

OFFICIAL STATEMENT DATED FEBRUARY 25, 2020

\$30,000,000

CARLSBAD MUNICIPAL SCHOOL DISTRICT
Eddy County, New Mexico
General Obligation School Bonds
Series 2020

NEW ISSUE

Book-Entry Only

Moody's Rating: Aa3 Underlying/ Aa3 Enhanced

| | |
|-----------------------------|---|
| PURPOSES | Proceeds of the Bonds will be used for the purpose of (i) erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of these purposes and (ii) paying costs of issuance. |
| THE BONDS | The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry-only form, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each August 1 and February 1, commencing August 1, 2020. As long as DTC or its nominee is the registered owners of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See "The Bonds - Book-Entry Only System". BOKF, N.A., Albuquerque, New Mexico (or successor in function) is the Registrar and Paying Agent for the Bonds. |
| OPTIONAL REDEMPTION | The Series 2020 Bonds are subject to redemption prior to maturity as provided herein. See "THE BONDS." |
| SECURITY | The Bonds are general obligations of the Carlsbad Municipal School District, Eddy County, New Mexico, payable solely out of general ad valorem (property) taxes which are required to be levied against all taxable property in the District without limitation as to rate or amount. |
| BOND AND TAX OPINION | In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing law and assuming continuous compliance with certain covenants in the documents relating to the Bonds and requirements of the Internal Revenue Code of 1986, as amended, (the "Code") interest on the Bonds is excluded from gross income for federal income tax purposes, and the interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. However, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings. Bond Counsel is further of the opinion that interest on the Bonds is excluded from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. Bond Counsel expresses no opinion regarding other federal income tax consequences relating to the accrual or receipt of interest on the Bonds. |
| DELIVERY | When, as and if issued, through DTC's facilities, on or about March 18, 2020. |
| DATED DATE | Date of delivery March 18, 2020. |
| DUE DATE | August 1, as shown on the following page: |

Janney Montgomery Scott

General Obligation School Bonds, Series 2020

| Year | Principal | Coupon | Yield | Cusip # 142735 | Year | Principal | Coupon | Yield | Cusip # 142735 |
|------|-------------|--------|--------|-------------------|------|-------------|--------|--------|-------------------|
| 2020 | \$5,000,000 | 5.000% | 0.810% | EU9 | 2028 | \$1,170,000 | 5.000% | 1.000% | FC8 |
| 2021 | 4,400,000 | 5.000% | 0.810% | EV7 | 2029 | 1,170,000 | 3.000% | 1.180% | FD6 |
| 2022 | 4,400,000 | 5.000% | 0.820% | EW5 | 2030 | 1,170,000 | 3.000% | 1.300% | FE4 |
| 2023 | 3,000,000 | 5.000% | 0.820% | EX3 | 2031 | 1,170,000 | 3.000% | 1.380% | FF1 |
| 2024 | 1,170,000 | 5.000% | 0.840% | EY1 | 2032 | 1,170,000 | 2.000% | 1.650% | FG9 |
| 2025 | 1,170,000 | 5.000% | 0.860% | EZ8 | 2033 | 1,170,000 | 2.000% | 1.800% | FH7 |
| 2026 | 1,170,000 | 5.000% | 0.900% | FA2 | 2034 | 1,500,000 | 2.000% | 1.900% | FJ3 |
| 2027 | 1,170,000 | 5.000% | 0.950% | FB0 | | | | | |

*** - CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the District, the Financial Advisor nor the Underwriters shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.*

CARLSBAD MUNICIPAL SCHOOL DISTRICT
Eddy County, New Mexico
408 N. Canyon Street
Carlsbad, New Mexico 88220
(505) 234-3300

BOARD OF EDUCATION

President – David Shoup
Vice-President - Ron Singleton
Secretary – Simon Rubio
Member – Trent Cornum
Member – Robbie Chacon

DISTRICT ADMINISTRATION

Superintendent – Dr. Gerry Washburn
Deputy Superintendent – LaVern Shan
Director of Finance - Laura Garcia

FINANCIAL CONSULTANT

RBC Capital Markets, LLC
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(505) 872-5999

BOND COUNSEL

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(505) 848-1800

PAYING AGENT/REGISTRAR

BOKF, N.A.
Corporate Trust Group
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Albuquerque, NM 87109
(505) 222-8447

PURCHASER

Janney Montgomery Scott
1717 Arch St., 19th Floor
Philadelphia PA 19103
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A Few Words About Official Statements

Official statements for municipal securities issues – like this one – contain the only “official” information about a particular issue of municipal securities. This Official Statement is not an offer to sell or solicitation of an offer to buy Bonds in any jurisdiction where it is unlawful to make such offer, solicitation or sale and no unlawful offer, solicitation or sale of the Bonds may occur through this Official Statement or otherwise. This Official Statement is not a contract and provides no investment advice. Investors should consult their advisors and legal counsel with their questions about this Official Statement, the Bonds or anything else related to this issue.

MARKET STABILIZATION

In connection with this Official Statement, the Underwriter may over-allot or effect transactions which stabilize and maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The Underwriter is not obligated to do this and is free to discontinue it at any time.

The estimates, forecasts, projections and opinions in this Official Statement are not hard facts, and no one, including the District, guarantees them.

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

Bond Counsel, Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico was not requested and did not take part in the preparation of the Official Statement nor has this firm undertaken to independently verify any of the information contained herein. Such firm has no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent, in part, upon the sale and delivery of such Bonds and all legal fees will be paid from bond proceeds.

Any part of this Official Statement may change at any time, without prior notice. Also, important information about the District and other relevant matters may change after the date of this Official Statement.

All document summaries are just that – they are not complete or definitive, and they may omit relevant information. Such documents are qualified in their entirety to the complete documents. Any investor who wishes to review the full text of documents may request them at no cost from the District or the Financial Advisor as follows:

District

Carlsbad Municipal School District
408 N. Canyon Street
Carlsbad, New Mexico 88220
Attn: Laura Garcia

Financial Advisor

RBC Capital Markets, LLC
6301 Uptown Blvd. NE, Suite 110
Albuquerque, NM 87110
Attn: Erik Harrigan

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\$30,000,000
Carlsbad Municipal School District
County of Eddy, New Mexico
General Obligation School Bonds, Series 2020

INTRODUCTION:

Thank you for your interest in learning more about the \$30,000,000⁽¹⁾ Carlsbad Municipal School District, County of Eddy, New Mexico (the “District”), General Obligation School Bonds, Series 2020 (the “Bonds”). This Official Statement will tell you about the Bonds, their security, the District and the risks involved in an investment in the Bonds.

Although the District has approved this Official Statement, the District does not intend it to substitute for competent investment advice, tailored for your situation.

The Bonds are fully registered bonds in denominations of \$5,000 or integral multiples thereof as described in the Bond Resolution. The Bonds mature and bear interest as presented on the cover page of this Official Statement.

The Financial Advisor

RBC Capital Markets, LLC (the “Financial Advisor”) is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification of or assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Issuer

The District is a political subdivision of the State of New Mexico organized for the purpose of operating and maintaining an educational program for the school-aged children residing within its boundaries. The District encompasses approximately 2,497 square miles, which includes the City of Carlsbad and unincorporated portions of Eddy County (the “County”) in the southeastern area of New Mexico. The District’s 2019 Assessed Valuation is \$4,183,309,304 and its enrollment is 8,677 students. See “THE DISTRICT.”

Limited Role of Auditors

Except for the audited financial statements of the District for the year ended June 30, 2019, contained in Appendix B, this Official Statement presents unaudited financial and statistical information from District records and other sources.

Purpose

Proceeds of the Bonds will be used for the purposes of (i) erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act or any combination of these purposes; and (ii) paying costs of issuance. The sale of Bonds represents the first series of \$80 million authorized by voters in November, 2019.

THE BONDS

New Mexico law (NMSA 1978, §§ 6-15-1 through 6-15-22) enables the District to issue the Bonds. The New Mexico Attorney General will provide a written approving opinion with respect to the Bonds.

General Terms

The Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the front cover of this Official Statement. All Bonds are fully registered in denominations of \$5,000 or multiples of \$5,000. Bond payments will be made by the Paying Agent/Registrar to The Depository Trust Company ("DTC"), and DTC will then remit the payments to its participants for disbursement to the beneficial owners of the Bonds. See "Book-Entry-Only System" in Appendix C.

Security for the Bonds

The Bonds are general obligation bonds of the District and are payable from ad valorem taxes which shall be levied against all taxable property within the boundaries of the District without limitation as to rate or amount. The Bonds are additionally secured by the New Mexico Credit Enhancement Program as discussed in more detail under "NEW MEXICO CREDIT ENHANCEMENT PROGRAM," herein. The District will covenant in the Bond Resolution to levy, in addition to all other taxes, direct annual ad valorem taxes sufficient to pay the principal of and interest on the Bonds. The District may pay the principal of and interest on the Bonds from any funds belonging to the District, which funds may be reimbursed from the ad valorem taxes when the same are collected.

Registrar and Paying Agent

BOKF, N.A., Albuquerque, New Mexico (or successor in function) will serve as the Registrar (the "Registrar") and Paying Agent (the "Paying Agent") for the Bonds.

In the bond resolution, the District covenants to provide a Paying Agent/Registrar at all times until the Bonds are paid, and any Paying Agent/Registrar selected by the District shall be a commercial bank, a trust company, a financial institution or any other entity, as provided by State law, duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar. The Registration Books for the Bonds will be maintained by the Paying Agent/Registrar containing the names and addresses of the registered owners of the Bonds. In the bond resolution, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Registration Books to the successor Paying Agent/Registrar. In the event there is a change in the Paying Agent/Registrar for the Bonds the District has agreed to notify each registered owner of the Bonds affected by the change by United States mail, first-class postage prepaid, at the address in the Registration Books, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the 15th day of the month (whether or not a business day) immediately preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Optional Prior Redemption

Bonds maturing on and after August 1, 2029, are subject to redemption prior to their maturity on or after August 1, 2028, at the option of the District, in whole or in part at any time, at par value. The Bonds will be redeemed in \$5,000 units or

multiples of \$5,000. The redemption price will equal principal of Bonds being redeemed plus accrued interest to the redemption date, without any premium. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution have been met and moneys sufficient to pay the principal of and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Redemption Notices

Notice of prior redemption shall be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail, not less than 30 days prior to the redemption date as shown on the registration books as of the date of selection of the bonds to be redeemed. Failure to give such notice by mailing to the registered owner of any Bond, any defect therein, shall not affect the validity of the proceedings for the redemption of any of the Bonds.

While the Bonds remain under the Book-Entry-Only System, the Paying Agent/Registrar will send notices only to DTC. Any problems from DTC through its system to the beneficial owners of the Bonds will not affect the validity of the Bond redemption or any other action based on the Paying Agent/Registrar's notice. Investors in the Bonds might consider arranging to receive redemption notices or other communications from DTC which affect them, including notice of interest payments. See "**Book-Entry Only System**" in Appendix C.

If the Paying Agent/Registrar gives proper redemption notice and the Paying Agent/Registrar holds money to pay the redemption price of the affected Bonds, then on the redemption date the Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Bonds, and their owners' only right will be to receive payment of the redemption price upon surrender of those Bonds to the Registrar.

Transfers and Exchanges

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner of his duly authorized agent, in a form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See Appendix C - "**Book-Entry-Only System**" herein.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required to transfer or exchange any Bond (i) during the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest payment date; and (ii) within 45 days of the date fixed for redemption; provided such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

Limited Book-Entry Responsibilities

While a Book-Entry-Only system is used for the Bonds, the Paying Agent/Registrar will send redemption and other notices only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any beneficial owner, of any notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

The District and the Financial Advisor have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to DTC Participants or that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

Defeasance

General. The bond resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the bond resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the bond resolution when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible entity for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible entity for the payment of its services until after all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the ad valorem taxes or revenues levied and pledged as provided in the bond resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the bond resolution. Any money so deposited with the Paying Agent/Registrar or an eligible entity may at the discretion of the District also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the bond resolution, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District.

Investments. Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or an eligible entity pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District.

For the purposes of these provisions, "Defeasance Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

Security and Remedies

The Bonds are general obligations of the District payable from general (ad valorem) property taxes that may be levied against all taxable property within the District without limitation of rate or amount.

The District must use all of the property taxes collected for debt service, and any other legally available money, to pay the debt service on the Bonds and other outstanding general obligation debt.

Various New Mexico laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no guarantee that there will not be any changes that would have a material effect on the District.

Limitations of Remedies

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal or interest on the Bonds. Consequently, remedies available to the owners of the Bonds, including mandamus, may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bond to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

The New Mexico legislature amended NMSA 1978, Sections 22-18-1 et. seq. in the first session of 2003 by adding Section 22-18-13 which became effective July 1, 2003. Section 22-18-13 was further amended in 2007 and provides that, if a school district indicates that it will not make the payment by the date on which it is due, the New Mexico Department of Finance and Administration ("DFA") shall forward the amount in immediately available funds necessary to make the payment due on the bonds to the paying agent from the current fiscal year's undistributed State Equalization Guarantee ("SEG") distribution to that school district and, if not otherwise repaid by the school district from other legally available funds, withhold the distributions from the school district until the amount has been recouped by the DFA, provided that, if the amount of the undistributed SEG distribution in the current fiscal year is less than the payment due on the bond, the DFA shall:

- (1) forward in immediately available funds to the paying agent an amount equal to the total amount of the school district's undistributed SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold all distributions to the school district for the remainder of the fiscal year; and
- (2) on July 1 of the following fiscal year, forward in immediately available funds an amount equal to the remaining amount due to the paying agent from that year's SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold an equal amount from the distribution to the school district until the amount paid has been recouped in full.

This provision applies to all New Mexico school districts.

Withholding of the SEG distribution may affect the District's ability to continue to operate.

The New Mexico School District Enhancement Program was initially put on watch list for possible downgrade on May 15, 2007 after the State adopted new legislation that altered the mechanics of the program. After a review of the law and policies regarding the implementation of the law, program ratings were bifurcated, with one rating applying to bonds issued prior to the March 30, 2007 effective date of the legislation and a second rating applying to bonds issued on or after the March 30, 2007 effective date. Under the new law, the State cannot immediately advance more than the remaining undistributed SEG payments for the fiscal year of default. As a result, those school districts with principal and interest payments that fall in the latter part of the fiscal year or that are significant in amount relative to the district's total annual SEG distribution may not have sufficient undistributed SEG payments to cover debt service payments in the event of a default.

Moody's downgraded the New Mexico School District Enhancement Program (Pre and Post-Default) to Aa2 from Aa1, and assigned a negative outlook on November 1, 2016. On June 18, 2018, Moody's further downgraded the enhancement rating from "Aa2" to "Aa3" and assigned a stable outlook.

By request, Moody's will assign a rating to school district bonds upon verification of a requirement in the authorizing Bond Resolution that an independent, third-party paying agent will be appointed and maintained. The District has qualified the Bonds under the New Mexico School District Enhancement Program and received a rating of "Aa3" on the Bonds.

DEBT AND OTHER FINANCIAL OBLIGATIONS

General Obligation Debt

Article IX, Section 11 of the New Mexico Constitution limits the powers of a district to incur general obligation debt extending beyond the fiscal year. The district can incur such debt for the purpose of erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software or hardware for student use in public school classrooms or any combination of these purposes but only after the proposition to create any such debt has been submitted to a vote of the qualified electors of the district, and a majority of those voting on the question vote in favor of creating the debt. The total indebtedness of the district may not exceed 6% of the assessed valuation of the taxable property within the district as shown by the last preceding general assessment. The district also may create a debt by entering into a lease-purchase arrangement to acquire education technology equipment without submitting the proposition to a vote of the qualified electors of the district, but any such debt is subject to the 6% debt limitation. The issuance of refunding bonds does not have to be submitted to a vote of the qualified electors of the district.

The most recent certified assessed valuation of taxable property within the District is \$4,183,309,304 for the tax year 2019, as approved by the State of New Mexico Taxation and Revenue Department, Property Tax Division. Therefore, the maximum general obligation indebtedness of the District may not exceed \$183,363,558.

After the Bonds are issued, the ratio of total outstanding general obligation debt of the District to the 2019 Assessed Valuation will be no greater than 1.04% as summarized below:

| | |
|--|-------------------|
| 2019 Assessed Valuation | \$4,183,309,304 |
| 2019 Estimated Actual Valuation ⁽¹⁾ | \$13,307,128,932 |
| | |
| Current G/O Bonds Outstanding (including this issue) | \$59,635,000 |
| Less Debt Service Fund Balance ⁽²⁾ | <u>16,272,896</u> |
| NET DEBT | \$43,362,104 |
| | |
| Ratio of Estimated Net Debt to 2019 Assessed Valuation | 1.04% |
| Ratio of Estimated Net Debt to 2019 Estimated Actual Valuation | 0.33% |
| Per Capita Net Bonded Debt | \$1,238.92 |
| Estimated Population | 35,000 |

(1) Actual valuation is computed by adding exemptions to the assessed valuation and

(2) The cash balance as of January 29, 2020 is \$19,480,687.

