's program costs are determined through the use of various formulas using program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,543,805 in state equalization guarantee distributions during the year ended June 30, 2019.

Tax Revenues - The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$912,763 in tax revenues in the governmental fund financial statements 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. The School collects property tax from two different counties, Guadalupe County may attach an enforceable lien on the property thirty days after delinquency and Torrance County considers delinquencies on December 10th, at which point they can attach an enforceable lien.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues (Continued)

Transportation Distribution - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$72,843 in transportation distributions during the year ended June 30, 2019.

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 for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (0); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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 operates 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.

F. New Pronouncements

In June 2017, GASB Statement No. 87, Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

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

F. New Pronouncements (Continued)

In April 2018, GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

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

F. New Pronouncements (Continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is still evaluating how this pronouncement will affect the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets for the General, Special Revenue, Debt Service, and Capital Projects 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 basis. Budgeted expenditures exclude encumbrances and the budget secures 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, when the budget is approved those funds are legally restricted and shown as reserved 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 'series' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

The 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 superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Public Education Department.

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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2. In May or June, the budget is approved by the Board of Education.

3. The school board meeting is open for the general public unless a closed meeting has been called.

4. 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.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

6. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Budget basis expenditures exclude encumbrances.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

The District is required to balance its budgets each year. Accordingly, amounts that are 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 each individual budgetary comparison.

3. DEPOSIT AND INVESTMENTS (CONTINUED)

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

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3. DEPOSIT AND INVESTMENTS (CONTINUED)

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. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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.

The types of collateral allowed are limited to direct obligations of the United States Government or agency, districts or political subdivisions of the States of New Mexico.

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

Deposits - NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution. The 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.

	Everyone's Federal Credit Union	New Mexico Finance Authority	Total
	<u> </u>	<u> </u>	<u> </u>
Cash on deposit at June 30, 2019	\$ 825,639	\$ 15,941	\$ 841,580
FDIC coverage	<u>(250,000)</u>	<u>(15,941)</u>	<u>(265,941)</u>
Total uninsured public funds	<u>\$ 575,639</u>	<u>\$ -</u>	<u>\$ 575,639</u>
Pledged collateral	\$ 550,000	\$ -	\$ 550,000
Collateral requirement (50% of uninsured public funds)	<u>287,820</u>	<u>-</u>	<u>287,820</u>
Over collateralization	<u>\$ 262,180</u>	<u>\$ -</u>	<u>\$ 262,180</u>

STATE OF NEW MEXICO
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3. DEPOSIT AND INVESTMENTS (CONTINUED)

Custodial Credit Risk-Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2019, \$575,639 of the District's bank balance of \$825,639 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2019, the carrying amount of these deposits was \$767,000.

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Governmental Funds - balance sheet	\$ 541,551
Restricted cash and cash equivalents - balance sheet	<u>204,766</u>
 Total	 <u>746,317</u>
 Statement of Fiduciary Net Assets - cash	 <u>20,683</u>
 Total cash and cash equivalents	 767,000
Add outstanding checks and other reconciling items	<u>74,580</u>
 Bank balance of deposits and investments	 <u>\$ 841,580</u>
 Cash source:	
Everyone's Federal Credit Union	\$ 825,639
New Mexico Finance Authority	<u>15,941</u>
 Total cash and cash equivalents	 <u>\$ 841,580</u>

Credit and Interest Rate Risk

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

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

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4. **INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

Governmental Activities	Due from other funds	Due to other funds
General fund	\$ 129,403	\$ -
REAP	-	36,067
K-3 Plus	-	3,914
Title I	-	16,067
Entitlement IDEA B	-	19,596
Teacher/PRIN	-	6,600
Student Library	-	6,072
Food	-	813
Pre-K Initiative	-	17,990
Teacher and School Leader Incentive Pay	-	22,284
Totals	<u>\$ 129,403</u>	<u>\$ 129,403</u>

All interfund balances are to be repaid within one year. There were no operating transfers for the year ended June 30, 2019.

5. **ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2019, are as follows:

	General	Major Governmental Funds	Non-Major Governmental Funds	Total
Government grants	\$ -	\$ 132,787	\$ -	\$ 132,787
Property taxes	<u>1,285</u>	<u>16,081</u>	<u>-</u>	<u>17,366</u>
Total	<u>\$ 1,285</u>	<u>\$ 148,868</u>	<u>\$ -</u>	<u>\$ 150,153</u>

The above receivables are deemed 100% collectible.

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6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Retirements	Transfer	Balance June 30, 2019
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 169,045	\$ -	\$ -	\$ -	\$ 169,045
Construction in progress	<u>22,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,438</u>
Total capital assets not being depreciated	191,483	-	-	-	191,483
Capital assets being depreciated:					
Buildings & building improvements	8,934,785	46,386	-	-	8,981,171
Equipment, vehicles, information technology equipment, software & books	<u>1,621,326</u>	<u>1,211,909</u>	<u>-</u>	<u>-</u>	<u>2,833,235</u>
Total capital assets being depreciated	10,556,111	1,258,295	-	-	11,814,406
Less accumulated depreciation for:					
Buildings & building improvements	5,363,783	139,516	-	-	5,503,299
Equipment, vehicles, information technology equipment, software & books	<u>1,336,716</u>	<u>107,893</u>	<u>-</u>	<u>-</u>	<u>1,444,609</u>
Total accumulated depreciation	<u>6,700,499</u>	<u>247,409</u>	<u>-</u>	<u>-</u>	<u>6,947,908</u>
Total capital assets being depreciated, net	<u>3,855,612</u>	<u>1,010,886</u>	<u>-</u>	<u>-</u>	<u>4,866,498</u>
Governmental activities capital assets, net	<u>\$ 4,047,095</u>	<u>\$1,010,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,057,981</u>

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6. CAPITAL ASSETS (CONTINUED)

For the year ended June 30, 2019, depreciation was charged to the following functions:

Governmental Activities	
Instruction	\$ 47,691
Support services	185,652
Operations and maintenance of plant	<u>14,066</u>
 Total	 <u>\$ 247,409</u>

7. LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued was \$3,755,000. 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.

Bonds outstanding at June 30, 2019, are comprised of the following:

	<u>Series 9/15/2009</u>	<u>Series 6/21/2013</u>	<u>Series 5/25/2015</u>	<u>Series 9/18/2015</u>	<u>Series 07/28/2017</u>	<u>Series 07/28/2017</u>	<u>Series 05/04/2018</u>
Original issue	\$855,000	\$850,000	\$750,000	\$100,000	\$200,000	\$250,000	\$750,000
Maturity	8/1/2019	8/1/2025	8/1/2027	8/1/2020	8/1/2018	8/1/2027	8/1/2031
Principal	August 1	February 1	February 1	February 1	February 1	February 1	February 1
Interest rate	4.00% - 4.25%	0.10% - 2.45%	0.10% - 1.37%	0.1991%	0.1991%	0.1991%	0.1991%
Interest	February 1 & August 1	January 1 & July 1	August 1 & February 1	August 1 & February 1	August 1 & February 1	August 1 & February 1	August 1 & February 1

The following is a summary of the long-term debt and the activity for the year ended June 30, 2019:

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7. LONG-TERM OBLIGATIONS (CONTINUED)

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 2,760,000	\$ -	\$ 370,000	\$ 2,390,000	\$ 270,000
Compensated absences	7,324	10,115	7,792	9,647	9,647
Total governmental activities	<u>\$ 2,767,324</u>	<u>\$ 10,115</u>	<u>\$ 377,792</u>	<u>\$ 2,399,647</u>	<u>\$ 279,647</u>

The annual requirements to amortize the Series 9/15/2009 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2020	\$ 105,000	\$ 2,100	\$ 107,100
2021	-	-	-
2022	-	-	-
	<u>\$ 105,000</u>	<u>\$ 2,100</u>	<u>\$ 107,100</u>

The annual requirements to amortize the Series 6/21/2013 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2020	\$ 40,000	\$ 7,795	\$ 47,795
2021	40,000	7,201	47,201
2022	75,000	5,863	80,863
2024	75,000	4,353	79,353
2022	75,000	2,954	77,954
2023-2025	260,000	2,954	262,954
	<u>\$ 565,000</u>	<u>\$ 31,120</u>	<u>\$ 596,120</u>

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7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual requirements to amortize the Series 5/25/2015 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,000	\$ 10,614	\$ 25,614
2021	65,000	10,397	75,397
2022	80,000	9,329	89,329
2024	90,000	7,854	97,854
2022	90,000	7,854	97,854
2023-2029	<u>355,000</u>	<u>5,013</u>	<u>360,013</u>
	<u>\$ 695,000</u>	<u>\$ 51,061</u>	<u>\$ 746,061</u>

The annual requirements to amortize the Series 9/18/2015 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,000	\$ 18	\$ 15,018
2021	10,000	5	10,005
2022	-	-	-
2024	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 25,000</u>	<u>\$ 23</u>	<u>\$ 25,023</u>

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7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual requirements to amortize the Series 07/28/2017 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 15,000	\$ 481	\$ 15,481
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024 - 2029	<u>235,000</u>	<u>-</u>	<u>235,000</u>
	<u>\$ 250,000</u>	<u>\$ 481</u>	<u>\$ 250,481</u>

The annual requirements to amortize the Series 05/04/2018 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 80,000	\$ 16,342	\$ 96,342
2021	100,000	14,940	114,940
2022	50,000	13,690	63,690
2023	50,000	12,770	62,770
2024	50,000	12,770	62,770
2025 - 2029	<u>420,000</u>	<u>48,362</u>	<u>468,362</u>
	<u>\$ 750,000</u>	<u>\$ 118,874</u>	<u>\$ 868,874</u>

Compensated Absences - Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2019, compensated absences decreased a net of \$2,323 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

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8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors omissions; and natural disasters, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include 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, 2018, there have been no claims that have exceeded insurance coverage.

9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD

Plan Description - Substantially all of the Vaughn Municipal Schools full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers and other employees of State public school districts, colleges and universities and beneficiaries). ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

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VAUGHN MUNICIPAL SCHOOLS
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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Funding Policy

Member Contributions - Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary.

Employer Contributions - Vaughn Municipal Schools contributed 13.9% of gross covered salary.

The contribution requirements of plan members and the Vaughn Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Vaughn Municipal School's contributions to ERB for the fiscal years ending June 30, 2018, 2017, and 2016, were \$126,686, \$138,684, and \$118,309, respectively, which equal the amount of the required contributions for each fiscal year.

GASB 68, Accounting and Financial Reporting for Pensions, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. ERB engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2016. As part of adopting GASB 68, the District recognized a Net Pension Liability (NPL), which represents the District's share of the underfunded pension obligation at June 30, 2019.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

For the year ended June 30, 2019, the District recognized pension expense of \$625,141. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 2,830	\$ 73,800
Changes in assumptions	799,189	-
Net difference between projected and actual earnings on pension plan investments	8,584	-
Difference between expected and actual experience	-	-
District contributions subsequent to the measurement date	138,144	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>143,848</u>	<u>173,321</u>
Total	<u>\$ 1,092,595</u>	<u>\$ 247,121</u>

\$138,144 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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	\$	451,509
2020		291,709
2021		(36,001)
2022		113
2023		-

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2018. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Specifically, the liabilities measured as of June 30, 2018 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial cost method	Entry age normal
Inflation	2.5%
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	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.