Outstanding Debt

The District has issued debt ("Outstanding Debt") in the past for various capital improvements and has never defaulted in the payment of any of its debt or other obligations. Listed below is the District's total general obligation debt outstanding, including the Bonds:

| Series | Original Amount Issued | Final Maturity | Principal Outstanding |
|--------|------------------------|----------------|-----------------------|
| 2014 | 30,000,000 | 01-Aug-24 | 10,000,000 |
| 2016 | 30,000,000 | 01-Aug-29 | 19,635,000 |
| 2020 | 30,000,000 | 01-Aug-34 | 30,000,000 |
| | \$90,000,000 | | \$59,635,000 |

Debt Service Requirements to Maturity

The District schedules principal and interest payments at the time of the bond sales with constraints being general obligation debt capacity and expected property tax revenues. Listed below is a summary of the currently scheduled principal and interest on the District's outstanding debt as well as the proposed principal and interest payments on the Bonds.

| | Current Requirements | | | Series 2020 | | | | Total Requirements | | |
|------|----------------------|--------------------|---------------------|---------------------|--------|--------------------|---------------------|---------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Coupon | Interest | Total | Principal | Interest | Total |
| 2020 | \$3,750,000 | \$1,230,050 | \$4,980,050 | \$5,000,000 | 5.000% | \$485,672 | \$5,485,672 | \$8,750,000 | \$1,715,722 | \$10,465,722 |
| 2021 | 3,750,000 | 1,042,550 | 4,792,550 | 4,400,000 | 5.000% | 1,064,600 | 5,464,600 | 8,150,000 | 2,107,150 | 10,257,150 |
| 2022 | 3,750,000 | 855,050 | 4,605,050 | 4,400,000 | 5.000% | 844,600 | 5,244,600 | 8,150,000 | 1,699,650 | 9,849,650 |
| 2023 | 3,750,000 | 667,550 | 4,417,550 | 3,000,000 | 5.000% | 624,600 | 3,624,600 | 6,750,000 | 1,292,150 | 8,042,150 |
| 2024 | 3,750,000 | 534,050 | 4,284,050 | 1,170,000 | 5.000% | 474,600 | 1,644,600 | 4,920,000 | 1,008,650 | 5,928,650 |
| 2025 | 1,750,000 | 396,550 | 2,146,550 | 1,170,000 | 5.000% | 416,100 | 1,586,100 | 2,920,000 | 812,650 | 3,732,650 |
| 2026 | 1,750,000 | 309,050 | 2,059,050 | 1,170,000 | 5.000% | 357,600 | 1,527,600 | 2,920,000 | 666,650 | 3,586,650 |
| 2027 | 1,500,000 | 221,550 | 1,721,550 | 1,170,000 | 5.000% | 299,100 | 1,469,100 | 2,670,000 | 520,650 | 3,190,650 |
| 2028 | 2,850,000 | 176,550 | 3,026,550 | 1,170,000 | 5.000% | 240,600 | 1,410,600 | 4,020,000 | 417,150 | 4,437,150 |
| 2029 | 3,035,000 | 91,050 | 3,126,050 | 1,170,000 | 3.000% | 182,100 | 1,352,100 | 4,205,000 | 273,150 | 4,478,150 |
| 2030 | | | | 1,170,000 | 3.000% | 147,000 | 1,317,000 | 1,170,000 | 147,000 | 1,317,000 |
| 2031 | | | | 1,170,000 | 3.000% | 111,900 | 1,281,900 | 1,170,000 | 111,900 | 1,281,900 |
| 2032 | | | | 1,170,000 | 2.000% | 76,800 | 1,246,800 | 1,170,000 | 76,800 | 1,246,800 |
| 2033 | | | | 1,170,000 | 2.000% | 53,400 | 1,223,400 | 1,170,000 | 53,400 | 1,223,400 |
| 2034 | | | | 1,500,000 | 2.000% | 30,000 | 1,530,000 | 1,500,000 | 30,000 | 1,530,000 |
| | \$29,635,000 | \$5,524,000 | \$35,159,000 | \$30,000,000 | | \$5,408,672 | \$35,408,672 | \$59,635,000 | \$10,932,672 | \$70,567,672 |

Statement of Estimated Direct and Overlapping Debt

The following is a calculation which is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to outstanding debt of the District, the calculation takes into account debt attributable to taxing entities which is the responsibility of taxpayers within the boundaries of the District.

| | 2019 Assessed Value | G/O Debt Outstanding | Percent Applicable | Amount |
|---------------------------------------|------------------------|-------------------------|-----------------------|---------------------|
| State of New Mexico | \$66,382,974,295 | \$490,910,000 | 6.30% | \$30,936,070 |
| Eddy County | 6,497,511,136 | - | 64.00% | - |
| NMSU-Carlsbad Branch | 4,183,309,303 | - | 100.00% | - |
| City of Carlsbad | 615,791,682 | - | 100.00% | - |
| Carlsbad Schools | 4,183,309,303 | 59,635,000 | 100.00% | 59,635,000 |
| Total Direct & Overlapping | | | | \$90,571,070 |

| | |
|--|------------|
| Ratio of Estimated Direct & Overlapping Debt to 2019 Assessed Valuation: | 151.88% |
| Ratio of Estimated Direct & Overlapping Debt to 2019 Actual Valuation: | 0.68% |
| Per Capita Direct & Overlapping Debt: | \$2,587.74 |
| Population: | 35,000 |

Selected Debt Ratios

| | |
|--|------------------|
| 2019 Assessed Valuation | \$4,183,309,304 |
| 2019 Estimated Actual Valuation ⁽¹⁾ | \$13,307,128,932 |
| District Net Debt as a Percentage of | |
| Assessed Valuation | 1.04% |
| Estimated Actual Valuation | 0.33% |
| Direct and Overlapping Debt as a Percentage of | |
| Assessed Valuation | 2.17% |
| Estimated Actual Valuation | 0.68% |
| Estimated Population | 35,000 |
| District General Obligation Debt Outstanding (Including the Proposed Bonds) | \$59,635,000 |
| District Net General Obligation Debt | \$43,362,104 |
| Estimated Direct & Overlapping G/O Debt | \$90,571,070 |
| District Net Debt Per Capita | \$1,238.92 |
| Direct and Overlapping Debt Per Capita | \$2,587.74 |

(1) Actual valuation is computed by adding exemptions to the assessed valuation and multiplying the result by three.

TAX BASE

Analysis of Assessed Valuation

Assessed Valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3 percent is legally subject to ad valorem taxes. After deduction of certain personal exemptions, the 2019 Assessed Valuation is \$4,183,309,304. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The actual value of Oil and Gas Production and Equipment (see "Oil and Gas" below) is determined by the Oil and Gas Accounting Commission. Oil and Gas totals are certified in March of the year following production. The analysis of Assessed Valuation follows:

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Assessments | | | | | |
| Value of Land | \$96,735,679 | \$99,331,873 | \$102,987,969 | \$103,374,002 | \$112,236,532 |
| Improvements | 549,157,262 | 584,197,725 | 696,485,231 | 698,969,185 | 767,886,356 |
| Personal Property | 56,040,161 | 65,407,359 | 66,678,243 | 60,929,794 | 79,245,121 |
| Mobile Homes | 16,287,355 | 17,773,646 | 17,662,663 | 18,149,504 | 19,184,610 |
| Livestock | 4,188,062 | 5,042,340 | 4,171,823 | 3,410,195 | 3,105,080 |
| Assessor's Total Valuation | \$722,408,519 | \$771,752,943 | \$887,985,929 | \$884,832,680 | \$981,657,699 |
| Less Exemptions | | | | | |
| Head of Family | \$10,286,543 | \$10,289,508 | \$10,128,382 | \$10,211,596 | \$10,204,789 |
| Veterans | 8,092,184 | 8,133,528 | 8,534,160 | 8,822,014 | 8,774,755 |
| Other | 133,799,833 | 136,067,624 | 217,776,776 | 198,721,902 | 233,420,796 |
| Total Exemptions | \$152,178,560 | \$154,490,660 | \$236,439,318 | \$217,755,512 | \$252,400,340 |
| Assessors Net Valuation | \$570,229,959 | \$617,262,283 | \$651,546,611 | \$667,077,168 | \$729,257,359 |
| Centrally Assessed | 537,548,553 | 643,346,121 | 511,650,868 | 631,788,153 | 798,525,845 |
| Oil and Gas | 1,640,952,159 | 1,065,054,916 | 968,081,775 | 1,390,936,153 | 2,655,526,100 |
| Total Assessed Valuation | \$2,748,730,671 | \$2,325,663,320 | \$2,131,279,254 | \$2,689,801,474 | \$4,183,309,304 |

Source: New Mexico Department of Finance & Administration

A further analysis of Assessed Valuation classified as Residential and Non-Residential the last five years follows:

| | | | | | |
|---------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Residential | \$389,156,213 | \$422,343,259 | \$448,570,619 | \$466,775,597 | \$497,876,420 |
| Non-Residential | 718,622,299 | 838,265,145 | 714,626,860 | 832,089,724 | 1,029,906,784 |
| Oil and Gas | 1,640,952,159 | 1,065,054,916 | 968,081,775 | 1,390,936,153 | 2,655,526,100 |
| Total Assessed Valuation | \$2,748,730,671 | \$2,325,663,320 | \$2,131,279,254 | \$2,689,801,474 | \$4,183,309,304 |

Source: New Mexico Department of Finance & Administration

History of Assessed Valuation

The following is a ten-year history of assessed valuation for the District compared with the City of Carlsbad and Eddy County.

| Year | Carlsbad School District | City of Carlsbad | Eddy County |
|------|--------------------------|------------------|-----------------|
| 2019 | \$4,183,309,304 | \$616,128,349 | \$6,497,511,136 |
| 2018 | 2,689,801,474 | 563,128,787 | 4,500,937,285 |
| 2017 | 2,131,279,254 | 532,978,467 | 3,718,811,393 |
| 2016 | 2,325,663,320 | 508,006,992 | 4,101,305,057 |
| 2015 | 2,748,730,671 | 466,092,671 | 5,327,893,556 |
| 2014 | 2,576,636,054 | 424,521,816 | 5,156,441,094 |
| 2013 | 1,849,262,907 | 397,963,865 | 4,335,058,599 |
| 2012 | 1,748,548,283 | 382,803,535 | 3,945,787,758 |
| 2011 | 1,423,243,859 | 357,418,007 | 3,165,680,448 |
| 2010 | 1,207,375,592 | 330,560,774 | 2,562,876,559 |

Source: Eddy County Assessor's Office

Major Taxpayers

The following is a list of the ten largest taxpayers along with the 2019 Assessed Valuation for each which represents 10.91% of the 2019 Assessed Valuation:

| Major Taxpayer | 2019 Assessed Valuation | Total % of |
|-------------------------------|-------------------------|---------------|
| Southwestern Public Service | 105,751,543 | 2.53% |
| Holly Frontier | 58,724,270 | 1.40% |
| Enterprise Field Services LLC | 56,444,629 | 1.35% |
| Lucid Energy Delaware | 55,246,909 | 1.32% |
| XTO Energy Inc | 38,511,823 | 0.92% |
| Mosaic Potash Company | 36,326,229 | 0.87% |
| Plains Pipeline LP | 33,814,124 | 0.81% |
| DCP Operating Company | 25,113,141 | 0.60% |
| Intrepid Potash New Mexico | 23,493,325 | 0.56% |
| BNSF Railway Co | 22,842,811 | 0.55% |
| Total | \$456,268,804 | 10.91% |

Source: Eddy County Assessor's Office

Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for 2019-20 Fiscal Year and the previous four years.

| Within 20 Mill Limit for General Purposes | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| State of New Mexico | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Eddy County | 5.613 | 5.616 | 5.545 | 5.687 | 5.979 |
| NMSU - Carlsbad Branch | 2.466 | 2.483 | 2.455 | 2.470 | 2.595 |
| City of Carlsbad | 4.906 | 4.950 | 4.908 | 5.042 | 5.319 |
| Carlsbad Schools | 0.358 | 0.360 | 0.356 | 0.365 | 0.384 |
| Total | 13.343 | 13.409 | 13.264 | 13.564 | 14.277 |
| Over 20 Mill Limit - Interest, Principal, Judgement, etc. | | | | | |
| State of New Mexico | 1.360 | 1.360 | 1.360 | 1.360 | 1.360 |
| Eddy County | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| NMSU - Carlsbad Branch | 0.000 | 0.000 | 0.100 | 0.150 | 0.500 |
| City of Carlsbad | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Carlsbad Schools | 9.998 | 9.815 | 9.685 | 10.048 | 10.111 |
| Total | 11.358 | 11.175 | 11.145 | 11.558 | 11.971 |
| Total Levy | | | | | |
| State of New Mexico | 1.360 | 1.360 | 1.360 | 1.360 | 1.360 |
| Eddy County | 5.613 | 5.616 | 5.545 | 5.687 | 5.979 |
| NMSU - Carlsbad Branch | 2.466 | 2.483 | 2.555 | 2.620 | 3.095 |
| City of Carlsbad | 4.906 | 4.950 | 4.908 | 5.042 | 5.319 |
| Carlsbad Schools | 10.356 | 10.175 | 10.041 | 10.413 | 10.495 |
| Total Residential | 24.701 | 24.584 | 24.409 | 25.122 | 26.248 |
| Total Non-Residential | 28.810 | 28.860 | 28.870 | 29.172 | 29.211 |
| Total Residential in Unincorporated County | 19.795 | 19.634 | 19.501 | 20.080 | 20.929 |
| Total Non-Residential in Unincorporated County | 22.585 | 22.635 | 22.645 | 22.947 | 23.257 |

Source: New Mexico Department of Finance & Administration

School Tax Rates

The following table shows the historical school tax levies on residential and non-residential property within the District since the 2019 tax year (2019-20 fiscal year). The Two Mill Levy is renewed every six years, most recently on November 5, 2019.

| Tax Year | Operational | | Two Mill Levy | | HB33 | | Debt Service | | | Total | |
|----------|-------------|---------|---------------|---------|-------|---------|--------------|-------|-------|--------|---------|
| | Res | Non Res | Res | Non Res | Res | Non Res | GO Bonds | ETNs | Total | Res | Non Res |
| 2015 | 0.384 | 0.497 | 1.869 | 1.987 | 1.796 | 1.987 | 5.206 | 1.240 | 6.446 | 10.495 | 10.917 |
| 2016 | 0.365 | 0.500 | 1.779 | 1.987 | 1.796 | 1.987 | 4.064 | 2.409 | 6.473 | 10.413 | 10.947 |
| 2017 | 0.356 | 0.500 | 1.735 | 2.000 | 1.752 | 1.987 | 1.620 | 4.578 | 6.198 | 10.041 | 10.685 |
| 2018 | 0.360 | 0.500 | 1.755 | 2.000 | 1.772 | 1.987 | 4.496 | 1.792 | 6.288 | 10.175 | 10.775 |
| 2019 | 0.358 | 0.500 | 2.000 | 2.000 | 1.760 | 1.987 | 4.446 | 1.792 | 6.238 | 10.356 | 10.725 |

Source: New Mexico Department of Finance & Administration.

Yield Control Limitation

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment which will produce revenues which exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value", as defined by Statute, divided by such prior property tax year's total taxable property value, but if that percentage is less than 100%, then the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. *The growth control factor applies to authorized operating levies and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.*

Developments Limiting Residential Property Tax Increases

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas which have experienced large increases in residential property values in recent years), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998 and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

Bills implementing the constitutional amendment were enacted in 2001 and were codified as Sections 7-36-21.2 NMSA 1978 and 7-36-21.3 NMSA 1978.

NMSA 1978, Section 7-36-21.2, establishes a statewide limitation on residential property valuation increases beginning in tax year 2001 (the "Statutory Valuation Cap on Residential Increases"). Annual valuation increases are limited to 3% over the prior year's valuation or 6.1% over the valuation from two years prior. Subject to certain exceptions, these limitations do not apply:

1. To property that is being valued for the first time;
2. To physical improvements made to the property in the preceding year;
3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;

4. When a change occurs in the zoning or use of the property; and
5. To property that is subject to the valuation limitations under Section 7-36-21.3 NMSA 1978; and
6. On March 28, 2012, the New Mexico Court of Appeals upheld the constitutionality of a law capping residential valuation increases until a home changes ownership. This decision was appealed to the New Mexico Supreme Court which affirmed this decision on June 30, 2014. The New Mexico Legislature has brought up the issue of the disparity in valuations in the past several years, but has not enacted the bill into law. To the extent that court or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property within the boundaries of the District.

NMSA 1978 Section 7-36-21.3 places a limitation on the increase in value for property taxation purposes for single-family dwellings occupied by low-income owners who are 65 years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The Section 7-36-21.3 limitation does not apply:

- To property that is being valued for the first time;
- To a change in valuation resulting from physical improvements made to the property in the preceding year; and
- To a change in valuation resulting from a change in the zoning or permitted use of the property in the preceding year.

Tax Collections

The level of tax collections is an important component in the analysis of the ability to pay principal and interest on a timely basis. General property taxes, with the exception of those taxes on oil and gas production and equipment for all units of government, are collected by the County Treasurer and distributed monthly to the various political subdivisions to which they are due. Property taxes are due in two installments. The first half is due on November 10 and becomes delinquent on December 10. The second half is due on April 10 and becomes delinquent on May 10. Collection statistics for all political subdivisions for which the County Treasurer collects taxes are as follows:

| Tax Year | Fiscal Year | Net Taxes Charged to Treasurer ⁽¹⁾ | Current Tax Collections ⁽¹⁾ | Current Collections as of % of Net Levied | Current/Delinquent Tax Collections ⁽²⁾ | Current/Delinquent Collections as of % of Net Levied |
|----------|-------------|---|--|---|---|--|
| 2014 | 14/15 | 42,447,143 | 38,840,556 | 91.50% | 38,840,556 | 91.50% |
| 2015 | 15/16 | 45,998,102 | 43,871,186 | 95.38% | 45,566,222 | 99.06% |
| 2016 | 16/17 | 49,699,765 | 48,043,594 | 96.67% | 49,658,813 | 99.92% |
| 2017 | 17/18 | 49,476,796 | 48,164,270 | 97.35% | 49,324,745 | 99.69% |
| 2018 | 18/19 | 54,505,657 | 53,591,206 | 98.32% | 53,591,206 | 98.32% |

(1) As of June 30 of each year

(2) As of December 2019

Source: Eddy County Treasurer's Office

Interest on Delinquent Taxes

Pursuant to Section 7-38-49, NMSA 1978, if property taxes are not paid for any reason within 30 days after the date they are due, interest on the unpaid taxes shall accrue from the 30th day after they are due until the date they are paid. Interest accrues at the rate of 1% per month or any fraction of a month.

Penalty for Delinquent Taxes

Pursuant to Section 7-38-50, NMSA 1978, if property taxes become delinquent, a penalty of 1% of the delinquent tax for each month, or any portion of a month, they remain unpaid must be imposed, but the total penalty shall not exceed 5% of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property tax due or \$50.00, whichever is greater, shall be added as a penalty.

Remedies Available for Non-Payment of Taxes

Pursuant to Section 7-38-47, NMSA 1978, property taxes are the personal obligation of the person owning the property on the date upon which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. Pursuant to Section 7-38-65, NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to Section 7-38-53, NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property upon which taxes are delinquent.

Tax Collection on Oil and Gas Production

The producer of oil and gas products is required by law to report the value of his production within 65 days after the end of the month in which the products are produced. Payment must be made at the time of reporting. The value upon which the tax levy is imposed (at the prevailing tax rate) is equal to 50% of the well-head price after transaction costs and royalties have been deducted. Interest penalties are imposed on any overdue taxes, although the Oil & Gas Accounting Division of the New Mexico Taxation & Revenue Department experiences few, if any, delinquencies.

Tax Collection on Oil and Gas Equipment

The assessed value of oil and gas equipment is calculated by multiplying the prior calendar year's sales of oil and gas products by .09 (9%). The assessed value determined by this method is then multiplied by the prevailing tax rate. The producer is billed by the Oil and Gas Accounting Division of the New Mexico Taxation & Revenue Department on October 15 of each year. The taxes are payable by November 30 of each year. Interest penalties are imposed on any overdue taxes, although the Division experiences few, if any, delinquencies.

THE DISTRICT

General

The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for school-age children residing within its boundaries.

Carlsbad Municipal School District has an enrollment of approximately 8,677 students. The district includes one pre-school, one kindergarten center, seven elementary schools, two middle schools, one high school, one early college high school, one alternative school and one charter school within the District. There is also one virtual charter school that enrolls students from both within and outside the district. The enrollment for the virtual charter school is included in the district's overall enrollment total.

The District employs 52 administrators, 430 teachers and other professional instructional personnel, 136 instructional assistants, 61 administrative (clerical/technical) personnel, 58 maintenance and custodial personnel, and 55 cafeteria employees.

School District Powers

Pursuant to Chapter 22 Laws 2004 passed in the 2004 legislative session, the District's powers are subject to regulations promulgated by the Secretary of the New Mexico Public Education Department ("PED") with the advice of the Public Education Commission. The Secretary of the PED (the "Secretary") is responsible for control, management and direction of all public schools. The Public Education Commission is comprised of 10 members, elected from public education districts for staggered four-year terms. Generally, the powers of the PED include determining policy of operations of all public schools; designating courses of instruction for all public schools in the State; adopting regulations for the administration of all public schools; determining qualifications for teachers, counselors, and their assistants; and prescribing minimum educational standards for all public schools. The PED may order the creation of new school districts or may require consolidation of school districts.