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. class.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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.

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows.

ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2018. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as 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.

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
District's proportionate share of net pension	\$ 5,039,607	\$ 3,877,763	\$ 2,929,771

Pension plan fiduciary net position Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2018 and June 30, 2017 which are publicly available at www.nmerb.org.

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2018 the District did not owe ERB any funds.

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

Plan Description - Vaughn Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses for the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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 JUNE 30, 2019

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Vaughn Municipal Schools contributions to the RHCA for the years ended June 30, 2019, 2018 and 2017 were \$19,705, \$18,228, and \$29,894, respectively, which equal the required contributions for each year.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 173,242
Net difference between projected and actual earnings on OPEB plan investments	-	11,580
Difference between expected and actual experience	-	54,940
Change in Proportion	-	85,842
Contributions made after the measurement date	19,705	-
	\$ 19,705	\$ 325,604

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

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Deferred outflows of resources totaling \$19,705 represent School contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending		
2020	\$	(79,105)
2021		(79,105)
2022		(79,105)
2023		(65,231)
2024		(23,058)
		(325,604)
	\$	(325,604)

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

Actuarial 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.
Healthcare 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
 VAUGHN MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

10. 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:

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

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.87% 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 Authority, as well as what the Authority’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:

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 JUNE 30, 2019

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
<u>\$ 1,123,025</u>	<u>\$ 927,939</u>	<u>\$ 774,168</u>

The following presents the net OPEB liability of the Authority, as well as what the Authority'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:

1% Decrease	Current Trend Rate	1% Increase
<u>\$ 784,434</u>	<u>\$ 927,939</u>	<u>\$ 1,040,450</u>

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

Payable Changes in the Net OPEB Liability – At June 30, 2019, the School reported a payable of \$4,148 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

11. LOSS CONTINGENCIES

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.

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12. OPERATING LEASES

On November 17 2016, the District entered into a lease agreement to lease three copy machines. The lease has a 60 month term with payment of \$866 monthly. The first payment was made on November 17, 2016 and the last payment is due November 17, 2021. Future annual rent receipts are as follows:

Years ending	
June 30,	Amount
2020	\$ 10,395
2021	10,395
2022	-
2022	<u>-</u>
	<u>\$ 20,790</u>

13. ANALYSIS FOR IMPAIRMENT

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there are no impaired assets at June 30, 2019.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2019, the date the financial statements were available to be issued.

STATE OF NEW MEXICO
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 JUNE 30, 2019

16. TAX ABATEMENT

Torrance County Property tax revenue were reduced by an unestimable amount under agreements entered into by the County. Below is the information available to Vaughn Municipal Schools in relation to this abatement.

Abating Agency Number	5030
Abating Agency Name	Torrance County
Abating Agency Type	County
Tax Abatement Agreement Name	El Cabo Wind, LLC
Name of agency affected by abatement agreement (Affected Agency)	Vaughn Municipal Schools
Agency number of Affected Agency	7087
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	Yes
Tax abatement program (name and brief description)	Industrial Revenue Bond - Renewable Engery (Wind Farm)
Specific Tax(es) Being Abated	Property Tax
Authority under which abated tax would have been paid to Affected Agency	Property Tax Distribution
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	This was set up in 2013 and the County Assessor's office has no record of any values used to determine any reductions.
For any Payments in Lieu of Taxes (PILOTS) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	Vaughn Municipal Schools will receive \$268,200 annually for 30 years starting in 2016. In the fiscal year under audit they received \$134,000 in December 2017 the other \$134,000 in May 2018, thus recognized in prior year.
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The Vaughn Municipal Schools' proportion of the net pension liability	\$ 1,934,234	\$ 2,123,878	\$ 2,177,641	\$ 3,894,159	\$ 3,877,763
The Vaughn Municipal Schools' proportionate share of the net pension liability	0.0339%	0.0328%	0.0303%	0.0350%	0.0326%
The Vaughn Municipal Schools' covered-employee payroll	\$ 934,484	\$ 895,272	\$ 997,728	\$ 911,411	\$ 988,458
The Vaughn Municipal Schools's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.98 %	237.23 %	218.26 %	427.27 %	392.30 %
Plan fiduciary net position as a percentage of the total pension liability	66.54 %	63.97 %	61.58 %	52.95 %	52.17 %

*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, The Vaughn Municipal Schools will present information for those years for which information is available.

See independent auditors' report

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF CONTRIBUTIONS
 EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST 10 FISCAL YEARS*
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 129,581	\$ 118,309	\$ 138,684	\$ 127,091	\$ 138,144
Contributions in relation to the contractually required contribution	<u>129,581</u>	<u>118,309</u>	<u>138,684</u>	<u>127,091</u>	<u>138,144</u>
Contribution deficiency (excess)	-	-	-	-	-
The Vaughn Municipal Schools' covered-employee payroll	<u>\$ 934,484</u>	<u>\$ 895,272</u>	<u>\$ 997,728</u>	<u>\$ 911,411</u>	<u>\$ 988,458</u>
Contributions as a percentage of covered-employee payroll	<u>13.87 %</u>	<u>13.21 %</u>	<u>13.90 %</u>	<u>13.94 %</u>	<u>13.98 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Vaughn Municipal Schools will present information for those years for which information is available.