Governing Board and Administration

The District Board (the "Board"), subject to regulations of the Secretary of the PED, develops educational policies for the District. The Board employs a superintendent of schools, delegates administrative and supervisory functions to the superintendent, including fixing the salaries of all employees, reviews and approves the annual District budget, has the capacity to sue and be sued, contracts, leases, purchases and sells for the District, acquires and disposes of all property, and adopts regulations pertaining to the administration of all powers or duties of the Board. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday in February. The current District Board Members are:

David Shoup, President, term expires December 31, 2021

Ron Singleton, Vice President; term expires December 31, 2021

Simon Rubio, Secretary, term expires December 31, 2021

Trent Cornum, Member; term expires December 31, 2023

Robbie Chacon, Member, term expires December 31, 2023

The Superintendent of Schools is selected by and serves at the discretion of the Board. All other staff members are selected by the Superintendent. The current Administrative Staff is:

Gerry Washburn, Superintendent of Schools: Dr. Gerry Washburn, a career educator and native New Mexican, was chosen by the Carlsbad Municipal School Board to lead the district as its superintendent. Dr. Washburn most recently served as superintendent of Roseburg Public Schools (Roseburg, Oregon) for three years; from July 2015 until August 2018. Dr. Washburn brings 26 years of educational experience from a variety of roles with Los Alamos Public Schools. He served as assistant superintendent, director of human resources, elementary school principal, elementary teacher, and coach. He

was named varsity girls basketball coach in Los Alamos in 1995 and coached until 2006. In addition to multiple state appearances and district titles, Washburn was named New Mexico's 4A Girls Basketball Coach of the Year in 2000.

Dr. Washburn graduated from Floyd High School in eastern New Mexico; a small rural community where he formed life-long friendships, met the love of his life, found his faith and learned the importance of family and hard work. While in high school he ran his own hay hauling business and worked after school as a custodian. He attended Eastern New Mexico University and received a Bachelor of Science degree with a double major in English and Economics. He also has a Master degree in Educational Administration from Eastern New Mexico University and an Educational Doctorate in Educational Leadership from Northcentral University. After graduation he worked as a bank examiner throughout the Southwest for five years before moving into banking as a commercial loan officer in Santa Rosa and Los Alamos, New Mexico. He also owned and operated two video stores in Los Alamos before pursuing a career in education.

Laura Garcia, Finance Director: Laura Garcia, a veteran New Mexico public school business official, currently serves the Carlsbad Municipal Schools as Director of Finance. She returned to work in August 2019 after her retirement from the same position in June 2017. Laura is a native of southern New Mexico and has served in four New Mexico schools systems in a financial/administrative capacity.

Laura Garcia graduated from Las Cruces High School and attended New Mexico State University where she earned a Bachelor of Accounting degree. This accomplishment came after ten years of working full time, raising her children and attending university classes on a part-time basis. While working toward this educational goal, she served several organizations at various levels of financial system responsibility. She began her work experience as a bookkeeper for a non-profit organization, moved to the Dona Ana Community College as an accounting clerk and steadily advanced in responsibility over a seven year employment period. Laura began her career as a New Mexico school business official in 1992 where she served as an assistant comptroller and comptroller for the Las Cruces Public Schools. She also served as business manager at the Tularosa Municipal Schools, associate superintendent for finance at the Gadsden Independent School District, and Director of Finance for the Carlsbad Municipal Schools. Her career in New Mexico public school finance spans a twenty-six year period of time. Laura holds a Level 2 New Mexico school business official license and is a New Mexico certified procurement officer.

Insurance

The District is a member of the New Mexico Public Schools Insurance Authority (the "Insurance Authority"), which was established to provide a comprehensive core insurance program by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the Insurance Authority 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.

Intergovernmental Agreements

The District has entered into various joint powers agreements with other governmental entities in the State that permit them to provide equipment purchases and other services jointly.

School Property

Currently, the District operates and maintains a variety of facilities in meeting its obligations to provide an educational program for the school-aged children residing within its boundaries. In addition to the regular educational program of grades kindergarten through 12, the District offers an alternative junior/senior high school for students which includes vocational programs in horticulture, distributive education, home economics, industrial technology training, auto mechanics, welding and metals, and business education. In addition, the District has Special Education Services, Title I remedial education and bilingual education in grades kindergarten through 12.

The capacity of the school facilities is estimated at 7,483 students (FTE basis). The enrollments of home-schooled students and of the virtual charter school (1,265) are included in the district's overall enrollment but do not impact any district facilities.

In addition to the school buildings and their contents, the District owns 220 acres of land upon which school buildings and facilities are located, approximately 96 acres of additional vacant property, the district Administration Building, a Maintenance Shop and Custodial Center and an instructional materials warehouse. The District also owns 90 acres of water rights. The appraised value of all school facilities and equipment is over \$300 million.

Enrollment

The District's headcount enrollment has increased 17.83% since 2015/16. Set forth below are the District's enrollment of the school years 2015/16 through 2019/20 inclusive, including special education and bilingual students. For a discussion of the relationship between student enrollment and amounts of financial support provided by the State for public schools, see "FINANCES OF THE EDUCATIONAL PROGRAM - SOURCES OF REVENUES".

The District's enrollment for the current and previous five years is as follows:

| School Year | Enrollment ⁽¹⁾ |
|-------------|---------------------------|
| 2015-16 | 6,924 |
| 2016-17 | 6,852 |
| 2017-18 | 7,320 |
| 2018-19 | 8,018 |
| 2019-20 | 8,677 |

(1) Includes Charter Schools

Source: New Mexico Public Education Department.

FINANCES OF THE DISTRICT

The basic format for the financial operation of the District is provided by the PED through the School Budget Planning Division, which is directed by State law to supervise and control the preparation of all budgets of all school districts. The District receives revenue from a variety of local, state and federal sources, the most important of which are described below. New Mexico's public school finance laws are subject to review and examination through both the judicial and legislative processes. As a result, the District cannot anticipate with certainty all of the factors that may influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of or additions to the applicable laws, provisions and regulations that would have a material effect, directly or indirectly, on the affairs of the District.

Sources of Revenues for General Fund

The 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 school tax levy, state equalization distribution, transportation funds, state instructional material allocations and earning from investments. The sources of revenue for the District's General Fund are:

Local Revenues - Local revenues are a minor source of revenue to the District composed, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals and sale of property. In the fiscal year 2019, the District received \$2,179,539 from local sources.

Federal Revenues - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs. In fiscal year 2019, the District received \$134,161 in federal revenues for its General Fund.

State Revenues - The District's largest source of annual revenue is derived from the State Equalization distribution described below. During fiscal year 2019, the District received \$56,962,681 from state sources. Such payments represented approximately 96% of actual fiscal year 2019 General Fund Revenues.

State Equalization Guarantee

The State Legislature enacted New Mexico's current public school funding formula in 1974. Designed to distribute operational funds to local school districts in an objective manner, the funding formula is based upon the educational needs of individual students and costs of the programs designed to meet those needs. Program cost differentials are based upon nationwide data regarding the relative costs of various school programs, as well as data specific to New Mexico. The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in a objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The formula is divided into three basic parts:

1. Educational program units that reflect the different costs of identified programs;
2. Training and experience units that attempt to provide additional funds so that districts may hire and retain better educated and more experienced instructional staff; and
3. Size adjustment units that recognize local school and community needs, economies of scale, types of students, marginal costs increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.

SEG payments are made monthly and prior to June 30 of each fiscal year. The calculation of the distribution is also based on the local and federal revenues received from July 1 of the previous fiscal year through May 31 of the fiscal year for which the State distribution is being computed. In the event that a district receives more SEG funds than its entitlement, the district must make a refund to the State's general fund.

Even though the current public school funding formula has been in place for more than two decades, some districts have indicated a concern about the fact that some districts receive less revenue per pupil compared to others. In response to these concerns, the Legislature, the Governor, and the State Board of Education authorized an independent, comprehensive study of the formula, that was conducted in 1996. In its principal finding the independent consultant concluded, ". . .When evaluated on the basis of generally accepted standards of equity, the New Mexico public school funding formula is a highly equitable formula. . . .[S]pending disparities are less than in other states and statistically insignificant."

Despite the acknowledged equity of the formula, the independent consultant pointed out a strong perception of unfairness in the so-called "density" factor and in the training and experience computations of some districts. As a result, the Legislature enacted the following changes to the funding formula:

- Required that special education students be counted with regular students with "add-on" weights assigned depending upon the severity of the disability;
- Changed weights for special education ancillary services and included diagnosticians in ancillary services computations; and
- Repealed the so-called "density" factor and replaced it with an at-risk factor that is available to all school districts.

SEG payments for the previous five fiscal years are as follows:

| Year | Program Unit Value | Amount |
|-----------|--------------------|------------|
| 2019-2020 | 4,565 | 59,552,431 |
| 2018-2019 | 4,159 | 55,336,571 |
| 2017-2018 | 4,054 | 53,011,184 |
| 2016-2017 | 3,980 | 49,162,908 |
| 2015-2016 | 4,028 | 52,309,521 |

Source: New Mexico Public Education Department and the District

The New Mexico PED receives Federal mineral-leasing funds from which it makes annual allocations to the school district for purchasing instructional materials. In 2018-19, the District received \$281,087 in instructional materials revenue from the State.

The District is also reimbursed by the State for the costs of transporting pupils to and from school. These payments are based upon a formula consisting of the number of students per square mile that are transported. In 2018-19, the District received \$2,066,283 for transportation purposes.

District Budget Process

Each year, the school district budget process begins with the educational appropriations passed by the Legislature and signed into law by the Governor. The actual budget process follows steps set forth in the Public School Finance Act:

1. Before April 15 of each year, the District must submit an estimated budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year.
2. Before June 20 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
3. On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District board.

No school board, officer or employee of a school district may make an expenditure or incur any obligation for the expenditure of public funds unless that expenditure is made in accordance with an operating budget approved by the PED. This requirement, however, does not prohibit the transfer of funds between line items within a series of a budget. Final budgets may not be altered or amended after approval by the PED except upon the District's request to the PED. Instances in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District's budget by more than \$1,000 for any reason other than those listed above, the PED may order a special public hearing to consider the requested increase.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund with appropriations lapsing at year end. Total expenditures of any function category may not exceed categorical appropriations.

To conform to PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for state instructional material credit. State instructional material funds provide for free textbooks from the PED. As a result, budgets are not prepared in conformity with generally accepted accounting principles (GAAP), and budgetary comparisons are presented on the (Non-GAAP) basis of accounting.

Statement of Net Assets – Government Wide

Listed below is the Statement of Net Assets (Includes Component Unit) for fiscal years 2015 through 2019. The complete audit report for the fiscal year ending June 30, 2019 and the last four years can be downloaded from the State Auditor's website use the following link http://www.saonm.org/audit_reports.

| STATEMENT OF NET ASSETS (INCLUDES COMPONENT UNIT) | | | | | |
|--|---------------------|---------------------|---------------------|----------------------|----------------------|
| | 06/30/2015 | 06/30/2016 | 06/30/2017 | 06/30/2018 | 06/30/2019 |
| Assets | | | | | |
| Cash & cash equivalents | \$37,582,844 | \$47,933,546 | \$16,835,911 | \$35,883,845 | \$51,006,356 |
| Receivables | 4,439,235 | 4,700,288 | 3,745,622 | 6,499,533 | 9,754,787 |
| Investments | - | - | 32,133,628 | 20,893,078 | 24,121,729 |
| Other | - | - | - | - | 39,409 |
| Inventory | 363,809 | 315,869 | 283,552 | 197,683 | 150,071 |
| Unspent Bond Proceeds | 156,917,995 | 24,336,414 | 16,151,907 | - | - |
| Restricted cash and cash equivalents | - | 3,755,070 | 2,698,478 | 4,548,252 | 6,957,801 |
| Restricted Investments | - | - | - | 15,089,548 | 1,153,440 |
| Capital Assets | - | 160,845,392 | 174,087,635 | 109,538,270 | 119,575,276 |
| Less: accumulated depreciation | <u>(55,347,991)</u> | <u>(58,606,915)</u> | <u>(68,602,992)</u> | <u>-</u> | <u>-</u> |
| Total assets | \$143,955,892 | \$183,279,664 | \$177,333,741 | \$192,650,209 | \$212,758,869 |
| Deferred Outflows of Resources | \$7,861,339 | \$12,754,872 | \$17,843,025 | \$56,687,181 | \$48,037,212 |
| Liabilities and Net Assets | | | | | |
| Accounts payable & accrued expenses | \$5,082,311 | \$9,531,424 | \$5,955,560 | \$5,662,631 | \$9,743,466 |
| Current portion of compensated absences | | 255,411 | 283,416 | 359,560 | 290,371 |
| Current portion of bonds payable | 5,800,000 | 6,760,000 | 6,225,000 | 6,790,000 | 5,050,000 |
| Non-current liabilities: | | | | | |
| Compensated absences | 255,462 | 447,305 | 238,943 | - | - |
| Bond premium | 2,526,284 | - | - | - | - |
| Bonds payable in more than one year | 34,055,000 | 63,515,447 | 56,777,256 | 49,462,802 | 43,956,000 |
| Net OPEB Liability | - | - | - | 42,830,202 | 41,708,550 |
| Net Pension Liability | <u>74,290,880</u> | <u>87,305,130</u> | <u>99,243,136</u> | <u>158,011,291</u> | <u>173,896,446</u> |
| Total liabilities | \$122,009,937 | \$167,814,717 | \$168,723,311 | \$263,116,486 | \$274,644,833 |
| Deferred Inflows of Resources | \$7,968,640 | \$1,418,923 | \$1,158,504 | \$12,311,373 | \$14,324,346 |
| Invested in capital assets, net of related debt | 58,099,663 | 56,299,444 | 58,634,294 | 53,285,468 | 70,569,276 |
| Restricted for: | | | | | |
| Debt service | 10,872,503 | 17,567,178 | 19,599,039 | 26,969,596 | 30,027,470 |
| Capital projects | 46,595,569 | 39,797,935 | 20,111,170 | 4,471,247 | 41,413,682 |
| Other activities | 2,286,702 | 2,667,145 | 3,565,132 | 41,371,169 | 5,995,448 |
| Unrestricted | <u>(96,015,783)</u> | <u>(89,530,806)</u> | <u>(76,614,684)</u> | <u>(152,187,949)</u> | <u>(176,178,974)</u> |
| Total net assets | \$21,838,654 | 26,800,896 | 25,294,951 | (26,090,469) | (28,173,098) |
| Total Liabilities & Net Assets | \$143,955,892 | \$183,279,664 | \$177,333,741 | \$192,650,209 | \$212,758,869 |

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. Audited financial statements for FY2019 are attached in Appendix B.

Statement of Net Activities – Government Wide

Listed below is the Statement of Net Activities (Includes Component Unit) for fiscal years 2015 through 2019. The complete audit report for the fiscal year ending June 30, 2019 and the last four years can be downloaded from the State Auditor's website use the following link http://www.saonm.org/audit_reports.

| STATEMENT OF ACTIVITIES (INCLUDES COMPONENT UNIT) ⁽¹⁾ | | | | | |
|---|----------------------|----------------------|----------------------|------------------------|------------------------|
| | 06/30/2015 | 06/30/2016 | 06/30/2017 | 06/30/2018 | 06/30/2019 |
| Governmental activities | | | | | |
| Direct Instruction | \$ (33,685,828) | \$ (35,912,034) | \$ (53,219,212) | \$ (61,220,986) | \$ (63,287,752) |
| Student support services | (13,018,192) | (17,885,126) | (18,788,568) | (10,615,029) | (11,069,164) |
| Central services | (2,092,385) | (2,218,818) | (2,674,145) | (2,282,545) | (2,929,214) |
| Operation & maintenance of plant | (8,686,701) | (10,906,678) | (9,307,932) | (13,872,258) | (17,829,167) |
| Transportation | (112,036) | (93,845) | (243,191) | (94,950) | (179,216) |
| Food services | 146,516 | 98,808 | (286,146) | (64,676) | (707,403) |
| Community services | (97,074) | (145,567) | (146,322) | (99,636) | (96,258) |
| Interest on long-term debt | (1,386,721) | (1,488,869) | (1,865,328) | (1,696,482) | (1,460,353) |
| Component unit | <u>(1,988,612)</u> | <u>(1,720,515)</u> | <u>(3,462,470)</u> | <u>(6,666,258)</u> | <u>(10,215,777)</u> |
| Total governmental activities | \$ (60,921,033) | \$ (70,272,644) | \$ (89,993,314) | \$ (96,612,820) | \$ (107,774,304) |
| General revenues | | | | | |
| State equalization guarantee | 51,529,242 | 52,924,405 | 52,946,446 | 57,338,498 | 62,928,351 |
| Property taxes for general purposes | 531,051 | 476,188 | 638,703 | 727,100 | 740,369 |
| Property taxes for debt service | 6,528,964 | 8,381,413 | 12,292,178 | 8,290,053 | 8,296,010 |
| Property taxes for capital projects | 4,469,239 | 3,873,689 | 1,939,140 | 4,956,102 | 4,897,568 |
| Oil and gas | 8,944,277 | 9,418,739 | 9,966,036 | 17,351,626 | 27,379,201 |
| Unrestricted investment earnings | 59,307 | 88,675 | 169,015 | 475,182 | 326,634 |
| Miscellaneous income | <u>27,228</u> | <u>71,777</u> | <u>376,934</u> | <u>1,369,228</u> | <u>1,373,542</u> |
| Total general revenues | <u>72,089,308</u> | <u>75,234,886</u> | <u>78,328,452</u> | <u>90,507,789</u> | <u>105,941,675</u> |
| Changes in net assets | \$ 11,168,275 | \$ 4,962,242 | \$ (11,664,862) | \$ (6,105,031) | \$ (1,832,629) |
| Beginning net assets, as previously reported | \$ 84,408,498 | \$ 21,838,654 | \$ 26,800,896 | \$ 25,294,951 | \$ (26,090,469) |
| Restatement | (73,738,119) | - | - | 5,595,070 | (250,000) |
| Adoption of New Accounting Standard | - | - | - | (50,875,459) | - |
| Net assets, ending | <u>\$ 21,838,654</u> | <u>\$ 26,800,896</u> | <u>\$ 15,136,034</u> | <u>\$ (26,090,469)</u> | <u>\$ (28,173,098)</u> |

⁽¹⁾ Includes GASB 68 Net Pension Liability Recognition

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. Audited financial statements for FY2019 are attached in Appendix B.

Balance Sheet – General Fund

Listed below is the Balance Sheet (General Fund only) for fiscal years 2015 through 2019. The complete audit report for the fiscal year ending June 30, 2019 and the last four years can be downloaded from the State Auditor's website use the following link http://www.saonm.org/audit_reports.

| BALANCE SHEET - GENERAL FUND ⁽¹⁾ | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 06/30/2015 | 06/30/2016 | 06/30/2017 | 06/30/2018 | 06/30/2019 |
| <u>Assets</u> | | | | | |
| Cash & cash equivalents | \$13,116,531 | \$11,658,951 | \$7,167,848 | \$5,342,249 | \$5,034,964 |
| Investments | - | - | \$1,241,485 | - | - |
| Accounts Receivable: | | | | | |
| Taxes | 146,758 | 105,383 | 73,402 | 182,928 | 258,854 |
| Due from other governments | - | 23,356 | 28,112 | 116,820 | 20,620 |
| Due from other funds | 1,457,737 | 2,177,204 | 1,250,758 | 1,705,436 | 3,088,428 |
| Other | | | 316 | 316 | 30,241 |
| Inventory | <u>253,567</u> | <u>242,384</u> | <u>223,874</u> | <u>89,729</u> | <u>77,426</u> |
| Total assets | \$14,974,593 | \$14,207,278 | \$9,985,795 | \$7,437,478 | \$8,510,533 |
| <u>Liabilities and Fund Balances</u> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts payable | \$3,013,872 | \$3,105,486 | \$3,277,721 | \$3,243,599 | \$3,344,222 |
| Deferred revenue | <u>103,831</u> | <u>73,359</u> | <u>16,369</u> | <u>16,744</u> | 19,311 |
| Total liabilities | \$3,117,703 | \$3,178,845 | \$3,294,090 | \$3,260,343 | \$3,363,533 |
| <i>Fund balances:</i> | | | | | |
| Reserved for inventory | \$253,567 | \$242,384 | \$223,874 | \$89,729 | \$77,426 |
| General Fund | - | - | - | 115,383 | 172,987 |
| Undesignated - General Fund | <u>11,603,323</u> | <u>10,786,049</u> | <u>6,467,831</u> | <u>3,972,023</u> | <u>4,896,587</u> |
| Total fund balances | \$11,856,890 | \$11,028,433 | \$6,691,705 | \$4,177,135 | \$5,147,000 |
| Total liabilities and fund balances | \$14,974,593 | \$14,207,278 | \$9,985,795 | \$7,437,478 | \$8,510,533 |

⁽¹⁾ General Fund includes Operational, Transportation and Instructional Materials.

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. Portions of the unaudited financial statements for FY2019 are attached in Appendix B.

Statement of Revenues, Expenditures & Changes in Fund Balances – General Fund

Below is a five year history of Revenues and Expenditures for the District for fiscal years 2015 through 2019. The complete audit report for the fiscal year ending June 30, 2019 and the last four years can be downloaded from the State Auditor's website use the following link http://www.saonm.org/audit_reports.

| STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES - GENERAL FUND ⁽¹⁾ | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | 06/30/2015 | 06/30/2016 | 06/30/2017 | 06/30/2018 | 06/30/2019 |
| Revenues: | | | | | |
| Taxes | \$1,218,787 | \$1,040,508 | \$1,131,988 | \$1,409,081 | \$1,865,392 |
| Federal funding | 118,472 | 114,193 | 88,264 | 98,015 | 134,161 |
| State funding | 50,752,893 | 51,819,486 | 49,707,923 | 51,968,221 | 54,896,398 |
| Transportation distribution | 1,560,658 | 1,736,025 | 1,665,264 | 1,837,427 | 2,066,283 |
| Charges for services | 1,275,678 | 748,152 | 359,547 | 59,007 | 6,547 |
| Investment income | 18,073 | 17,586 | 14,282 | 13,482 | 11,236 |
| Miscellaneous | 91 | 6,205 | 1,445 | 478,121 | 296,364 |
| Total Revenues | \$54,944,652 | \$55,482,155 | \$52,968,713 | \$55,863,354 | \$59,276,381 |
| Expenditures: | | | | | |
| Instruction | \$32,174,780 | \$33,600,487 | \$34,039,334 | \$34,048,045 | \$35,082,195 |
| Student support services | 13,003,334 | 12,276,838 | 12,418,883 | 12,307,019 | 12,119,008 |
| Central services | 1,997,501 | 2,090,839 | 2,336,808 | 2,095,689 | 2,380,392 |
| Operation & maintenance of plant | 5,231,666 | 6,375,401 | 5,839,891 | 6,394,247 | 6,509,614 |
| Student transportation | 1,610,685 | 1,738,608 | 1,672,363 | 1,844,529 | 2,078,502 |
| Food services | 104,994 | 147 | - | - | - |
| Community service | 88,284 | 135,525 | 92,970 | 88,459 | 85,271 |
| Capital outlay | 277,699 | 92,767 | 905,192 | - | - |
| Total Expenditures | \$54,488,943 | \$56,310,612 | \$57,305,441 | \$56,777,988 | \$58,254,982 |
| Excess (deficiency) of revenues over expenditures | 455,709 | (828,457) | (4,336,728) | (914,634) | - |
| Restatement | - | - | - | - | - |
| Net changes in fund balances | 490,709 | (828,457) | (4,336,728) | (914,634) | 1,021,399 |
| Prior Period Restatement | - | - | - | (1,599,936) | (51,534) |
| Fund Balance, beginning of year | 11,366,181 | 11,856,890 | 11,028,433 | 5,091,769 | 4,125,601 |
| Fund Balance, end of year | \$11,856,890 | \$11,028,433 | \$6,691,705 | \$4,177,135 | \$5,147,000 |
| GF Balance as % of Revenues | 21.6% | 19.9% | 12.6% | 7.5% | 8.7% |

⁽¹⁾ General Fund includes Operational, Transportation and Instructional Materials.

Source: The figures above have been extracted from the District's audited financial statements. Such figures are excerpts only and do not purport to be complete. Audited financial statements for FY2019 are attached in Appendix B.

Special Revenue Funds

The Special Revenue Fund accounts are used to account for grant funds received from various sources that are legally required to be used for purposes specified in the grant awards and may not be used for any other purpose.

Debt Service

Debt service funds are used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The County remits property taxes collected on locally assessed and centrally assessed property to the District as one lump sum and does not break down the amounts as to principal or interest reduction in accordance with instructions from PED.

Capital Projects

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

The Capital Projects Fund which consists of the Bond Building Fund accounts for the resources and major costs of capital improvements in the District such as erecting, remodeling, making additions to and furnishing school buildings and purchasing and improving school grounds. Revenue is provided through general obligation bonds and earnings on investments.

Fiduciary Funds – Trust & Agency

These funds are used to 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

District Budget Process

Each year, the school district budget process begins with the educational appropriations passed by the Legislature and signed into law by the Governor. The actual budget process follows specific steps set forth in the Public School Finance Act:

- Before April 15 of each year, the District must submit an estimated budget for the next school year to PED. If the District fails to submit a budget, PED must prepare a District budget for the ensuing year.
- Before June 20 of each year, the District Board must hold a public hearing to fix the estimated budget for the next school year.
- On or before July 1 of each year, PED must approve and certify an approved operating budget for use by the District Board.

No school board, officer or employee of a school district may make an expenditure or incur any obligation for the expenditure of public funds unless that expenditure is made in accordance with an operating budget approved by PED. This requirement, however, does not prohibit the transfer of funds between line items within a series of a budget. Final budgets may not be altered or amended after approval by PED except upon the District's request to PED. Instances in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District's budget by more than \$1,000 for any reason other than those listed above, PED may order a special public hearing to consider the requested increase.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund with appropriations lapsing at year end. Total expenditures of any function category may not exceed categorical appropriations.

To conform with PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting except for state instructional material credit. State instructional material funds provide for free textbooks from PED. As a

result, budgets are not prepared in conformity with generally accepted accounting principles GAAP, and budgetary comparisons are presented on the (Non-GAAP) basis of accounting.

Employees and Retirement Plan

Pension Plan – Educational Retirement Board

Plan Description. Substantially all of the District’s full-time employees participate in an educational employee retirement system authorized under the Educational Retirement Act (NMSA 1978, Chapter 22, Article 11). 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, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. The ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may also be obtained by writing to the ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on the ERB’s website at www.nmerb.org.

Following is a partial history of employer and employee contributions statewide and net assets held in trust of the retirement fund.

| Fiscal Year Ending June 30 | Employer Contributions | Employee Contributions | Average Asset Balance |
|-------------------------------|---------------------------|---------------------------|--------------------------|
| 2015 | \$395,129,621 | \$294,560,840 | \$11,642,543,051 |
| 2016 | 396,988,557 | 293,847,970 | 11,532,837,951 |
| 2017 | 395,843,795 | 292,809,008 | 12,509,355,910 |
| 2018 | 388,723,983 | 287,323,804 | 12,970,300,855 |
| 2019 | 406,549,056 | 303,442,092 | 13,544,691,114 |

Source: State of New Mexico Educational Retirement Board.

Funding Policy

Contributions

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$9,742,314 and \$9,480,026, respectively, which equal the amount of the required contributions for each fiscal year. For the fiscal years ended June 30, 2019 and 2018, the Jefferson Montessori Academy Charter School paid employee and employer contributions of \$297,627 and \$268,660, respectively, which equal the amount of the required contributions for each fiscal year. For the fiscal years ended June 30, 2019 and 2018, the Pecos Connections Academy Charter School paid employee and employer contributions of \$394,716 and \$239,457, respectively, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$165,077,835 for its proportionate share of the net pension liability. At June 30, 2019, the Jefferson Montessori Academy Charter School reported a liability of \$4,676,860 for its proportionate share of the net pension liability. At June 30, 2019, the Pecos Connections Academy Charter School reported a liability of \$4,141,751 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the ERB Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the District’s and Charter’s portion was established as of the measurement date of June 30, 2018. The District’s and Charter’s proportion of the net pension liability was based on a projection of the District and Charter long- term share of contributions to the pension

plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined.

At June 30, 2018, the District's proportion was 1.38822% which was an increase of 0.02873% from its proportion measured at June 30, 2017. At June 30, 2018, the Jefferson Montessori Academy Charter School proportion was 0.03933%, which was a decrease of 0.00081% from its proportion measured at June 30, 2017. At June 30, 2018, the Pecos Connections Academy Charter School proportion was 0.03483%, which was an increase of 0.01266% from its proportion measured at June 30, 2017. For the year ended June 30, 2019, the District recognized pension expense of \$29,950,637.

For the year ended June 30, 2019, Jefferson Montessori Academy Charter School recognized pension expense of \$780,119. For the year ended June 30, 2019, Pecos Connections Academy Charter School recognized pension expense of \$1,385,750.

Post-Employment Benefits – State Retiree Healthcare Plan

Plan Description. The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides 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 (NMSA 1978 §§ 10-7C-1 through 10-7C-16). 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 Retiree Health Care 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (at Section 10-7C-13) authorizes 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 of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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 RGCA Board.

The Retiree Health Care Act (at Section 10-7C-15) 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, 2013, 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, 2013, 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), at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions

pursuant to NMSA 1978, Section 7-1-6.1 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.

The District 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 provides 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 RHCA Board is responsible for establishing and amending benefit provisions of the healthcare plan 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 health care plan. That report and further information can be obtained by writing to RHCA, 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$797,229 for the year ended June 30, 2019. Contributions to the Fund from the Jefferson Montessori Academy Charter Schools were \$24,460 for the year ended June 30, 2019. Contributions to the Fund from the Pecos Connections Academy Charter Schools were \$31,553 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019, the District reported a liability of \$39,521,762 for its proportionate share of the net OPEB liability. At June 30, 2019, Jefferson Montessori Academy Charter School reported a liability of \$1,117,962 for its proportionate share of the net OPEB liability. At June 30, 2019, Pecos Connections Academy Charter School reported a liability of \$1,068,826 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District's and Charter's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the District's proportion was 0.90889%. At June 30, 2018, the Jefferson Montessori Academy Charter School's proportion was 0.02571%. At June 30, 2018, the Pecos Connections Academy Charter School's proportion was 0.02458%.

Recent Legislative Changes

Recent legislative changes enacted during the 2012, 2013 and 2019 legislative sessions also amended various provisions of the ERA. House Bill 360 below is the most recent legislative action.

House Bill 360("HB-360") amends the ERA to increase employer contributions to the educational retirement fund; increase the salary level employees would be required to reach before paying a higher contribution rate; increase the age or years of service requirements for new members to be eligible for retirement and reduce retirement benefits for new employees who work for less than 30 years; make changes to the return-to-work program; require most retirees from the Public Employees Retirement Association (PERA) to make contributions to the educational retirement fund if they become employed by an ERA-covered employer; change the salary calculation for determining retirement benefits for employees that receive a salary increase of more than 30 percent, and require substitute teachers to become members of the Educational Retirement Board (ERB) if they are employed at least one quarter time (0.25 FTE).increase employer contributions .

The law amends ERA to provide for employer contribution of 14.15 percent of annual salary, rather than 14.4 percent of annual salary, eliminate contribution increases in FY21 and FY22, require that a retired employee working 0.25 FTE or less

make nonrefundable contributions to the educational retirement fund, and delayed the date for which substitute teachers with a FTE of more than 0.25 FTE would be required to become a member of the Educational Retirement Board (ERB) to July 1, 2020. House Bill 2 also approved by the legislature in 2019 included an increases to the state equalization guarantee for FY 2020 to increase employer contributions to ERB to offset the impact of HB 360

TAX EXEMPTION

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing law and assuming continuous compliance with certain covenants made by the District, the interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. Bond Counsel is further of the opinion that, under existing law, interest on the Bonds is excluded from net income for purposes of the tax imposed on individuals, estates and trusts under the New Mexico Income Tax Act or for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act. Bond Counsel will express no opinion regarding other federal or New Mexico income tax consequences resulting from the receipt or accrual of interest on the Bonds. A form of Bond Counsel Opinion is attached to this document as Appendix D.

The opinion on federal tax matters will be based on and will assume continuous compliance with certain covenants of the District to be contained in the transcript of proceedings and that are intended to evidence and assure that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel has not and will not independently verify the accuracy of any of the certifications and representations made by the District.

The Code prescribes a number of qualifications that must be met and conditions that must be satisfied in order for the interest on state and local government obligations such as the Bonds to be and remain excluded from gross income for federal income tax purposes. Some of these provisions, including provisions for the rebate by the issuer of certain investment earnings to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and continue to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to regular federal income taxes. The District covenants in the Bond Resolution to take all actions that may be required of it in order for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Code provisions applicable to corporations (as defined for federal income tax purposes) that impose an alternative minimum tax on a portion of the excess of adjusted current earnings over other alternative minimum taxable income, may subject a portion of the interest of the Bonds earned by corporations to the corporate tax imposed on certain corporations, a branch profits tax imposed on certain foreign corporations doing business in the United States, and a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can result in certain adverse federal income tax consequences on items of income or deductions for certain taxpayers, including among them financial institutions, insurance companies, recipients of Social Security and Railroad Retirement benefits, and those that are deemed to incur or continue indebtedness to acquire or carry tax exempt obligations. The applicability and extent of those or other tax consequences will depend upon the particular tax status or other items of income and expense of the owners of the Bonds. Bond Counsel expresses no opinion regarding such consequences.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the District as the taxpayer and the Bond owners may have no right to participate in such procedure.

None of the District, the Financial Advisor, or Bond Counsel is obligated to defend the tax-exempt status of the Bonds. However, the District has covenanted in the Bond Resolution not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income, except to the extent described above, for the owners thereof for federal income tax purposes. None of the District, the Financial Advisor, or Bond Counsel is responsible to pay or reimburse the costs of any Bond, owner with respect to any audit or litigation relating to the Bonds.

Original Issue Discount

The Bonds may be offered at a discount (“original issue discount”) equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holders’ tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at original issue discount should consult their tax advisor for an explanation of the accrual rules.

Original Issue Premium

The Bonds may be offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holders’ tax basis in the Bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the Bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisor for an explanation of the amortization rules.

Litigation

There is no litigation pending or threatened about the validity of the Bonds or the use of Bond proceeds, the financial stability of the District, the corporate existence of the District or the titles of their officers or contesting or affecting the District’s ability to receive taxes that could be used for Bond payments.

At the time of the original delivery of the Bonds, the District will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Resolution, the levying or collection of taxes to pay the principal of and interest on the Bonds except as described below or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

RATINGS

Moody’s Investors Service has rated the Bonds “_____”. An explanation of the significance of the rating given by Moody’s Investors Service may be obtained from Moody’s Investors Service, Inc. at 99 Church Street, New York, New York 10007. There is no assurance that the rating will be obtained or will continue for any given period of time after received or that the rating will be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have effect on the market price of the Bonds.

THE FINANCIAL ADVISOR

The District has retained RBC Capital Markets, LLC as financial advisor (the “Financial Advisor”) in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds.

LEGAL MATTERS

The opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, approving the legality of the Bonds and relating to the tax-exempt status of the Bonds will be furnished to the successful bidder at no cost to the successful bidder. The written approval of the New Mexico Attorney General of the Bonds as to form and legality will be supplied. A draft of the opinion of Bond Counsel is attached hereto as Appendix D.

CONTINUING DISCLOSURE UNDERTAKING

For the benefit of bondholders and to enable a broker, dealer or municipal securities dealer to comply with requirements of Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission, the District has undertaken to provide to the Municipal Securities Rulemaking Board (the “MSRB”) MSRB’s Electronic Municipal Market Access (“EMMA”), its audited financial statements and certain financial and operating information. The District will provide financial information and

operating data with respect to the District of the general type included in this Official Statement under the headings “DEBT AND OTHER FINANCIAL OBLIGATIONS,” “TAX BASE,” “THE DISTRICT – Student Enrollment,” “FINANCES OF THE DISTRICT - State Equalization Guarantee, Statement of Net Assets, Statement of Activities, Balance Sheet and Statement of Revenues, Expenditures & Changes in Fund Balances.” The District will update and provide this information no later than March 31 of each year, commencing March 31, 2020, for the fiscal year ending on the preceding June 30. A draft of the Continuing Disclosure Undertaking is attached hereto as Appendix E.

Any or all of such information may be incorporated by reference from other documents, as permitted by the Rule. The annual information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, unaudited financial statements must be provided as part of the annual financial information, and audited financial statements when and if audited financial statements become available. Any such financial statements will be prepared in accordance with generally accepted accounting principals and state law requirements, as in effect from time to time. (See Note 1 of the District’s audited financial statements included as Appendix B for a description of the accounting principles currently followed in the preparation of the District’s audited annual financial statements.)

If the District changes its fiscal year, it may change the date by which it must provide its annual financial information to a date no later than nine months after the end of its new fiscal year. In addition, the District shall provide to EMMA timely notice of any failure to provide required annual financial information on or before the filing date.

Event Notices

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

The purposes of the event identified as “12” in the immediately preceding paragraph, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officer in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Limitations and Amendments

The District may amend its undertaking from time to time without consent of the Bondholders, if the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect hereto, will not adversely affect compliance of the undertaking and the District with the Rule (except that no opinion of counsel shall be required with respect to a change in the date by which the annual financial and operating information must be reported resulting from a change in the District's fiscal year). The undertaking will terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, the undertaking, or any provision thereof, will be null and void in the event the District delivers to EMMA an opinion of nationally recognized bond counsel to the effect that those portions of the Rule that require the undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds.

Any failure of the District to provide the annual financial information or any material event notice does not constitute an Event of Default with respect to the Bonds, and an action seeking to compel performance of the undertaking shall be the sole remedy in the event the District fails to comply with the undertaking.