See independent auditors' report

VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS

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

	2018	2019
Vaughn Municipal Schools's proportion of the net OPEB liability	0.02321%	0.02134%
Vaughn Municipal Schools's proportionate share of the net OPEB liability	\$ 1,051,801	\$ 927,939
Vaughn Municipal Schools's covered-employee payroll	\$ 966,847	\$ 915,618
Vaughn Municipal Schools's proportionate share of net OPEB liability as a percentage of its covered - employee payroll	108.79%	101.35%
Plan fiduciary net pension as a percentage of the total OPEB liability	11.34%	13.14%

VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF CONTRIBUTIONS OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS

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

	2018	2019
Contractually required contribution	\$ 73,703	\$ 33,347
Contributions in relation to the contractually required contribution	\$ <u>36,991</u>	\$ <u>32,940</u>
Contribution deficiency (excess)	<u>\$ 36,712</u>	<u>\$ 407</u>
Vaughn Municipal Schools's covered-employee payroll	\$ 966,847	\$ 915,618
Contribution as a percentage of covered-employee payroll	3.83%	3.60%

VAUGHN MUNICIPAL SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

ERB PLAN

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

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

RHCA PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

Changes in assumptions and methods. There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

	Special Revenue	Capital Projects	Total
ASSETS			
Cash on deposit	\$ 8,859	\$ 606	\$ 9,465
Restricted Cash	2,567	15,941	18,508
Accounts receivable	3,915	-	3,915
Inventory, at cost	766	-	766
Due from grantors	112,048	-	112,048
Total assets	\$ 128,155	\$ 16,547	\$ 144,702
LIABILITIES DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 129,403	\$ -	\$ 129,403
Accounts payable	-	-	-
Total liabilities	129,403	-	129,403
Deferred inflows:			
Property tax	-	-	-
Total deferred inflows	-	-	-
Total deferred inflows and liabilities	129,403	-	129,403
Fund balances:			
Nonspendable - inventory	766	-	766
Restricted, reported in:			
Special revenue funds	11,427	-	11,427
Capital project funds	-	16,547	16,547
Unrestricted, reported in:			
Special revenue funds	(13,441)	-	(13,441)
Total fund balance	(1,248)	16,547	15,299
Total liabilities, deferred inflows, and fund balances	\$ 128,155	\$ 16,547	\$ 144,702

See independent auditors' report

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Charges for services	\$ 10,446	\$ -	\$ 10,446
Taxes	20,230	-	20,230
State sources	8,915	-	8,915
Federal sources	112,444	-	112,444
Miscellaneous	-	2,190	2,190
	<u>152,035</u>	<u>2,190</u>	<u>154,225</u>
Total revenues			
Expenditures:			
Current:			
Direct instruction	99,080	40,748	139,828
Instructional support	35,334	-	35,334
Food services	46,568	-	46,568
Capital outlay	-	34,269	34,269
	<u>180,982</u>	<u>75,017</u>	<u>255,999</u>
Total expenditures			
Net changes in fund balances	(28,947)	(72,827)	(101,774)
Fund balance - beginning of year	<u>27,699</u>	<u>89,374</u>	<u>117,073</u>
Fund balance - end of year	<u>\$ (1,248)</u>	<u>\$ 16,547</u>	<u>\$ 15,299</u>

See independent auditors' report

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

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

FOOD SERVICE (21000) - This program provides financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

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

TITLE I IASA (24101 ENTITLEMENT), (24201 FEDERAL STIMULUS) - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

IDEA-B ENTITLEMENT SPECIAL (24106), (24206 FEDERAL STIMULUS) - This fund is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

TEACHER/PRINCIPAL TRAINING & RECRUITING (24154) - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

ENMR PLATEAU - EDUCATION FOUNDATION SCHOOL GRANT (26191) - To account for monies received to purchase equipment needed to use the Accelerated Math Program.

2012 GO BOND LIBRARY (27107) - To account for monies received from, Laws of 2012 to be used to improve the library, acquire library books or library resources that support the library program.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

BEGINNING TEACHER MENTORING (27154) - To account for monies appropriated by the State Legislature to be used for stipends to mentors, for professional development opportunities, release time; including payment of substitutes, materials and supplies and for minor administrative costs. Financing and authority is provided by the State Legislature.

Pre- K Initiative (27149) - The pre-k program shall address the total development needs of preschool children, including physical, cognitive, social and emotional needs, and shall include health care, nutrition, safety and multicultural sensitivity.

Rural Education Achievement Program Fund (25233) - is used to provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

K-3-Plus Fund (27166) - To account for funds received to provide the opportunity for the district to address early literacy. The full-day kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.

IDEA-B Results Plan Non-Title I Schools (24132) - To improve growth rates in the areas of reading and math for students with disabilities.

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

Special Revenue Funds						
	Food Service 21000	Athletics 22000	Title I 24101	Entitlement IDEA-B 24106	Teacher/Princip al Training & Recruiting 24154	ENMR Education Foundation School Grant 26191
ASSETS						
Cash on deposit	\$ -	\$ 8,859	\$ -	\$ -	\$ -	\$ -
Restricted cash	-	-	-	-	-	-
Inventory, at cost	766	-	-	-	-	-
Due from grantors	-	-	12,850	19,596	6,600	-
Total assets	\$ 766	\$ 8,859	\$ 12,850	\$ 19,596	\$ 6,600	\$ -
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other funds	\$ 813	\$ -	\$ 16,067	\$ 19,596	\$ 6,600	\$ -
Accounts payable	-	-	-	-	-	-
Total liabilities	813	-	16,067	19,596	6,600	-
Fund balances:						
Nonspendable - inventory	766	-	-	-	-	-
Restricted, reported in:						
Special revenue funds	-	8,859	-	-	-	-
Unrestricted, reported in:						
Special revenue funds	(813)	-	(3,217)	-	-	-
Total fund balance	(47)	8,859	(3,217)	-	-	-
Total liabilities and fund balances	\$ 766	\$ 8,859	\$ 12,850	\$ 19,596	\$ 6,600	\$ -