Compliance with Prior Continuing Disclosure Undertakings

During the past five years, the District has made continuing disclosure agreements in accordance with SEC Rule 15c2-12 and is in material compliance with such agreements. The District notes that the filing of audited and/or unaudited financial statements were not timely filed for fiscal year 2018, however, the appropriate Failure to File Notice was timely provided as required by the Rule. The FY2018 Audited Financial Statements were subsequently filed on EMMA on January 17, 2020.

ADDITIONAL MATTERS

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the District located at the School Administration Office, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard, NE, Suite 110, Albuquerque, New Mexico 87110.

A LAST WORD

Anything in this Official Statement involving matters of opinion or estimates – whether labeled as such or not – are just that. They are not representations of fact. They might not prove true. Neither this Official Statement nor any other written or oral information is to be construed as a contract with the registered owners of the Bonds.

The District has duly authorized the execution and delivery of this Official Statement.

/s/ _____
_____, President, Board of Education

/s/ _____
_____, Secretary, Board of Education

APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE DISTRICT

General

The Carlsbad Municipal School District (the "District") is located in the southeastern area of New Mexico. It is serviced by two highways: U.S. 285 traveling north and south, and U.S. 62/180 traveling east and west. The City of Carlsbad is the seat of Eddy County. Located along the banks of the Pecos River, Carlsbad was originally christened the Town of Eddy on September 15, 1888 and organized as a municipal corporation in 1893. With the improvement of the mineral springs with their valuable medicinal qualities north of town, the town changed the name to Carlsbad, after the famous European spa, Karlsbad. With the discovery of the "Bat Cave" in 1901 and the establishment of the Carlsbad Caverns National Park on May 14, 1930, Carlsbad gained international recognition.

Potash Production

Discovered in 1925, the potash industry in Carlsbad has long been the "backbone" of the economy of the region. Potash is a mined salt containing water-soluble potassium. New Mexico ranked first in domestic potash production in 2013⁽¹⁾, producing 75 percent of U.S. potash. Potash is used primarily as an agricultural fertilizer or animal feed supplement, with most sold to nearby states. Intrepid Mining LLC and Mosaic operate potash mines near Carlsbad in Eddy County.

Intrepid Mining was formed in January 2000 for the purpose of acquiring the Moab Mine from PCS. The company acquired the assets of Mississippi Potash, Inc. and Eddy Potash, Inc. in Carlsbad, New Mexico from Mississippi Chemical Company in February 2004. In April 2004, they acquired the potash assets of Reilly Chemical, Inc. in Wendover, Utah. Intrepid is one of the largest producers of Potash in the United States, supplying 4.4% of the United States' potash consumption, and is one of the two global producers of langbenite.

Intrepid currently operates their North compaction Facility in Carlsbad which sits on top of one of the world's largest langbenite reserves. Intrepid markets sells the langbenite as Trio, a specialty fertilizer. This trademarked fertilizer was responsible for for 31% of Intrepid's \$208.3 million in sales in 2018.

Intrepid's primary product is Potash, making up 52% of sales. Potash is used across three primary markets as fertilizer input, fracturing fluids for oil and a nutrient supplement for animal feed. ⁽²⁾ The table below shows a history of average potash shipped \$/ton for Intrepid Potash:

| Year Ending: | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|----------|----------|----------|----------|----------|
| Average Potash Shipped \$/ton ¹ | \$332.00 | \$339.00 | \$196.00 | \$238.00 | \$256.00 |

Mosaic is the world's largest combined producer of potash and phosphates, operating in over a dozen countries. Launched October 25, 2004, Mosaic was formed by a merger between IMC Global, a fertilizer company formed in 1909, and Cargill's crop nutrition division. The company is among the world's largest producers of potash with 10.5 million tonnes of operational capacity. Mosaic's Potash facility in Carlsbad operates one of the largest underground mines in the United States. This location mines two separate potassium minerals: sylvite and langbenite. The company reported \$9.6 billion in consolidated net sales in 2018.⁽³⁾

According to the State of New Mexico Taxation and Revenue Department Central Assessment Division, the Assessed value of potash production for Carlsbad School District was \$226,321,273 for tax year 2018.

(1) Potash <https://www.blm.gov/programs/energy-and-minerals/mining-and-minerals/nonenergy-leasable-materials/potash>

(2) Intrepid Potash Annual Report <https://intrepidpotashinc.gcs-web.com/sec-filings/sec-filing/10-k/0001421461-19-000006>

(3) Mosaic Potash Annual Report <http://investors.mosaicco.com/CustomPage/Index?keyGenPage=210307>

The table below depicts New Mexico history of potash production volume, production value, ranking and employment.

| Year | Production Volume | % Change Over Previous Years | Production Rank ⁽¹⁾ | Production Value \$ | % Change Over Previous Years | Employment | Reclamation Employment |
|------|-------------------|------------------------------|--------------------------------|---------------------|------------------------------|------------|------------------------|
| 2009 | 602,231 | -44.07% | 1 | 491,276,710 | -19.82% | 1,227 | 28 |
| 2010 | 812,756 | 34.96% | 1 | 512,426,376 | 4.31% | 1,327 | 29 |
| 2011 | 781,282 | -3.87% | 1 | 636,047,697 | 24.12% | 1,521 | 30 |
| 2012 | 1,548,047 | 98.14% | 1 | 953,477,008 | 49.91% | 1,473 | 30 |
| 2013 | 2,188,874 | 41.40% | 1 | 914,659,051 | -4.07% | 1,600 | 15 |
| 2014 | 2,130,352 | -2.67% | 1 | 1,093,208,523 | 19.52% | 1,078 | 33 |
| 2015 | 1,433,245 | -32.72% | 1 | 659,505,518 | -39.67% | 1,194 | 12 |
| 2016 | 631,154 | -55.96% | 1 | 268,838,554 | -59.24% | 772 | 19 |
| 2017 | 401,627 | -36.37% | 1 | 283,353,622 | 5.40% | 732 | 15 |
| 2018 | 414,855 | 3.29% | 1 | 212,544,759 | -24.99% | 695 | 21 |

1) Production rank is in relation to other U.S. States

2) Employment category includes direct and contract employees

Source: New Mexico Energy, Minerals & Natural Resources Department

Potash Valuation for Property Taxation Purposes

According to NM Stat § 7-36-24 (1996 through 1st Sess 50th Legis) “The value for property taxation purposes of improvements, equipment, materials, supplies and other personal property held or used in connection with all classes of potash mineral property is an amount equal to the market value of all mineral production from the potash mineral property for the prior year, less any royalties paid or due the United States, the state or any Indian tribe, Indian pueblo or Indian who is a ward of the United States....”. “The value for property taxation purposes of class one, two and three productive potash mineral property is an amount equal to fifty percent of the market value of all mineral production from the potash mineral property for the prior year....”. Potash tax collections follow general property tax rules referred to on page 15 (Tax Collections) of this document.

Oil and Gas Production

New Mexico is ranked ninth natural gas production among all producing states in the United States.⁽¹⁾ Eddy County has remained the undisputed leader in natural gas production, producing 41 million cubic feet of natural gas in 2018.⁽²⁾ Most of today’s oil production occurs in the New Mexico portion of the Permian Basin in southeast New Mexico and most of the natural gas production occurs in northwest New Mexico.

Tax Collection on Oil and Gas Production

The producer of oil and gas products is required by law to report the value of his production within 65 days after the end of the month in which the products are produced. Payment must be made at the time of reporting. The value upon which the tax levy is imposed (at the prevailing tax rate) is equal to 50% of the well-head price after transaction costs and royalties have been deducted. Interest penalties are imposed on any overdue taxes, although the Oil & Gas Accounting Division of the New Mexico Taxation & Revenue Department experiences few, if any, delinquencies.

Tax Collection on Oil and Gas Equipment

The assessed value of oil and gas equipment is calculated by multiplying the prior calendar year’s sales of oil and gas products by .09 (9%). The assessed value determined by this method is then multiplied by the prevailing tax rate. The producer is billed by the Oil and Gas Accounting Division of the New Mexico Taxation & Revenue Department on October 15 of each year. The taxes are payable by November 30 of each year. Interest penalties are imposed on any overdue taxes, although the Division experiences few, if any, delinquencies.

Crude Oil

| Calendar Year | Eddy County | | New Mexico | |
|---------------------|------------------|---------------|------------------|---------------|
| | Volume (Barrels) | Value (000's) | Volume (Barrels) | Value (000's) |
| 2009 | 24,308,244 | 1,341,633 | 62,353,958 | 3,333,533 |
| 2010 | 27,087,011 | 2,012,011 | 58,485,470 | 4,306,709 |
| 2011 | 33,182,132 | 2,923,185 | 72,740,871 | 6,317,527 |
| 2012 | 44,787,754 | 4,011,899 | 84,743,260 | 7,714,298 |
| 2013 | 52,884,026 | 4,837,398 | 101,751,495 | 9,250,640 |
| 2014 | 60,463,953 | 5,081,431 | 121,071,928 | 10,788,344 |
| 2015 | 66,685,460 | 2,986,951 | 148,711,044 | 6,582,600 |
| 2016 | 63,918,579 | 2,513,216 | 147,090,860 | 5,762,847 |
| 2017 | 65,494,900 | 3,117,741 | 167,271,496 | 7,935,247 |
| 2018 | 100,581,875 | 5,864,086 | 251,316,401 | 13,849,207 |
| 2019 ⁽¹⁾ | 92,605,468 | 4,861,417 | 235,850,758 | 12,292,931 |

⁽¹⁾ Preliminary. Does not include 4th quarter of 2019

Source: New Mexico Taxation and Revenue Department

Natural Gas

| Calendar Year | Eddy County | | New Mexico | |
|---------------------|--------------|---------------|---------------|---------------|
| | Volume (MCF) | Value (000's) | Volume (MCF) | Value (000's) |
| 2009 | 228,464,174 | 941,395 | 1,381,753,018 | 5,727,586 |
| 2010 | 217,987,912 | 1,193,999 | 1,155,151,796 | 6,414,098 |
| 2011 | 220,271,283 | 1,330,720 | 1,225,311,905 | 7,105,030 |
| 2012 | 237,043,553 | 1,090,301 | 1,220,793,984 | 5,285,252 |
| 2013 | 259,436,961 | 1,248,608 | 1,167,061,295 | 5,413,546 |
| 2014 | 316,917,359 | 1,509,639 | 1,200,327,161 | 6,267,444 |
| 2015 | 296,359,329 | 809,379 | 1,181,568,177 | 3,289,951 |
| 2016 | 306,856,716 | 848,607 | 1,185,300,793 | 3,186,977 |
| 2017 | 380,213,985 | 1,234,509 | 1,303,860,366 | 4,324,880 |
| 2018 | 482,033,690 | 1,661,620 | 1,826,519,308 | 5,240,662 |
| 2019 ⁽¹⁾ | 455,662,095 | 897,057 | 1,174,072,742 | 2,760,173 |

⁽¹⁾ Preliminary. Does not include 4th quarter of 2019

Source: New Mexico Taxation and Revenue Department

WIPP Project (Waste Isolation Pilot Plant)

The same geologic formations that made Eddy County the United States' leading potash producer have also made the area the chosen site for the Department of Energy's Waste Isolation Pilot Plant ("WIPP"). Potash and salt have proven to be extremely important to Eddy County and the nation. First, the rich potash deposits discovered in the early 1920's continue to rival those of Canada and Russia. Secondly, based on a recommendation by the National Academy of Sciences, a 2000-foot thick salt deposit, located 2,150 feet underground, was elected in the early 1970's as the site for the nation's first deep-geologic repository for defense-generated nuclear waste.

The Waste Isolation Pilot Plant, or WIPP, safely disposes of the nation's defense-related transuranic radioactive waste. Located in the Chihuahuan Desert, outside Carlsbad, New Mexico, WIPP began disposal operations in March 1999. Transuranic radioactive waste left from the research and production of nuclear weapons is disposed of at WIPP. Waste is emplaced in underground storage rooms mined in a salt formation that has remained geologically stable for more than 225 million years. The site is about 26 miles east of the City of Carlsbad.

The total scope of WIPP is enormous. By law, the facility can dispose of 6.2 million cubic feet of waste, or about 850,000 55-gallon drums. More than 20 temporary above-ground storage facilities will send waste to the unique repository, which will take about 35 years to fill to capacity. Washington TRU Solutions manages the site for the Department of Energy.⁽¹⁾ Numerous contractors work at WIPP (see major employers).

Agriculture

Eddy County is a significant producer of agricultural products in New Mexico. Its primary products are hay, cotton, sorghum, pecans, cattle and wheat. The following chart show cash receipts for livestock and crops (in 000's) for Eddy County and New Mexico since 2014:

| Year | Livestock | Crops | Total Eddy County | Total New Mexico |
|------|-----------|-----------|-------------------|------------------|
| 2018 | 560,710 | \$524,700 | 1,085,410 | \$29,194,660 |
| 2017 | 545,080 | 476,220 | 1,021,300 | 29,612,530 |
| 2016 | 77,781 | 35,112 | 112,893 | 2,861,618 |
| 2015 | 84,096 | 35,558 | 119,654 | 3,038,775 |
| 2014 | 106,141 | 36,578 | 142,719 | 3,652,779 |

Source: NM Department of Agriculture and National Agricultural Statistics Survey
<http://www.nmda.nmsu.edu/wp-content/uploads/2019/12/2018-NM-Ag-Statistics.pdf>

Tourism (Carlsbad Caverns National Park)

Carlsbad Caverns National Park is a US National Park in the Guadalupe Mountains in southeastern New Mexico. The park entrance is located on US Highway 62/180, approximately 18 miles (29 km) southwest of Carlsbad, New Mexico. The park was established in 1930 and currently encompasses an area of 46,677 acres. The park contains over 119 caves. Three caves are open to public tours. Carlsbad Caverns is the most famous and is fully developed with electric lights, paved trails, and elevators. Slaughter Canyon Cave and Spider Cave are undeveloped, excepted for designated paths for the guided "adventure" caving tours. Carlsbad Caverns had 465,912 visitors in 2018. The highest attendance seen in a year was 876,500 visitors in 1976.⁽²⁾ Peak visitation typically occurs on the weekends following Memorial Day and the Fourth of July.

(1) About Us <https://wipp.energy.gov/about-us.asp>

(2) National Park Service Visitor Use Statistics. <https://irma.nps.gov/Stats/Reports/National>

Education

Over 7,000 students attend the Carlsbad Municipal Schools. There are three parochial/private schools in the Carlsbad area.

New Mexico State University - NMSU-Carlsbad is a two-year branch community college of New Mexico State University and is independently accredited by the North Central Association. NMSU-C has reported 2,000 students, 41 full-time faculty members, 63 part-time faculty and 72 full-time staff members.⁽¹⁾

NMSU-Carlsbad offers a variety of quality educational opportunities. The college is the Eddy County provider of Adult Basic Education services (ABE). The college offers developmental studies designed to provide students with basic skills needed to achieve academic success. Certificate programs of 30-36 credit hours are designed to provide the students with marketable and employable skills upon completion. Associate of Arts degrees are designed for individuals who plan to complete their educational goals with a baccalaureate degree. Associate of Applied Science degrees are designed for those who enter the work force upon graduation. Transfer programs are designed to provide freshman- and sophomore-level course work for students planning to transfer to institutions offering baccalaureate degrees. Non-credit programs offered through Community Services and Continuing Education programs provide a variety of educational, personal interest, and enrichment programs for all ages. NMSU-Carlsbad hosts the regional Small Business Development Center (SBDC) and the Manufacturing Sector Development Program (MSDP) that serves business and industry training needs through customized programs.

Population and Age Distribution

The following chart sets forth historical and projected population data for the City of Carlsbad, Eddy County and the State of New Mexico.

| Year | City of Carlsbad | Eddy County | State of New Mexico |
|---------------------|------------------|-------------|---------------------|
| 1970 | 21,297 | 41,119 | 1,017,055 |
| 1980 | 25,496 | 47,855 | 1,303,143 |
| 1990 | 24,952 | 48,605 | 1,515,069 |
| 2000 | 25,531 | 51,736 | 1,826,280 |
| 2010 | 26,138 | 53,829 | 2,065,826 |
| 2018 | 29,331 | 57,900 | 2,095,428 |
| 2019 ⁽¹⁾ | 28,353 | 57,273 | 2,087,058 |
| 2025 ⁽²⁾ | 29,536 | 59,281 | 2,110,892 |

Source: U.S. Census Bureau, December 2019

(1) Estimates. Source: Spotlight, December 2019

(2) Projected. Source: Spotlight, December 2019

The following table sets forth a comparative age distribution profile for City of Carlsbad, Eddy County, New Mexico and the United States as of 2019.

| Age Group | Carlsbad City | Eddy County | New Mexico | United States |
|------------|---------------|-------------|------------|---------------|
| 0 - 17 | 26.3% | 26.3% | 23.9% | 22.8% |
| 18 - 24 | 9.1% | 9.4% | 9.8% | 9.8% |
| 25 - 34 | 13.5% | 13.6% | 13.30% | 13.40% |
| 35 - 44 | 12.0% | 12.0% | 11.87% | 12.60% |
| 45 - 54 | 10.8% | 11.0% | 11.90% | 13.10% |
| 55 & Older | 28.3% | 27.7% | 29.2% | 28.3% |

Source: *Spotlight, December 2019*

Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income (“EBI”) and a five-year comparison of the estimated median household income as reported by The Nielsen Company. EBI is personal income less personal tax and non tax payments. Personal income includes wages and salaries, other labor income, proprietors’ income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. During the period shown in the following chart, the estimated median household income level for the County compares favorably with the State but has been lower than the national level.

| Effective Buying Income Group | City of Carlsbad | Eddy County | State of New Mexico | United States |
|-----------------------------------|------------------|-------------|---------------------|---------------|
| Under \$25,000 | 19.3% | 18.5% | 26.4% | 0.2037 |
| \$25,000 - 34,999 | 8.8% | 8.5% | 10.2% | 0.0921 |
| \$35,000 - 49,999 | 13.3% | 13.5% | 13.6% | 0.1287 |
| \$50,000 - \$74,999 | 17.6% | 17.5% | 17.1% | 0.1709 |
| \$75,000 & Over | 41.0% | 42.0% | 32.6% | 0.4046 |
| 2019 Est. Median Household Income | \$41,511 | \$49,654 | \$49,654 | \$60,336 |

Source: *Spotlight, December 2019 and U.S. Census Bureau, Decemeber 2019*

Gross Receipts

The following table shows the retail gross receipts and total reported gross receipts generated in the City of Carlsbad and the State of New Mexico for the past ten years. For the purposes of these tables, gross receipts means the total amount of money received from selling or leasing property in the State of New Mexico and from performing services in the State. Gross receipts includes, among other things, food sales and services such as legal and medical.

| FY6/30 | City of Carlsbad | | State of New Mexico | |
|--------|------------------|---------------|---------------------|-----------------|
| | Retail | Total | Retail | Total |
| 2018 | 705,691,070 | 2,777,190,862 | 27,425,036,916 | 123,237,757,807 |
| 2017 | 558,541,901 | 1,903,142,633 | 25,581,479,749 | 109,612,798,146 |
| 2016 | 449,191,465 | 1,533,354,816 | 22,456,725,617 | 97,151,637,472 |
| 2015 | 590,108,596 | 2,035,942,325 | 24,091,261,309 | 106,229,575,340 |
| 2014 | 467,460,325 | 1,359,223,786 | 24,395,913,091 | 107,584,699,939 |

Source: New Mexico Taxation & Revenue Department and UNM Bureau of Business & Economic Research

Employment

The following table provides a ten year history of employment in the County, the State and the United States.

| Year ⁽¹⁾ | Eddy County | | State of New Mexico | | United States |
|---------------------|-------------|--------------|---------------------|--------------|---------------|
| | Labor Force | % Unemployed | Labor Force | % Unemployed | % Unemployed |
| 2010 | 29,289 | 5.40% | 936,088 | 8.10% | 9.60% |
| 2011 | 28,987 | 5.70% | 930,356 | 7.50% | 8.90% |
| 2012 | 30,951 | 3.70% | 927,795 | 7.10% | 8.10% |
| 2013 | 31,232 | 3.70% | 923,899 | 6.90% | 7.40% |
| 2014 | 29,107 | 4.30% | 927,142 | 6.70% | 6.20% |
| 2015 | 29,894 | 5.10% | 927,999 | 6.50% | 5.30% |
| 2016 | 28,675 | 6.40% | 928,732 | 6.70% | 4.90% |
| 2017 | 29,100 | 5.00% | 929,567 | 6.20% | 4.40% |
| 2018 | 31,376 | 3.30% | 940,359 | 4.90% | 3.90% |
| 2019 ⁽²⁾ | 31,150 | 5.60% | 970,597 | 5.50% | 4.10% |

(1) Numbers are annual averages.

(2) Data for the month of December 2019. Numbers are preliminary.

Source: U.S. Bureau of Labor Statistics, December 2019.

Covered Wage and Salary Employment by NAICS Code Classification

The New Mexico Department of Workforce Solutions publishes quarterly reports of covered employment and wages. Employment is classified according to the [North American Industry Classification System \(NAICS\)](#). Below is a five-year history of the Average Annual Covered Wage and Salary Employment in Eddy County.

| Average Annual Employment (Covered Wage and Salary Workers) By Sector | | | | | |
|---|--------|--------|--------|--------|---------------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 ⁽¹⁾ |
| Grand Total | 28,496 | 28,293 | 27,370 | 30,224 | 32,617 |
| Total Private | 24,696 | 24,563 | 23,590 | 26,476 | 28,815 |
| Accommodation and Food Services | 2,222 | 2,299 | 2,405 | 2,424 | 2,507 |
| Administrative and Waste Services | 1,259 | 1,237 | 1,379 | 1,351 | 1,433 |
| Agriculture, Forestry, Fishing & Hunting | 331 | 348 | 386 | 388 | 351 |
| Arts, Entertainment, and Recreation | 205 | 61 | 77 | 218 | 233 |
| Construction | 2,269 | 2,195 | 2,111 | 2,737 | 3,057 |
| Educational Services | 2,170 | 227 | 233 | 2,058 | 2,146 |
| Finance and Insurance | 499 | 495 | 531 | 523 | 527 |
| Health Care and Social Assistance | 2,685 | 2,677 | 2,723 | 2,817 | 2,686 |
| Information | 262 | 234 | 195 | 242 | 248 |
| Management of Companies and Enterprises | 137 | 104 | 114 | 126 | 130 |
| Manufacturing | 916 | 954 | 924 | 982 | 1,046 |
| Mining | 7,489 | 7,101 | 6,018 | 7,599 | 8,546 |
| Other Services, Ex. Public Admin | 706 | 671 | 669 | 785 | 811 |
| Professional and Technical Services | 715 | 654 | 687 | 1,032 | 1,201 |
| Public Administration | 1,126 | 1,230 | 1,203 | 1,208 | 1,221 |
| Real Estate and Rental and Leasing | 515 | 487 | 402 | 489 | 548 |
| Retail Trade | 2,730 | 2,770 | 2,710 | 2,856 | 3,281 |
| Transportation and Warehousing | 1,234 | 1,142 | 1,163 | 1,490 | 1,585 |
| Utilities | 357 | 243 | 238 | 345 | 353 |
| Wholesale Trade | 670 | 666 | 626 | 629 | 671 |
| Total Government | 3,800 | 3,730 | 3,780 | 3,748 | 3,802 |
| Federal | 592 | 624 | 686 | 680 | 687 |
| State | 530 | 515 | 462 | 446 | 418 |
| Local | 2,678 | 2,591 | 2,631 | 2,622 | 2,697 |

⁽¹⁾ Data as of Second Quarter of 2019

Note: Figures shown here are annual averages of quarterly data.

Source: New Mexico Department of Workforce Solutions, Quarterly Census of Employment and Wages program.

Major Employers

The following is a list of major employers and employment resources for Carlsbad and Eddy County.

| Employer | Type of Business | Employee Size Range |
|---|------------------|---------------------|
| WIPP (Waste Isolation Pilot Plant) ⁽¹⁾ | Mining | 500 to 900 |
| Intrepid Potash | Potash Mine | 500 to 900 |
| Carlsbad Municipal Schools | Education | 500 to 900 |
| Mosaic Potash | Potash Mine | 500 to 900 |
| Carlsbad Medical Center | Hospital | 500 to 900 |
| Walmart | Retail | 250 to 499 |
| New Mexico Gas Co | Gas Company | 250 to 499 |
| Constructors, Inc. | Oil & Gas | 250 to 499 |
| Eddy County | Government | 250 to 499 |
| Artesia General Hospital | Healthcare | 250 to 499 |
| Devon Energy | Oil & Gas | 100 to 249 |

(1) WIPP and related contractors

Source: Carlsbad Department of Development. Data as of January 2020.

APPENDIX B

JUNE 30, 2019 AUDITED FINANCIAL STATEMENTS



**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2019

INTRODUCTORY SECTION

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CARLSBAD MUNICIPAL SCHOOL DISTRICT
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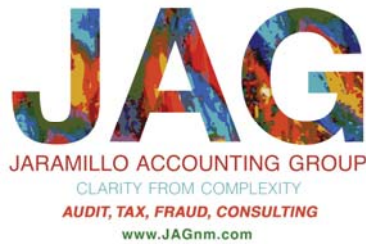
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**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
OFFICIAL ROSTER
JUNE 30, 2019**

| <u>Name</u> | <u>Board of Education</u> | <u>Title</u> |
|--------------------|----------------------------------|------------------------|
| David Shoup | | Board President |
| Ron Singleton | | Board Vice - President |
| Simon Rubio | | Board Secretary |
| Abel Montoya | | Board Member |
| Trent Cornum | | Board Member |
| | <u>School Officials</u> | |
| Dr. Gerry Washburn | | Superintendent |

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

The Board of Education
Carlsbad Municipal School District
Carlsbad, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of Carlsbad Municipal School District (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. We have also audited the financial statements of the governmental activities of each discretely presented component unit, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining financial statements as of and for the year ended June 30, 2019, as listed in the Table of Contents. We have also audited each major fund, the aggregate remaining fund information, and the respective budgetary comparisons of each of the following discretely presented component units: Jefferson Montessori Academy Charter School and Pecos Connections Academy Charter School, presented as supplementary information, as defined by the Government Accounting Standards Board, in accompanying combining and individual fund financial statements as listed in the Table of Contents as of and for the year ended June 30, 2019.

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 responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

The Board of Education
Carlsbad Municipal School District and
Mr. Brian Colón, Esq.
New Mexico State Auditor

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information and the respective budgetary comparisons of the following component units (Jefferson Montessori Academy Charter School and Pecos Connections Academy Charter School) as of June 30, 2019, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United State of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America requires the Schedules and Notes in the Required Supplementary Information section on pages 54 - 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.

The Board of Education
Carlsbad Municipal School District and
Mr. Brian Colón, Esq.
New Mexico State Auditor

Other Information

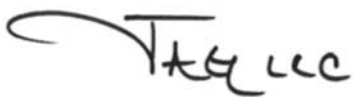
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedules required by NMAC 2.2.2 (Schedule of Deposits, Schedule of Cash Reconciliations, Schedule of Collateral Pledged by Depository for Public Funds, and the Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds), and other information, such as the Introductory Section and Corrective Action Plan, which 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, the Schedule of Expenditures of Federal Awards, and the schedules required by NMAC 2.2.2 (Schedule of Deposits, Schedule of Cash Reconciliations, Schedule of Collateral Pledged by Depository for Public Funds, and the Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds), are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements 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, the Schedule of Expenditures of Federal Awards, and the schedules required by NMAC 2.2.2 (Schedules, and the Schedule of Deposits, Schedule of Cash Reconciliations, Schedule of Collateral Pledged by Depository for Public Funds, and the Schedule of Changes in Fiduciary Assets and Liabilities – Agency Funds), are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Corrective Action Plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 15, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

| | Primary | Component Units | |
|---|----------------------------|--|------------------------------------|
| | Government | Jefferson Montessori Academy Charter School | Pecos Academy Charter School |
| | Governmental Activities | | |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 49,223,167 | \$ 736,826 | \$ 1,046,363 |
| Investments | 24,121,729 | - | - |
| Receivables | | | |
| Taxes | 5,641,185 | 1,424 | - |
| Due from other governments | 3,901,391 | 135,207 | 75,580 |
| Other | 38,829 | 580 | - |
| Inventory | 150,071 | - | - |
| Total current assets | 83,076,372 | 874,037 | 1,121,943 |
| Non-current Assets | | | |
| Restricted cash and cash equivalents | 6,957,801 | - | - |
| Restricted investments | 1,153,440 | - | - |
| Capital assets, net | 119,562,606 | 12,670 | - |
| Total non-current assets | 127,673,847 | 12,670 | - |
| Total assets | 210,750,219 | 886,707 | 1,121,943 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to pensions | 42,710,413 | 1,209,498 | 2,474,492 |
| Related to retiree healthcare | 1,119,023 | 24,460 | 499,326 |
| Total deferred outflows of resources | 43,829,436 | 1,233,958 | 2,973,818 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 4,822,512 | 5,185 | 418,908 |
| Accrued payroll | 3,551,566 | 145,141 | 67,784 |
| Accrued interest payable | 732,370 | - | - |
| Compensated absences | 290,371 | - | - |
| Current portion of bonds payable | 5,050,000 | - | - |
| Total current liabilities | 14,446,819 | 150,326 | 486,692 |
| Non-current liabilities | | | |
| Bonds payable | 43,956,000 | - | - |
| Net pension liability | 165,077,835 | 4,676,860 | 4,141,751 |
| Net OPEB liability | 39,521,762 | 1,117,962 | 1,068,826 |
| Total non-current liabilities | 248,555,597 | 5,794,822 | 5,210,577 |
| Total liabilities | 263,002,416 | 5,945,148 | 5,697,269 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Related to pensions | 3,141,697 | 182,501 | 78,824 |
| Related to retiree healthcare | 10,211,696 | 433,463 | 276,165 |
| Total deferred inflows of resources | 13,353,393 | 615,964 | 354,989 |
| NET POSITION | | | |
| Net investment in capital assets | 70,556,606 | 12,670 | - |
| Restricted for | | | |
| Special revenue | 5,992,160 | 3,288 | - |
| Debt service | 30,027,470 | - | - |
| Capital projects | 41,180,727 | 232,955 | - |
| Unrestricted (deficit) | (169,533,117) | (4,689,360) | (1,956,497) |
| Total net position | \$ (21,776,154) | \$ (4,440,447) | \$ (1,956,497) |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|---|---|------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | Component Units | |
| | | | | | Governmental Activities | Jefferson Montessori Academy Charter School | Pecos Academy Charter School |
| Primary Government | | | | | | | |
| Governmental activities | | | | | | | |
| Instruction | \$ 68,299,115 | \$ 6,547 | \$ 5,004,816 | \$ - | \$ (63,287,752) | | |
| Support services | 14,285,758 | 658,212 | 2,224,429 | 333,953 | (11,069,164) | | |
| Central services | 2,929,214 | - | - | - | (2,929,214) | | |
| Operation & maintenance of plant | 17,829,167 | - | - | - | (17,829,167) | | |
| Student transportation | 2,245,499 | - | 2,066,283 | - | (179,216) | | |
| Food services operation | 4,283,821 | 719,815 | 2,856,603 | - | (707,403) | | |
| Community services | 96,258 | - | - | - | (96,258) | | |
| Interest on long-term obligations | 1,460,353 | - | - | - | (1,460,353) | | |
| Total governmental activities | \$ 111,429,185 | \$ 1,384,574 | \$ 12,152,131 | \$ 333,953 | (97,558,527) | | |
| Component Unit Activities | | | | | | | |
| Jefferson Montessori Academy | \$ 2,913,243 | \$ 34,850 | \$ 116,071 | \$ 120,182 | | \$ (2,642,140) | \$ - |
| Pecos Connections Academy | 7,799,156 | - | 202,768 | 22,751 | | - | (7,573,637) |
| | <u>\$ 10,712,399</u> | <u>\$ 34,850</u> | <u>\$ 318,839</u> | <u>\$ 142,933</u> | | <u>(2,642,140)</u> | <u>(7,573,637)</u> |
| General revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes, levied for operating programs | | | | | 593,523 | 146,846 | - |
| Property taxes, levied for debt services | | | | | 8,296,010 | - | - |
| Property taxes, levied for capital projects | | | | | 4,897,568 | - | - |
| Oil and gas | | | | | 27,379,201 | - | - |
| State equalization guarantee | | | | | 54,361,132 | 2,160,158 | 6,407,061 |
| Interest and investment earnings | | | | | 326,634 | - | - |
| Miscellaneous | | | | | 1,365,627 | 7,915 | - |
| Total general revenues | | | | | <u>97,219,695</u> | <u>2,314,919</u> | <u>6,407,061</u> |
| Changes in net position | | | | | <u>(338,832)</u> | <u>(327,221)</u> | <u>(1,166,576)</u> |
| Net position, beginning of year (deficit) | | | | | (21,187,322) | (4,113,226) | (789,921) |
| Restatement | | | | | (250,000) | - | - |
| Net position, beginning, restated (deficit) | | | | | <u>(21,437,322)</u> | <u>(4,113,226)</u> | <u>(789,921)</u> |
| Net position - end of year | | | | | <u>\$ (21,776,154)</u> | <u>\$ (4,440,447)</u> | <u>\$ (1,956,497)</u> |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

| | Combined General Fund | 31100 Bond Building | 31600 Capital Improvements HB-33 | 31701 Capital Improvements SB-9 Local | 31900 Education Technology Notes | 41000 Debt Service | 43000 Ed Tech Debt Service | Other Governmental Funds | Total |
|--|-----------------------------|---------------------------|---|--|---|--------------------------|-------------------------------------|--------------------------------|----------------------|
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 5,034,964 | \$ 2,957,801 | \$ 21,129,215 | \$ 9,412,110 | \$ 9,336,798 | \$ 2,323,190 | \$ 1,483,285 | \$ 4,503,605 | \$ 56,180,968 |
| Investments | - | 1,153,440 | - | - | - | 14,009,842 | 8,944,848 | \$ 1,167,039 | 25,275,169 |
| Accounts receivable | | | | | | | | | |
| Property taxes | 258,854 | - | 1,040,316 | 1,044,608 | - | 2,304,698 | 992,709 | - | 5,641,185 |
| Due from other governments | 20,620 | - | - | - | - | - | - | 3,880,771 | 3,901,391 |
| Other receivables | 30,241 | - | - | - | - | - | - | 8,588 | 38,829 |
| Interfund receivables | 3,088,428 | - | - | - | - | - | - | 1,996,468 | 5,084,896 |
| Inventory | 77,426 | - | - | - | - | - | - | 72,645 | 150,071 |
| Total assets | \$ 8,510,533 | \$ 4,111,241 | \$ 22,169,531 | \$ 10,456,718 | \$ 9,336,798 | \$ 18,637,730 | \$ 11,420,842 | \$ 11,629,116 | \$ 96,272,509 |
| LIABILITIES | | | | | | | | | |
| Accounts payable | \$ 227,455 | \$ 2,159,163 | \$ 117,119 | \$ 566,134 | \$ 1,609,862 | \$ - | \$ - | \$ 142,779 | \$ 4,822,512 |
| Accrued payroll | 3,027,249 | - | - | - | - | - | - | 524,318 | 3,551,567 |
| Interfund payables | 89,518 | - | 346,341 | 348,226 | - | 581,942 | 542,817 | 3,176,052 | 5,084,896 |
| Total liabilities | 3,344,222 | 2,159,163 | 463,460 | 914,360 | 1,609,862 | 581,942 | 542,817 | 3,843,149 | 13,458,975 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | |
| Delinquent property taxes | 19,311 | - | 82,853 | 81,828 | - | 136,416 | 116,857 | - | 437,265 |
| Total liabilities and deferred inflows of resources | 3,363,533 | 2,159,163 | 546,313 | 996,188 | 1,609,862 | 718,358 | 659,674 | 3,843,149 | 13,896,240 |
| FUND BALANCES | | | | | | | | | |
| Nonspendable | 77,426 | - | - | - | - | - | - | 72,645 | 150,071 |
| Restricted for | | | | | | | | | |
| General fund | 172,987 | - | - | - | - | - | - | - | 172,987 |
| Special revenue | - | - | - | - | - | - | - | 5,992,160 | 5,992,160 |
| Capital projects | - | 1,952,078 | 21,623,218 | 9,460,530 | 7,726,936 | - | - | 417,965 | 41,180,727 |
| Debt service | - | - | - | - | - | 17,919,372 | 10,761,168 | 1,346,930 | 30,027,470 |
| Assigned | - | - | - | - | - | - | - | - | - |
| Unassigned | 4,896,587 | - | - | - | - | - | - | (43,733) | 4,852,854 |
| Total fund balances | 5,147,000 | 1,952,078 | 21,623,218 | 9,460,530 | 7,726,936 | 17,919,372 | 10,761,168 | 7,785,967 | 82,376,269 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 8,510,533 | \$ 4,111,241 | \$ 22,169,531 | \$ 10,456,718 | \$ 9,336,798 | \$ 18,637,730 | \$ 11,420,842 | \$ 11,629,116 | \$ 96,272,509 |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

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

| | |
|--|---------------|
| Fund balances - total governmental funds | \$ 82,376,269 |
|--|---------------|

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

| | |
|--------------------------|--------------|
| Capital assets | 192,417,768 |
| Accumulated depreciation | (72,855,162) |

Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

| | |
|----------------|---------|
| Property taxes | 437,265 |
|----------------|---------|

Deferred inflow of resources are not financial resources and are not reported in the funds and include:

| | |
|-------------------------------|------------|
| Related to pensions | 42,710,413 |
| Related to retiree healthcare | 1,119,023 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

| | |
|--------------------------|---------------|
| Bonds payable | (49,006,000) |
| Accrued interest payable | (732,370) |
| Compensated absences | (290,370) |
| Net pension liability | (165,077,835) |
| Net OPEB liability | (39,521,762) |