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 JUNE 30, 2019

	Special Revenue Funds						Total Special Revenue Funds
	2012 GO Bond Student Library 27107	Beginning Teacher Mentoring 27154	Pre K Initiative 27149	Rural Education Achievement Program 25233	K-3 Plus 27166	IDEA-B Results Plan 24132	
ASSETS							
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,859
Restricted cash	-	2,567	-	-	-	-	2,567
Accounts receivable	-	-	-	-	-	3,915	3,915
Inventory, at cost	-	-	-	-	-	-	766
Due from grantors	6,072	-	8,579	36,067	22,284	-	112,048
Total assets	<u>\$ 6,072</u>	<u>\$ 2,567</u>	<u>\$ 8,579</u>	<u>\$ 36,067</u>	<u>\$ 22,284</u>	<u>\$ 3,915</u>	<u>\$ 128,155</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ 6,072	\$ -	\$ 17,990	\$ 36,067	\$ 22,284	\$ 3,914	\$ 129,403
Accounts payable	-	-	-	-	-	-	-
Total liabilities	6,072	-	17,990	36,067	22,284	3,914	129,403
Fund balances:							
Nonspendable - inventory	-	-	-	-	-	-	766
Restricted, reported in:							
Special revenue funds	-	2,567	-	-	-	1	11,427
Unrestricted, reported in:							
Special revenue funds	-	-	(9,411)	-	-	-	(13,441)
Total fund balance	-	2,567	(9,411)	-	-	1	(1,248)
Total liabilities and fund balances	<u>\$ 6,072</u>	<u>\$ 2,567</u>	<u>\$ 8,579</u>	<u>\$ 36,067</u>	<u>\$ 22,284</u>	<u>\$ 3,915</u>	<u>\$ 128,155</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019

	Special Revenue Funds					
	Food Service 21000	Athletics 22000	Title I 24101	Entitlement IDEA-B 24106	Teacher/Princip al Training & Recruiting 24154	ENMR Education Foundation School Grant 26191
Revenues:						
Charges for services	\$ 724	\$ 9,722	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-	5,000
Federal sources	39,209	-	34,538	37,697	1,000	-
Total revenues	39,933	9,722	34,538	37,697	1,000	5,000
Expenditures:						
Current:						
Direct instruction	-	18,714	37,755	37,697	1,000	-
Instructional support	-	-	-	-	-	5,693
Food services	46,568	-	-	-	-	-
Total expenditures	46,568	18,714	37,755	37,697	1,000	5,693
Net changes in fund balances	(6,635)	(8,992)	(3,217)	-	-	(693)
Fund balance - beginning of	6,588	17,851	-	-	-	693
Fund balance - end of year	\$ (47)	\$ 8,859	\$ (3,217)	\$ -	\$ -	\$ -

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 JUNE 30, 2019

	Special Revenue Funds						Total Special Revenue Funds
	2012 GO Bond Student Library 27107	Beginning Teacher Mentoring 27154	Pre K Initiative 27149	Rural Education Achievement Program 25233	K-3 Plus 27166	IDEA-B Results Plan 24132	
Revenues:							
Charge for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,446
State share taxes	-	-	20,230	-	-	-	20,230
State sources	-	-	-	-	-	3,915	8,915
Federal sources	-	-	-	-	-	-	112,444
Total revenues	-	-	20,230	-	-	3,915	152,035
Expenditures:							
Current:							
Direct instruction	-	-	-	-	-	3,914	99,080
Instructional support	-	-	29,641	-	-	-	35,334
Food services	-	-	-	-	-	-	46,568
Total expenditures	-	-	29,641	-	-	3,914	180,982
Net changes in fund balances	-	-	(9,411)	-	-	1	(28,947)
Fund balance - beginning	-	2,567	-	-	-	-	27,699
Fund balance - end of year	\$ -	\$ 2,567	\$ (9,411)	\$ -	\$ -	\$ 1	\$ (1,248)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

EDUCATION TECHNOLOGY EQUIPMENT ACT (31900) - To ensure that American children have the skills they need to succeed in the information-intensive 21st century, the federal government is committed to working with the private sector to promote four major developments in American education: making modern computer technology an integral part of every classroom; creation of this fund is the Federal Property and Administrative Services Act of 1949., Ch. 288, 63 Stat 377, and the National Defense Authorization Act for the fiscal year 1996, Public Law 104-106.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Education Technology Equipment Act 31900	Total
	<u> </u>	<u> </u>
ASSETS		
Cash on deposit	\$ 606	\$ 606
Restricted cash	15,941	15,941
	<u> </u>	<u> </u>
Total assets	<u>\$ 16,547</u>	<u>\$ 16,547</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payables	\$ -	\$ -
	<u> </u>	<u> </u>
Total liabilities	-	-
Fund balances:		
Reserve for retirement of long- term debt	-	-
Reserved for inventory	-	-
Restricted, reported in:		
Capital projects funds	16,547	16,547
	<u> </u>	<u> </u>
Total fund balance	<u>16,547</u>	<u>16,547</u>
Total liabilities and fund balances	<u>\$ 16,547</u>	<u>\$ 16,547</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Education Technology Equipment Act 31900	Total
	<u> </u>	<u> </u>
Revenues:		
Interest income	2,190	2,190
	<u> </u>	<u> </u>
Total revenues	2,190	2,190
Expenditures:		
Current:		
Direct instruction	40,748	40,748
Capital outlay	34,269	34,269
	<u> </u>	<u> </u>
Total expenditures	75,017	75,017
	<u> </u>	<u> </u>
Net changes in fund balances	(72,827)	(72,827)
Fund balance - beginning of year	89,374	89,374
	<u> </u>	<u> </u>
Fund balance - end of year	<u>\$ 16,547</u>	<u>\$ 16,547</u>

See independent auditors' report and accompanying notes to financial statements.

GENERAL FUND

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 GENERAL FUND
 JUNE 30, 2019

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
ASSETS					
Cash	\$ 38,479	\$ 3,524	\$ -	\$ 4,878	\$ 46,881
Taxes receivable	1,285	-	-	-	1,285
Due from other funds	129,403	-	-	-	129,403
 Total assets	 \$ 169,167	 \$ 3,524	 \$ -	 \$ 4,878	 \$ 177,569
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Deferred inflows:					
Property tax	\$ 1,012	\$ -	\$ -	\$ -	\$ 1,012
Total deferred inflows	1,012	-	-	-	1,012
Fund balances:					
Restricted fund	-	-	-	4,878	4,878
Unassigned, reported in:					
General fund	168,155	3,524	-	-	171,679
Total fund balances	168,155	3,524	-	4,878	176,557
Total liabilities, deferred inflows, and fund balances	\$ 169,167	\$ 3,524	\$ -	\$ 4,878	\$ 177,569

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
REVENUES					
Taxes	\$ 47,066	\$ -	\$ -	\$ -	\$ 47,066
Charges for services	-	7,200	-	-	7,200
State sources	1,543,805	-	-	2,104	1,545,909
Transportation distribution	<u>-</u>	<u>-</u>	<u>72,843</u>	<u>-</u>	<u>72,843</u>
 Total revenues	 1,590,871	 7,200	 72,843	 2,104	 1,673,018
 EXPENDITURES					
Current:					
Direct instruction	823,216	-	-	2,585	825,801
Instructional support	504,137	-	-	-	504,137
Central services	103,056	-	-	-	103,056
Operation and maintenance	260,496	11,827	-	-	272,323
Transportation	<u>-</u>	<u>-</u>	<u>72,843</u>	<u>-</u>	<u>72,843</u>
 Total expenditures	 <u>1,690,905</u>	 <u>11,827</u>	 <u>72,843</u>	 <u>2,585</u>	 <u>1,778,160</u>
 Net change in fund balance	 (100,034)	 (4,627)	 -	 (481)	 (105,142)
 Fund balance at beginning of year	 <u>268,189</u>	 <u>8,151</u>	 <u>-</u>	 <u>5,359</u>	 <u>281,699</u>
 Fund balance at end of year	 <u>\$ 168,155</u>	 <u>\$ 3,524</u>	 <u>\$ -</u>	 <u>\$ 4,878</u>	 <u>\$ 176,557</u>

See independent auditors' report and accompanying notes to financial statements.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 39,964	\$ 39,964	\$ 47,066	\$ 7,102
Charges for services	-	-	-	-
State sources	1,501,327	1,554,721	1,543,348	(11,373)
Earnings from investments	-	-	-	-
Miscellaneous	13,500	13,500	-	(13,500)
	<u>1,554,791</u>	<u>1,608,185</u>	<u>1,590,414</u>	<u>(17,771)</u>
Total revenues				
Expenditures:				
Current:				
Direct instruction	952,122	942,122	823,216	118,906
Instruction support	112,000	117,000	92,628	24,372
Central services	113,000	113,000	103,056	9,944
Operation and maintenance	176,912	278,027	260,496	17,531
Transportation	-	-	-	-
General administration	273,131	273,131	259,527	13,604
School administration	147,000	152,600	151,982	618
Food services	-	-	-	-
	<u>1,774,165</u>	<u>1,875,880</u>	<u>1,690,905</u>	<u>184,975</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(219,374)</u>	<u>(267,695)</u>	<u>(100,491)</u>	<u>167,204</u>
Net change in fund balance	(219,374)	(267,695)	(100,491)	167,204
Fund balance - beginning of year	<u>268,189</u>	<u>268,189</u>	<u>268,189</u>	<u>-</u>
Fund balance - end of year	<u>\$ 48,815</u>	<u>\$ 494</u>	<u>\$ 167,698</u>	<u>\$ 167,204</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (100,491)	
Net revenue accruals			457	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (100,034)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
TEACHERAGE FUND

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

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 13,200	\$ 13,200	\$ 7,200	\$ (6,000)
Total revenues	13,200	13,200	7,200	(6,000)
Expenditures:				
Current:				
Operation and maintenance	17,061	21,351	11,827	9,524
Total expenditures	17,061	21,351	11,827	9,524
Excess (deficiency) of revenues over expenditures	(3,861)	(8,151)	(4,627)	3,524
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(3,861)	(8,151)	(4,627)	3,524
Fund balance - beginning of year	8,151	8,151	8,151	-
Fund balance - end of year	\$ 4,290	\$ -	\$ 3,524	\$ 3,524
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (4,627)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (4,627)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
TRANSPORTATION FUND

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Transportation Distribution	\$ 72,843	\$ 72,843	\$ 72,843	\$ -
Total revenues	72,843	72,843	72,843	-
Expenditures:				
Current:				
Transportation	72,843	72,843	72,843	-
Total expenditures	72,843	72,843	72,843	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See independent auditors' report and accompanying notes to financial statements.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 2,104	\$ 2,104	\$ 2,104	\$ -
Total revenues	2,104	2,104	2,104	-
Expenditures:				
Current:				
Direct instruction	7,463	7,463	2,585	4,878
Total expenditures	7,463	7,463	2,585	4,878
Excess (deficiency) of revenues over expenditures	(5,359)	(5,359)	(481)	4,878
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(5,359)	(5,359)	(481)	4,878
Fund balance - beginning of year	5,359	5,359	5,359	-
Fund balance - end of year	\$ -	\$ -	\$ 4,878	\$ 4,878
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (481)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ (481)</u>	