Deferred outflow of resources are not financial resources and are not reported in the funds and include:

| | |
|-------------------------------|---------------------|
| Related to pensions | (3,141,697) |
| Related to retiree healthcare | <u>(10,211,696)</u> |

| | |
|---|-------------------------------|
| Total net position - governmental activities | <u>\$ (21,776,154)</u> |
|---|-------------------------------|

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

| | Combined General Fund | 31100 Bond Building | 31600 Capital Improvements HB-33 | 31701 Capital Improvements SB-9 Local | 31900 Education Technology Notes | 41000 Debt Service | 43000 Ed Tech Service | Other Governmental Funds | Total |
|--|-----------------------------|---------------------------|---|--|---|--------------------------|-----------------------------|--------------------------------|----------------------|
| REVENUES | | | | | | | | | |
| Property taxes | \$ 1,865,392 | \$ - | \$ 7,504,522 | \$ 7,538,660 | \$ - | \$ 14,921,677 | \$ 9,284,982 | \$ - | \$ 41,115,233 |
| Intergovernmental revenues | | | | | | | | | |
| Federal grants | 134,161 | - | - | - | - | - | - | 7,215,544 | 7,349,705 |
| State grants | 54,896,398 | - | - | - | - | - | - | 2,534,830 | 57,431,228 |
| Transportation distribution | 2,066,283 | - | - | - | - | - | - | - | 2,066,283 |
| Charges for services | 6,547 | - | - | - | - | - | - | 1,378,027 | 1,384,574 |
| Investment income | 11,236 | 243,057 | 44,247 | - | - | 26,014 | - | 2,080 | 326,634 |
| Miscellaneous | 296,364 | - | - | 24,123 | - | - | - | 1,045,140 | 1,365,627 |
| Total revenues | 59,276,381 | 243,057 | 7,548,769 | 7,562,783 | - | 14,947,691 | 9,284,982 | 12,175,621 | 111,039,284 |
| EXPENDITURES | | | | | | | | | |
| Current | | | | | | | | | |
| Instruction | 35,082,195 | - | - | - | - | - | - | 4,975,434 | 40,057,629 |
| Support services | | | | | | | | | |
| Students | 5,059,881 | - | - | - | - | - | - | 1,477,320 | 6,537,201 |
| Instruction | 2,102,511 | - | - | - | - | - | - | 89,059 | 2,191,570 |
| General administration | 758,549 | - | 24,286 | 24,318 | - | 57,886 | 24,263 | 112,564 | 1,001,866 |
| School administration | 4,198,067 | - | - | - | - | - | - | 5,471 | 4,203,538 |
| Central services | 2,380,392 | - | - | - | - | - | - | 532,343 | 2,912,735 |
| Operation & maintenance of plant | 6,509,614 | - | - | - | - | - | - | - | 6,509,614 |
| Student transportation | 2,078,502 | - | - | - | - | - | - | 112,062 | 2,190,564 |
| Food services operations | - | - | - | - | - | - | - | 4,190,431 | 4,190,431 |
| Community services | 85,271 | - | - | - | - | - | - | - | 85,271 |
| Capital outlay | - | 13,572,907 | 3,051,769 | 4,129,126 | 5,558,731 | - | - | 375,203 | 26,687,736 |
| Debt service | | | | | | | | | |
| Principal | - | - | - | - | - | 6,790,000 | 11,600,000 | - | 18,390,000 |
| Interest | - | - | - | - | - | 1,916,475 | 680 | - | 1,917,155 |
| Total expenditures | 58,254,982 | 13,572,907 | 3,076,055 | 4,153,444 | 5,558,731 | 8,764,361 | 11,624,943 | 11,869,887 | 116,875,310 |
| Excess (deficiency) of revenues over (under) expenditures | 1,021,399 | (13,329,850) | 4,472,714 | 3,409,339 | (5,558,731) | 6,183,330 | (2,339,961) | 305,734 | (5,836,026) |
| Other financing sources | | | | | | | | | |
| Operating transfers | - | - | - | - | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | 11,600,000 | - | - | - | 11,600,000 |
| Proceeds from refunding debt issuance | - | - | - | - | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - | - | - | - | - |
| Total other financing sources | - | - | - | - | 11,600,000 | - | - | - | 11,600,000 |
| Net changes in fund balances | 1,021,399 | (13,329,850) | 4,472,714 | 3,409,339 | 6,041,269 | 6,183,330 | (2,339,961) | 305,734 | 5,763,974 |
| Fund balances, beginning of year | 4,177,135 | 15,531,928 | 17,350,078 | 6,251,691 | 1,685,667 | 11,976,436 | 13,507,812 | 6,381,548 | 76,862,295 |
| Prior Period Restatement | (51,534) | (250,000) | (199,574) | (200,500) | - | (240,394) | (406,683) | 1,098,685 | (250,000) |
| Fund balance, beginning of year, restated | 4,125,601 | 15,281,928 | 17,150,504 | 6,051,191 | 1,685,667 | 11,736,042 | 13,101,129 | 7,480,233 | 76,612,295 |
| Fund balances, end of year | \$ 5,147,000 | \$ 1,952,078 | \$ 21,623,218 | \$ 9,460,530 | \$ 7,726,936 | \$ 17,919,372 | \$ 10,761,168 | \$ 7,785,967 | \$ 82,376,269 |

See Accompanying Notes.

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

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

| | |
|---|--------------|
| Net changes in fund balances - total governmental funds | \$ 5,763,974 |
|---|--------------|

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

| | |
|----------------------|-------------|
| Capital outlays | 16,148,035 |
| Depreciation expense | (5,493,470) |
| Adjustments | (180,997) |

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds

| | |
|--|--------|
| Decrease in deferred inflow related to the property taxes receivable | 51,069 |
|--|--------|

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position:

| | |
|-----------------------------|--------------|
| Bond proceeds | (11,600,000) |
| Principal payments on bonds | 18,390,000 |
| Amortization of premiums | 456,802 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

| | |
|---|-----------------|
| Decrease in accrued interest payable | 132,324 |
| Decrease in accrued compensated absences | 69,189 |
| Loss on disposal of capital assets | (445,038) |
| Contributions to pension plan subsequent to measurement date | 5,536,536 |
| Contributions to retiree health plan subsequent to measurement date | 797,229 |
| Pension expense | (29,950,637) |
| OPEB expense | <u>(13,848)</u> |

| | |
|--|----------------------------|
| Change in net position of governmental activities | \$ <u>(338,832)</u> |
|--|----------------------------|

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
COMBINED GENERAL FUND BUDGET
FOR THE YEAR ENDED JUNE 30, 2019**

| | Budgeted Amounts | | Actual Amount | Variance |
|--|--------------------|--------------------|---------------------|----------------------------------|
| | Original Budget | Final Budget | | (Unfavorable) Final to Actual |
| REVENUES | | | | |
| Taxes | \$ 1,001,045 | \$ 1,001,045 | \$ 1,792,032 | \$ 790,987 |
| Intergovernmental revenue | | | | |
| Federal | 34,387 | 34,387 | 131,706 | 97,319 |
| State | 55,193,363 | 55,213,983 | 54,860,779 | (353,204) |
| Transportation distribution | 1,920,326 | 2,066,283 | 2,066,283 | - |
| Charges for services | 82,581 | 82,581 | 1,322 | (81,259) |
| Investment income | 14,115 | 14,115 | 11,236 | (2,879) |
| Miscellaneous | 382,154 | 382,154 | 286,347 | (95,807) |
| Total revenues | <u>58,627,971</u> | <u>58,794,548</u> | <u>59,149,705</u> | <u>355,157</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 38,573,198 | 38,593,818 | 34,993,690 | 3,600,128 |
| Support services | 13,374,547 | 13,374,547 | 12,139,223 | 1,235,324 |
| Central services | 2,321,099 | 2,321,099 | 2,379,766 | (58,667) |
| Operation and maintenance of plant | 6,925,087 | 6,925,087 | 6,517,682 | 407,405 |
| Student transportation | 1,923,843 | 2,069,800 | 2,078,502 | (8,702) |
| Food services operations | - | - | - | - |
| Community services operations | 78,540 | 78,540 | 85,271 | (6,731) |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>63,196,314</u> | <u>63,362,891</u> | <u>58,194,134</u> | <u>5,168,757</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,568,343)</u> | <u>(4,568,343)</u> | <u>955,571</u> | <u>(5,523,914)</u> |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances (Budget Basis) | | | 955,571 | |
| Adjustments to revenues | | | 126,676 | |
| Adjustments to expenditures | | | (60,848) | |
| Net change in fund balances (GAAP Basis) | | | <u>\$ 1,021,399</u> | |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2019**

ASSETS

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | <u>\$ 135,491</u> |
|---------------------------|-------------------|

LIABILITIES

| | |
|-----------------------------------|-------------------|
| Deposits held in trust for others | <u>\$ 135,491</u> |
|-----------------------------------|-------------------|

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Carlsbad Municipal School District (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 in the City of Carlsbad and surrounding area. 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.

The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates three schools and two charter school within the District. In conjunction with the regular educational programs, some of these schools offer special education.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's and the Charter Schools' financial statements. The financial statements and notes are the representation of the District's management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

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 Statement No. 14 amended by GASB Statements No. 39, 61 and 80. 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.

Each discretely presented component unit is reported in a separate column in the governmentwide 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 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.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting entity (Continued)

The District's Board of Education approved the Jefferson Montessori Academy Charter School and Pecos Connections Academy Charter School for operation in accordance with the criteria listed above. The charter schools are deemed to be fiscally dependent upon the District and have been deemed to be a separate legal entity based on state statute and are presented as a discrete component unit.

The discretely presented component units do not have separately issued financial statements.

B. Government-wide and fund financial statements

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

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

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 such as the sale of lunch tickets and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function such as state and federal grants. Taxes and other items not properly included among program revenues are reported instead *as general revenues*.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion.

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 (Funds 11000, 13000, and 14000) – 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 the District’s 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. The General Fund includes the Pupil Transportation Fund, which is used to account for transportation distribution received from the New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children. It also includes the instructional Materials Fund, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

Bond Building Capital Projects Fund (31100) – is used to account for the erecting, remodeling, additions and furnishings of school buildings.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Improvements HB-33 Fund (31600) – is used to account for two mill levy funds authorized by the Public-School Capital Improvement Act. The levy must be voted on by local residents and allows the District to impose a property tax.

Capital Improvements SB-9 – Local (31701) 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. Funding authority is the New Mexico Public Education Department.

Education Technology Notes (31900) – To account for revenue received from any revenue bonds issued into as part of a lease purchase agreement under the Education Technology Act. The Education Technology Act was enacted to implement a provision of Article IX Section 11 of the Constitution of New Mexico which declares that a school district may create a debt under the constitution by entering into a lease purchase arrangement to acquire education technology without submitting the proposition to a vote of the qualified electors of the school district.

Debt Service Fund (41000) – is used to accumulate resources for payment of principal and interest due on general obligation bonds. Financing is provided by a special tax levy approved by the voters and assessed by the County Assessor and collected and remitted to the District by the County Treasurer.

Education Technology Debt Service Fund (43000) – is used to account for tax collections and debt service payments specific to the Education Technology note funding. Authority for this fund is the New Mexico Public Education Department.

Additionally, the District reports the following agency fund:

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund 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 Schools to invest in Certificates of Deposit, obligations of the U.S. Government, and the Local Government Investment Pool. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of pool shares. As of June 30, 2019, the District does not have any investments with Local Governmental Investment Pool.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Assets. Certain proceeds of the District's revenue bonds and general obligation bonds are classified as restricted assets on the balance sheet because their use is limited by the applicable bond covenants. The Bond Building fund has \$1,153,440 in unspent bond proceeds included in investments as of June 30, 2019.

Receivables and Payables. Interfund activity is reported as 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 transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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 transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

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

The District receives monthly income from a tax levy from Eddy County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer 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. Period of availability is deemed to be 60 days subsequent to year end. The portion of property taxes receivable not collected within 60 days is classified as a deferred inflow.

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

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund 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 does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Library books are deemed to have useful lives of one year and 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. Construction projects paid for by the Public-School Capital Outlay Council are included in the District’s capital assets.

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Land improvements | 20 |
| Buildings and improvements | 20-50 |
| Equipment | 5-20 |

Unearned Revenues. The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resource’s measurement focus are reported as deferred revenues in the governmental fund financial statements. Accordingly, the item, unavailable revenue - property taxes, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The District has recorded \$437,265 related to property taxes considered “unavailable.”

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Compensated Absences. The District permits administrative employees to accumulate a limited amount of earned but unused vacation, which will be paid if not used, upon termination from the District. Accumulated sick leave benefits vest with each employee in accordance with District policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service employees.

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 Position.

Long-term Obligations. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are included in bonds payable reported in the Statement of Net Position and are amortized into interest expense over the term of the bonds using the straight-line method.

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.

Fund Balance Classification Policies and Procedures. The District has implemented GASB Statement No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment is the Board of Education.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For assigned fund balance, the Board of Education or an official or body to which the School Board of education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

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

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. The District's estimates include the useful lives of depreciable assets, net pension liability and related deferred inflows and outflows of resources, and the current portion of compensated absences. Accordingly, actual results could differ from those estimates.

Significant estimates for the District are management's estimate of depreciation on assets over their estimated useful lives, the net pension liability and related amounts, and the current portion of accrued compensated absences.

E. Revenues

State Equalization Guarantee. School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program 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 \$54,361,132 in state equalization guarantee distributions during the year ended June 30, 2019. Jefferson Montessori Academy Charter School received \$2,160,158 in state equalization guarantee distributions during the year ended June 30, 2019. Pecos Connections Academy Charter School received \$6,407,061 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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

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 \$13,736,032 and Jefferson Montessori Academy Charter School recognized \$145,409 in property tax revenues during the year ended June 30, 2019. The amounts are included in revenue from taxes reported in the Statement of Activities. 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 District recognized \$27,379,201 in oil and gas tax revenues in fiscal year 2019.

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 \$2,066,283 in transportation distributions during the year ended June 30, 2019.

Instructional Materials. The Public Education Department receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, 70% is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while 30% of each allocation is available for purchases directly from vendors. The District received \$240,042, Jefferson Montessori Academy Charter School received \$8,522, and Pecos Connections Academy Charter School received \$32,523 in instructional materials during the year ended June 30, 2019.

SB-9 State Match. The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a 100% collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the Schools under the Public-School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. This District received \$0 in State SB-9 matching during the year ended June 30, 2019.

Public School Capital Outlay. The public-school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used for: capital expenditures deemed by the public-school capital outlay council to be necessary for an adequate education program per Section 22-24-4(B); core administrative function of the public-school facilities authority and for project management expense upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L). Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

Finance and Administration following certification by the council that the application has been approved. The District did not receive any funds from PSCOC awards during the year ended June 30, 2019.

Federal Grants. The District receives revenues from various federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds.

Each program 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.

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

NOTE 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, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

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 local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal yearend. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget schedules included in the accompanying financial statements reflect the original budget and the final budget.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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 a District from exceeding budgetary control at the function level. The District is required to balance its budgets each year.

The appropriated budget for the year ended June 30, 2019, was properly amended by the District’s Board of Education throughout the year.

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.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The District and Charter Schools budget on a modified cash basis with payroll or held checks being accrued and expensed. Therefore, fund balances on the budget statements do not reconcile to cash due to the Charter Schools' accrued payroll which is presented on the accrual basis.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund are included in each individual budgetary comparison.

NOTE 3. DEPOSITS AND INVESTMENTS

Section 22-8-40, NMSA 1978 authorizes the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2019.

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

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 100% of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

All of the District's accounts at an insured depository institution, including non-interest-bearing accounts are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2019, \$80,909,196 of the District's bank balance of \$82,812,636 was subject to custodial credit risk. \$63,387,412 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. \$20,744,511 of the District's deposits were uninsured and uncollateralized at June 30, 2019.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

District:

| | Carlsbad National Bank | Wells Fargo Bank | Wells Fargo Bank - Sweep | Western Commerce | Total |
|--|---------------------------|---------------------|-----------------------------|----------------------|----------------------|
| Demand deposits | \$ 4,211,117 | \$ 7,533,272 | \$ - | \$ 45,793,078 | \$ 57,537,467 |
| Time and savings deposits | - | - | - | 1,153,440 | 1,153,440 |
| Repurchase Agreement | - | - | 24,121,729 | - | 24,121,729 |
| Subtotal | 4,211,117 | 7,533,272 | 24,121,729 | 46,946,518 | 82,812,636 |
| FDIC coverage | (250,000) | (250,000) | - | (1,403,440) * | (1,903,440) |
| Total uninsured public funds | 3,961,117 | 7,283,272 | 24,121,729 | 45,543,078 | 80,909,196 |
| Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name | 6,701,409 | 5,977,459 | 24,604,164 | 26,104,380 | 63,387,412 |
| | <u>\$ (2,740,292)</u> | <u>\$ 1,305,813</u> | <u>\$ (482,435)</u> | <u>\$ 19,438,698</u> | <u>\$ 17,521,784</u> |
| Collateral requirements | | | | | |
| (102% of repurchase agreement) | \$ - | \$ - | \$ 24,604,164 | \$ - | \$ 24,604,164 |
| (50% of uninsured funds) | 1,980,559 | 3,641,636 | - | 22,771,539 | 28,393,734 |
| Pledged collateral | 6,701,409 | 5,977,459 | 24,604,164 | 26,104,380 | 63,387,412 |
| Over (under) collateralized | <u>\$ 4,720,850</u> | <u>\$ 2,335,823</u> | <u>\$ -</u> | <u>\$ 3,332,841</u> | <u>\$ 10,389,514</u> |

*Western Commerce Bank maintains multiple brokered CDs for the District which are individually collateralized by the FDIC for up to \$250,000. Total brokered CDs were \$1,153,440 at June 30, 2019.

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

The District has presented certificates of deposits and a repurchase agreement of \$25,274,730 as investments in the Statement of Net Position; however, these are classified as deposits for disclosure purposes.