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	23001	23002	23003	23004	23008	23009	23010	23012	23005	
	Class of 2019	Class of 2020	Class of 2021	Class of 2016	Cheerleaders	High School Student Council	General Activity Account	Golden Apple Grant	Class of 2023	
Beginning Cash	\$ 1,448	\$ 1,566	\$ 173	\$ 234	\$ 1,259	\$ 2,233	\$ 5,715	\$ 1,352	\$ 116	
Additions	-	562	10	30	-	-	-	-	45	
Deletions	(1,407)	(1,276)	(12)	(12)	-	(1,668)	-	-	(20)	
Ending Cash	\$ 41	\$ 852	\$ 171	\$ 252	\$ 1,259	\$ 565	\$ 5,715	\$ 1,352	\$ 141	
Beginning Liabilities	\$ 1,448	\$ 1,566	\$ 173	\$ 234	\$ 1,259	\$ 2,233	\$ 5,715	\$ 1,352	\$ 116	
Additions	-	562	10	30	-	-	-	-	45	
Deletions	(1,407)	(1,276)	(12)	(12)	-	(1,668)	-	-	(20)	
Ending Liabilities	\$ 41	\$ 852	\$ 171	\$ 252	\$ 1,259	\$ 565	\$ 5,715	\$ 1,352	\$ 141	
	23029	23016	23020	23025	23026	23035	23040	23006	23014	
	District 3 - 1A	Shop Fund	Fiesta Fund	Class of 2017	Class of 2018	Athletic Fundraising Acct	FFA	Class of 2024	Class of 2021	TOTAL
Beginning Cash	\$ -	\$ 1,242	\$ -	\$ -	\$ 47	\$ 5,229	\$ 1,405	\$ -	\$ -	\$ 22,019
Additions	3,675	-	-	-	-	470	15	82	-	4,889
Deletions	(1,764)	-	-	-	(47)	-	-	(19)	-	(6,225)
Ending Cash	\$ 1,911	\$ 1,242	\$ -	\$ -	\$ -	\$ 5,699	\$ 1,420	\$ 63	\$ -	\$ 20,683
Beginning Liabilities	\$ -	\$ 1,242	\$ -	\$ -	\$ 47	\$ 5,229	\$ 1,405	\$ -	\$ -	\$ 22,019
Additions	3,675	-	-	-	-	470	15	82	-	4,889
Deletions	(1,764)	-	-	-	(47)	-	-	(19)	-	(6,225)
Ending Liabilities	\$ 1,911	\$ 1,242	\$ -	\$ -	\$ -	\$ 5,699	\$ 1,420	\$ 63	\$ -	\$ 20,683

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF PLEDGED COLLATERAL
 JUNE 30, 2019

Everyone's Federal Credit Union

Description of Pledge Collateral	<u>Market Value</u>	<u>Maturity Date</u>	<u>CUSIP#</u>
Tiered Maturities			
Fed Hom Loan Mtg Corp	\$ 150,000	01/27/22	3134GAT61
Fed Nat Mtg Assoc	300,000	08/28/20	3136G4LP6
Fed Hom Loan Mtg Corp	<u>100,000</u>	03/29/22	3134GA7H1
Total	<u>\$ 550,000</u>		

Vaughn Municipal Schools secures their public monies in United States Securities as listed above. The Schools are in compliance as disclosed in Note 3.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
 JUNE 30, 2019

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
Everyone's Federal Credit Union				
General Operational	Checking	\$ 615,682	\$ (74,131)	\$ 541,551
General Operational - Restricted	Checking	188,825	-	188,825
Activity Fund	Checking	<u>21,133</u>	<u>(450)</u>	<u>20,683</u>
Total EFCU		825,640	(74,581)	751,059
New Mexico Finance Authority				
Restricted Cash	Savings	<u>15,941</u>	<u>-</u>	<u>15,941</u>
Total NMFA		<u>15,941</u>	<u>-</u>	<u>15,941</u>
Total deposits		<u>\$ 841,581</u>	<u>\$ (74,581)</u>	<u>\$ 767,000</u>

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
CASH RECONCILIATION
JUNE 30, 2019

	<u>Operational 11000</u>	<u>Teacherage 12000</u>	<u>Transportation 13000</u>	<u>Instructional Materials 14000</u>	<u>Food Service 21000</u>	<u>Athletics Account 22000</u>	<u>Federal Flowthrough 24000</u>	<u>Federal Direct 25000</u>	
Cash, June 30, 2018	\$ 267,945	\$ 8,151	\$ -	\$ 5,359	\$ 5,788	\$ 17,851	\$ (51,485)	\$ 133,368	
Cash receipts, 2018-2019	1,591,303	7,200	72,843	2,104	39,933	9,722	85,675	19,314	
Cash disbursements, 2018-2019	<u>(1,691,366)</u>	<u>(11,827)</u>	<u>(72,843)</u>	<u>(2,586)</u>	<u>(46,535)</u>	<u>(18,714)</u>	<u>(80,366)</u>	<u>(49,577)</u>	
Cash balance, June 30, 2019	<u>\$ 167,882</u>	<u>\$ 3,524</u>	<u>\$ -</u>	<u>\$ 4,877</u>	<u>\$ (814)</u>	<u>\$ 8,859</u>	<u>\$ (46,176)</u>	<u>\$ 103,105</u>	
	<u>State Flowthrough 26000</u>	<u>State Flowthrough 27000</u>	<u>Local / State 29000</u>	<u>Bond Building 31100</u>	<u>Cap. Impro. SB 9 31700 & 37101</u>	<u>ED Tech Equip Act 31900</u>	<u>Debt Service Fund 41000</u>	<u>Ed. Tech. Debt Service 43000</u>	<u>Total</u>
Cash, June 30, 2018	\$ 693	\$ (39,395)	\$ 30,402	\$ 836,855	\$ 22,157	\$ 89,373	\$ 229,303	\$ 269,530	\$ 1,825,895
Cash receipts, 2018-2019	5,000	25,259	268,200	4,885	189,991	2,190	269,501	138,412	2,731,532
Cash disbursements, 2018-2019	<u>(5,693)</u>	<u>(29,642)</u>	<u>(295,673)</u>	<u>(841,740)</u>	<u>(177,219)</u>	<u>(75,017)</u>	<u>(190,629)</u>	<u>(221,683)</u>	<u>(3,811,110)</u>
Cash balance, June 30, 2019	<u>\$ -</u>	<u>\$ (43,778)</u>	<u>\$ 2,929</u>	<u>\$ -</u>	<u>\$ 34,929</u>	<u>\$ 16,546</u>	<u>\$ 308,175</u>	<u>\$ 186,259</u>	<u>\$ 746,317</u>

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 JOINT POWERS AGREEMENTS
 JUNE 30, 2019

<u>Other Principal</u>	<u>Agreement Description</u>	<u>Effective Date</u>	<u>Ending Date</u>	<u>Project Cost</u>	<u>Fiscal Year Contribution</u>	<u>Party Responsible for Operations/Revenues and Expenditure Reporting/ Audit Responsibility (if Any)</u>
Town of Vaughn	Exchange of Equipment	8/16/2017	8/15/2019	-	-	Each their own/annual renewal
Red Cross	Emergency Shelter	-	No end date	Utilities/Sanitary Supplies	-	Vaughn Schools - no reimbursement

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 Colón
State Auditor of the State of New Mexico
Board of Directors of Vaughn Municipal Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Vaughn 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 the combined and individual funds and related budgetary comparisons presented as supplementary information, and have issued our report thereon dated November 15, 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. (2019-002 (2018-001) & 2019-003 (2018-002))

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (2019-001).

Management Responses to Findings

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

Purpose of this Report

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

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

November 15, 2019

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

PRIOR AUDIT FINDINGS

Current status

2019-002 (2018-001)	Expenditures in Excess of Budget	Repeated
2019-003 (2018-002)	Certified Procurement Officer	Repeated
2018-003	Subsidiary Records and Inventory	Resolved

CURRENT AUDIT FINDINGS

Current status

2019-001	Capital assets inventory certification	New
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STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2019

Expenditures in Excess of Budget (Significant Deficiency) - 2019-002 (2018-001)

CONDITION The following funds remitted payments for goods and services in excess of the adopted budget as follows:

<u>Fund</u>	<u>Reason</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Debt Services	General Administration	\$ 2,134	\$ 2,695	\$ 561
Capital Improvements SB-9	General Administration	<u>1,850</u>	<u>1,900</u>	<u>50</u>
Totals		<u>\$ 3,984</u>	<u>\$ 4,595</u>	<u>\$ 611</u>

The School had not made any progress from the prior year.

CRITERIA Section 6-6-6 of the New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payment in excess of the approved budget. The District has the obligation to follow applicable state statutes.

CAUSE The school did not have enough time to make a resolution for budget adjustment at the end of the year.

EFFECT The District is in non compliance with the state, since all funds must be budgeted for. Non-compliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

RECOMMENDATION We recommend that both the Superintendent and the Business Manager devote sufficient time to review the final budget reports to identify any funds with expenditures in excess of budget. A budget resolution should be prepared for excess expenditures.

RESPONSE After the June 2019 Board meeting, Business Manager submitted BAR's to PED through OBMS to correct negative line items to avoid negative function totals. Budget Analyst disapproved the adjustments because the final date for BAR's admission was June 1, 2019.

EXPECTED COMPLETION: 06/30/2020

Responsible Employee: Business Manager

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

Certified Procurement Officer (Significant Deficiency) - 2019-003 (2018-002)

CONDITION	During our compliance testwork, it was noted that the District did not have a Chief Procurement Officer. The School had not made any progress from the prior year.
CRITERIA	Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.
CAUSE	The District failed to renew the CPO certification for the business manager.
EFFECT	The District did not implement a proper purchasing process which exposes the District to the risk of following an improper purchasing process and increases the risk of errors in payments issued by District due to the lack of proper supervision and monitoring by the Chief Procurement Officer.
RECOMMENDATION	The District should designate an agent to become certified and registered as a Chief Procurement Officer for the District. The District should also implement procedures to ensure certifications are renewed timely.
RESPONSE	Management will ensure to renew the business manager certificate during FY20.

EXPECTED COMPLETION: 06/30/2020

Responsible Employee: Business Manager

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

Capital assets inventory certification - (Other non-compliance) - 2019-001

CONDITION	An annual physical inventory of assets for fiscal year 2019 was performed, but was not certified by the school board.
CRITERIA	2.2.10.W.2 Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency governing authority shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors.
CAUSE	The annual inventory was not certified by the board.
EFFECT	The district is not in compliance with NMAC 2.2.10.W.2.
RECOMMENDATION	We recommend that the board certify the annual inventory upon completion of the physical inventory.
RESPONSE	The district will have the board certify the correctness of the annual inventory following the completion of the inventory.

EXPECTED COMPLETION: 06/30/2020

Responsible Employee: Business Manager

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

The financial statements of Vaughn Municipal Schools as of, and for the year ended June 30, 2019 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019

An entrance conference was conducted September 23, 2019 in a closed meeting of the Vaughn Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Vaughn Municipal Schools

Jack Props	Superintendent
Antonia Martinez-Sanchez	Board Member
Trude Bauler	Business Manager
Denise Castillo	Assistant Business Manager

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
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An exit conference was conducted November 14, 2019 in a closed meeting of the Vaughn Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Vaughn Municipal Schools

Jack Props	Superintendent
Antonia Martinez-Sanchez	Board Member
Trude Bauler	Business Manager
Denise Castillo	Assistant Business Manager

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
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