Reconciliation to the Statement of Net Position

The carrying amounts of deposits shown above are included in the District's Statement of Net Position as follows:

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

| | |
|--|------------------------------------|
| Cash and cash equivalents | \$ 49,223,166 |
| Investments | 24,121,729 |
| Restricted cash and cash equivalents | 6,957,831 |
| Restricted investments | 1,153,441 |
| Agency funds cash | <u>135,491</u> |
| Total cash and cash equivalents | 81,591,658 |
| | |
| Petty cash | (51,950) |
| Outstanding checks | 1,166,291 |
| Other reconciling items | <u>106,637</u> |
| | |
| Bank balance of deposits | <u><u>\$ 82,812,636</u></u> |

Jefferson Montessori Academy Charter School:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Charter School’s deposits may not be returned to it. The Jefferson Montessori Academy Charter 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). At June 30, 2019, \$533,277 of the component unit’s bank balance of \$783,277 was subject to custodial credit risk. \$364,491 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the Charter School’s name. \$168,786 of the Charter School’s deposits were uninsured and uncollateralized at June 30, 2019.

| | |
|---|---------------------------------|
| | <u>Wells Fargo Bank</u> |
| Amount of deposits | \$ 783,277 |
| FDIC Insurance | <u>(250,000)</u> |
| Total uninsured public funds | 533,277 |
| | |
| Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Component Unit’s name | <u>364,491</u> |
| Uninsured and uncollateralized | <u><u>\$ 168,786</u></u> |
| | |
| Collateral requirement (50 % of uninsured funds) | \$ 266,639 |
| Pledged collateral | <u>364,491</u> |
| Over (under) collateralized | <u><u>\$ 97,853</u></u> |

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

As of June 30, 2019, the Charter School did not have any investment balances.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation to the Statement of Net Position

The carrying amount of deposits shown above are included in the Jefferson Montessori Academy Charter School's Statement of Net Position as follows:

| | |
|--|--------------------------|
| Cash and cash equivalents | \$ 736,826 |
| Total cash and cash equivalents | <u>736,826</u> |
| Add outstanding checks | 46,451 |
| Less petty cash | <u>-</u> |
| Bank balance of deposits | <u><u>\$ 783,277</u></u> |

Pecos Connections Academy Charter School:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Component Unit's deposits may not be returned to it. The Pecos Connections Academy Charter 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). At June 30, 2019, \$805,832 of the component unit's bank balance of \$1,055,832 was subject to custodial credit risk. \$87,753 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Charter School's name. \$718,079 of the Charter School's deposits were uninsured and uncollateralized at June 30, 2019.

| | |
|---|-----------------------------|
| | <u>Wells Fargo Bank</u> |
| Amount of deposits | \$ 1,055,832 |
| FDIC Insurance | <u>(250,000)</u> |
| Total uninsured public funds | 805,832 |
| Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Component Unit's name | <u>87,753</u> |
| Uninsured and uncollateralized | <u><u>\$ 718,079</u></u> |
| Collateral requirement (50 % of uninsured funds) | \$ 402,916 |
| Pledged collateral | <u>87,753</u> |
| Over (under) collateralized | <u><u>\$ (315,163)</u></u> |

As of June 30, 2019, the Charter School did not have any investment balances.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Reconciliation to the Statement of Net Position

The carrying amount of deposits shown above are included in the Pecos Connections Academy Charter School's Statement of Net Position as follows:

| | |
|--|----------------------------|
| Cash and cash equivalents | \$ 1,046,363 |
| Total cash and cash equivalents | 1,046,363 |
| Add outstanding checks | 9,469 |
| Less petty cash | <u>-</u> |
| Bank balance of deposits | <u>\$ 1,055,832</u> |

NOTE 4. RECEIVABLES

Receivables for the District as of June 30, 2019 are as follows:

| | Combined General Fund | Capital Improvements HB-33 | Capital Improvements SB-9 Local | Debt Service | Ed Tech Debt Service | Other Governmental Funds | Total |
|----------------------------|-----------------------------|----------------------------------|---------------------------------------|---------------------------|----------------------------|--------------------------------|----------------------------|
| Taxes receivable | | | | | | | |
| Property taxes | \$ 27,675 | \$ 121,180 | \$ 119,888 | \$ 228,120 | \$ 162,451 | \$ - | \$ 659,314 |
| Oil and gas taxes | 231,179 | 919,136 | 924,720 | 2,076,578 | 830,258 | - | 4,981,871 |
| Due from other governments | | | | | | | |
| State | 20,620 | - | - | - | - | 3,162,023 | 3,182,643 |
| Federal | - | - | - | - | - | 718,748 | 718,748 |
| Other receivables | | | | | | | |
| Reimbursements | <u>30,241</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,588</u> | <u>38,829</u> |
| Totals by fund | <u>\$ 309,715</u> | <u>\$ 1,040,316</u> | <u>\$ 1,044,608</u> | <u>\$2,304,698</u> | <u>\$ 992,709</u> | <u>\$ 3,889,359</u> | <u>\$ 9,581,405</u> |

The above receivables are deemed 100% collectible.

Property tax revenues in the amount of \$437,265 were not collected within the period of availability have been reclassified as deferred inflows for unavailable revenue in the governmental fund financial statements. All of the above receivables, net of deferred inflows, are deemed to be fully collectible.

Component Units:

The Jefferson Montessori Academy Charter School had receivables due from state and local sources in the amount of \$136,631 and other receivables in the amount of \$580. All receivables are considered 100% collectible.

The Pecos Connections Academy Charter School had receivables due from state and local sources in the amount of \$75,580 and other receivables in the amount of \$0. All receivables are considered 100% collectible.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5. INTERFUND RECEIVABLES AND PAYABLE

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

| Governmental Activities | Due from other funds | Due to other funds |
|---------------------------------|----------------------------|----------------------------|
| Major Funds | | |
| General Fund | \$ 3,088,428 | \$ 89,518 |
| Capital Improvements HB-33 | - | 346,341 |
| Capital Improvements SB-9 Local | - | 348,226 |
| Debt Service | - | 581,942 |
| Ed Tech Debt Service | - | 542,817 |
| Nonmajor Funds | | |
| Special Revenue Funds | <u>1,996,468</u> | <u>3,176,052</u> |
| Total | <u><u>\$ 5,084,896</u></u> | <u><u>\$ 5,084,896</u></u> |

Component Unit – Jefferson Montessori Academy Charter School:

| Governmental Activities | Due from other funds | Due to other funds |
|-------------------------|--------------------------|--------------------------|
| Major Funds | | |
| General Fund | \$ 101,716 | \$ - |
| Special Revenue Funds | - | 99,500 |
| Nonmajor Funds | | |
| Capital Projects Funds | <u>-</u> | <u>2,216</u> |
| Total | <u><u>\$ 101,716</u></u> | <u><u>\$ 101,716</u></u> |

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

Component Unit – Pecos Connections Academy Charter School:

| Governmental Activities | Due from other funds | Due to other funds |
|--|-------------------------|-------------------------|
| Major Funds | | |
| General Fund - Operational | \$ 73,559 | \$ - |
| General Fund - Instructional Materials | - | 14,637 |
| Nonmajor Funds | | |
| Special Revenue Funds | - | 44,332 |
| Capital Projects Funds | <u>-</u> | <u>14,590</u> |
| Total | <u><u>\$ -</u></u> | <u><u>\$ 73,559</u></u> |

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. CAPITAL ASSETS

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

Capital assets, net of accumulated depreciation, at June 30, 2019, appear in the Statement of Net Position as follows:

| | Balance | | | | | Balance June 30, 2019 |
|---|-----------------------|---------------------|----------------------|---------------------|--------------------|--------------------------|
| | June 30, 2018 | Adjustments | Additions | Deletions | Transfers | |
| Governmental activities | | | | | | |
| Capital Assets not being depreciated: | | | | | | |
| Land | \$ 1,346,923 | \$ (13,021) | \$ - | \$ - | \$ - | \$ 1,333,902 |
| Construction in process | 3,476,882 | (66,345) | 14,902,122 | - | (2,346,777) | 15,965,882 |
| Total capital assets not being depreciated | <u>4,823,805</u> | <u>(79,366)</u> | <u>14,902,122</u> | <u>-</u> | <u>(2,346,777)</u> | <u>17,299,784</u> |
| Capital Assets being depreciated: | | | | | | |
| Land improvements | 18,052,034 | (255,784) | - | - | 308,238 | 18,104,488 |
| Buildings and improvements | 144,885,248 | - | - | - | 2,038,539 | 146,923,787 |
| Equipment | 9,484,629 | - | 1,245,913 | (640,833) | - | 10,089,709 |
| Total capital assets being depreciated | <u>172,421,911</u> | <u>(255,784)</u> | <u>1,245,913</u> | <u>(640,833)</u> | <u>2,346,777</u> | <u>175,373,768</u> |
| Less accumulated depreciation: | | | | | | |
| Land improvements | 6,977,476 | (108,809) | 752,745 | - | - | 7,621,412 |
| Buildings and improvements | 55,170,269 | (45,344) | 3,472,309 | - | - | 58,597,234 |
| Equipment | 5,563,896 | - | 1,268,415 | (195,795) | - | 6,636,516 |
| Total accumulated depreciation | <u>67,711,641</u> | <u>(154,153)</u> | <u>5,493,469</u> | <u>(195,795)</u> | <u>-</u> | <u>72,855,162</u> |
| Net capital assets being depreciated | <u>\$ 109,534,075</u> | <u>\$ (180,997)</u> | <u>\$ 10,654,566</u> | <u>\$ (445,038)</u> | <u>\$ -</u> | <u>\$ 119,562,606</u> |

Depreciation expense for the year ended June 30, 2019 was charged to the following functions:

| | |
|----------------------------------|---------------------|
| Direct instruction | \$ 4,812,279 |
| Support services | 351,583 |
| Central services | 16,479 |
| Operation & maintenance of plant | 153,817 |
| Student transportation | 54,935 |
| Food services operations | 93,390 |
| Community service operations | <u>10,986</u> |
| Total | <u>\$ 5,493,469</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. CAPITAL ASSETS (CONTINUED)

Component Unit - Jefferson Montessori Academy Charter School:

| | Balance June 30, 2018 | Additions | Deletions | Adjustments/ Transfers | Balance June 30, 2019 |
|--|--------------------------|-----------------|-------------|---------------------------|--------------------------|
| Capital assets being depreciated: | | | | | |
| Furniture, fixtures and equipment | \$ 6,995 | \$ 9,186 | \$ - | \$ - | \$ 16,181 |
| Less accumulated depreciation: | | | | | |
| Furniture, fixtures and equipment | <u>2,800</u> | <u>707</u> | <u>-</u> | <u>4</u> | <u>3,511</u> |
| Total capital assets, net of depreciation | <u>\$ 4,195</u> | <u>\$ 8,479</u> | <u>\$ -</u> | <u>\$ (4)</u> | <u>\$ 12,670</u> |

Depreciation expense in the amount of \$707 was charged to Direct Instruction in the Statement of Activities.

Component Unit - Pecos Connections Academy Charter School:

The Pecos Connections Academy Charter School does not have any capital assets as of June 30, 2019.

NOTE 7. LONG-TERM DEBT

Primary Government

On November 20, 2007, the District issued general obligation bonds secured by ad valorem taxes to provide funds for purposes of purchasing, improving, renovating, remodeling, upgrading, and making additions to the heating and cooling systems in elementary and secondary schools, restrooms at P.R. Leyva Middle School auditorium, playground equipment at elementary schools, and outside lockers at Carlsbad High School. The original amount of the issue was \$7,100,000. The bonds are issued with varying terms, interest rates that range between 3.75% to 4%, and varying amounts of principal maturing each year.

On June 24, 2011, the District issued general obligation bonds secured by ad valorem taxes for purposes of providing funds for an on-going school building and renovation program, to purchase or improve schools' grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant to the Public-School Capital Outlay Act. The original amount of the issue was \$7,000,000. The bonds are issued with varying terms, interest rates that range between 2% to 3.5%, and varying amounts of principal maturing each year.

On May 21, 2014, the District issued general obligation bonds secured by ad valorem taxes for purposes of erecting, remodeling and making additions to and furnish school buildings within the District, to purchase or improve school grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant the Public-School Capital Outlay Act. The original amount of the issue was \$30,000,000. The bonds are issued with varying terms, interest rates that range between 2.5% and 5% and varying amounts of principal maturing each year through August 1, 2027.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. LONG- TERM DEBT (CONTINUED)

On January 19, 2016, the District issued general obligation bonds secured by ad valorem taxes for purposes of erecting, remodeling and making additions to and furnishing school buildings within the District, to purchase or improve school grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant the Public-School Capital Outlay Act. The original amount of the issue was \$30,000,000. The bonds are issued with varying terms, interest rate of 1.97% and varying amounts of principal maturing each year through August 1, 2029.

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

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 | Due Within One Year |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Bonds payable | \$ 51,070,000 | \$ - | \$ 6,790,000 | \$ 44,280,000 | \$ 5,050,000 |
| Bond issuance premium | 5,182,802 | - | 456,802 | 4,726,000 | - |
| Educational technology notes | - | 11,600,000 | 11,600,000 | - | - |
| Compensated absences | 359,560 | 224,384 | 293,573 | 290,371 | 290,371 |
| Total | <u>\$ 56,612,362</u> | <u>\$ 11,824,384</u> | <u>\$ 19,140,375</u> | <u>\$ 49,296,371</u> | <u>\$ 5,340,371</u> |

The final year of payment for bonds outstanding is fiscal year 2030. The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2019, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--------------------------------|-----------------------------|----------------------------|-----------------------------|
| 2020 | \$ 5,050,000 | \$ 1,642,094 | \$ 6,692,094 |
| 2021 | 4,250,000 | 1,425,250 | 5,675,250 |
| 2022 | 4,350,000 | 1,220,500 | 5,570,500 |
| 2023 | 4,400,000 | 1,012,688 | 5,412,688 |
| 2024 | 4,400,000 | 831,063 | 5,231,063 |
| 2025-2029 | 18,795,000 | 1,924,350 | 20,719,350 |
| 2030 | 3,035,000 | 45,525 | 3,080,525 |
| | <u>\$ 44,280,000</u> | <u>\$ 8,101,469</u> | <u>\$ 52,381,469</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 by \$65,987 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. LONG- TERM DEBT (CONTINUED)

Component Unit - Jefferson Montessori Academy Charter School:

The Jefferson Montessori Academy Charter School has no long-term debt for the year ending June 30, 2019.

Component Unit - Pecos Connections Academy Charter School:

The Pecos Connections Academy Charter School has no long-term debt for the year ending June 30, 2019.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Therefore, the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). NMPSIA 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 \$15,000 deductible per occurrence with a maximum annual deductible of \$60,000. 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 are 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. No settlements exceeded insurance coverage for 2019.

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

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

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. CAPITAL ASSETS (CONTINUED)

Component Unit - Jefferson Montessori Academy Charter School:

| | Balance June 30, 2018 | Additions | Deletions | Adjustments/ Transfers | Balance June 30, 2019 |
|--|--------------------------|-----------------|-------------|---------------------------|--------------------------|
| Capital assets being depreciated: | | | | | |
| Furniture, fixtures and equipment | \$ 6,995 | \$ 9,186 | \$ - | \$ - | \$ 16,181 |
| Less accumulated depreciation: | | | | | |
| Furniture, fixtures and equipment | <u>2,800</u> | <u>707</u> | <u>-</u> | <u>4</u> | <u>3,511</u> |
| Total capital assets, net of depreciation | <u>\$ 4,195</u> | <u>\$ 8,479</u> | <u>\$ -</u> | <u>\$ (4)</u> | <u>\$ 12,670</u> |

Depreciation expense in the amount of \$707 was charged to Direct Instruction in the Statement of Activities.

Component Unit - Pecos Connections Academy Charter School:

The Pecos Connections Academy Charter School does not have any capital assets as of June 30, 2019.

NOTE 7. LONG-TERM DEBT

Primary Government

On November 20, 2007, the District issued general obligation bonds secured by ad valorem taxes to provide funds for purposes of purchasing, improving, renovating, remodeling, upgrading, and making additions to the heating and cooling systems in elementary and secondary schools, restrooms at P.R. Leyva Middle School auditorium, playground equipment at elementary schools, and outside lockers at Carlsbad High School. The original amount of the issue was \$7,100,000. The bonds are issued with varying terms, interest rates that range between 3.75% to 4%, and varying amounts of principal maturing each year.

On June 24, 2011, the District issued general obligation bonds secured by ad valorem taxes for purposes of providing funds for an on-going school building and renovation program, to purchase or improve schools' grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant to the Public-School Capital Outlay Act. The original amount of the issue was \$7,000,000. The bonds are issued with varying terms, interest rates that range between 2% to 3.5%, and varying amounts of principal maturing each year.

NOTE 7. LONG- TERM DEBT (CONTINUED)

On May 21, 2014, the District issued general obligation bonds secured by ad valorem taxes for purposes of erecting, remodeling and making additions to and furnish school buildings within the District, to purchase or improve school grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant the Public-School Capital Outlay Act. The original amount of the issue was \$30,000,000. The bonds are issued with varying terms, interest rates that range between 2.5% and 5% and varying amounts of principal maturing each year through August 1, 2027.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. LONG- TERM DEBT (CONTINUED)

On January 19, 2016, the District issued general obligation bonds secured by ad valorem taxes for purposes of erecting, remodeling and making additions to and furnishing school buildings within the District, to purchase or improve school grounds, to purchase computer software and hardware for student use in public schools, and to provide matching funds for capital outlay projects funded pursuant the Public-School Capital Outlay Act. The original amount of the issue was \$30,000,000. The bonds are issued with varying terms, interest rate of 1.97% and varying amounts of principal maturing each year through August 1, 2029.

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

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 | Due Within One Year |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Bonds payable | \$ 51,070,000 | \$ - | \$ 6,790,000 | \$ 44,280,000 | \$ 5,050,000 |
| Bond issuance premium | 5,182,802 | - | 456,802 | 4,726,000 | - |
| Educational technology notes | - | 11,600,000 | 11,600,000 | - | - |
| Compensated absences | 359,560 | 224,384 | 293,573 | 290,371 | 290,371 |
| Total | <u>\$ 56,612,362</u> | <u>\$ 11,824,384</u> | <u>\$ 19,140,375</u> | <u>\$ 49,296,371</u> | <u>\$ 5,340,371</u> |

The final year of payment for bonds outstanding is fiscal year 2030. The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2019, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--------------------------------|-----------------------------|----------------------------|-----------------------------|
| 2020 | \$ 5,050,000 | \$ 1,642,094 | \$ 6,692,094 |
| 2021 | 4,250,000 | 1,425,250 | 5,675,250 |
| 2022 | 4,350,000 | 1,220,500 | 5,570,500 |
| 2023 | 4,400,000 | 1,012,688 | 5,412,688 |
| 2024 | 4,400,000 | 831,063 | 5,231,063 |
| 2025-2029 | 18,795,000 | 1,924,350 | 20,719,350 |
| 2030 | 3,035,000 | 45,525 | 3,080,525 |
| | <u>\$ 44,280,000</u> | <u>\$ 8,101,469</u> | <u>\$ 52,381,469</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 by \$65,987 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7. LONG- TERM DEBT (CONTINUED)

Component Unit - Jefferson Montessori Academy Charter School:

The Jefferson Montessori Academy Charter School has no long-term debt for the year ending June 30, 2019.

Component Unit - Pecos Connections Academy Charter School:

The Pecos Connections Academy Charter School has no long-term debt for the year ending June 30, 2019.

NOTE 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Therefore, the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). NMPSIA 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 \$15,000 deductible per occurrence with a maximum annual deductible of \$60,000. 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 are 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. No settlements exceeded insurance coverage for 2019.

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

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

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-112, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

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

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least 65 years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

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

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least 67 years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

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

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- The member's age is 67 and has earned 5 or more years of service credit.

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

Benefit Options. The Plan has three benefit options available:

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

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

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

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

Contributions. For the fiscal years ended June 30, 2019 and 2018, educational employers contributed to the Plan based on the following rate schedule:

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$9,742,314 and \$9,480,026, respectively, which equal the amount of the required contributions for each fiscal year. For the fiscal years ended June 30, 2019 and 2018, the Jefferson Montessori Academy Charter School paid employee and employer contributions of \$297,627 and \$268,660, respectively, which equal the amount of the required contributions for each fiscal year. For the fiscal years ended June 30, 2019 and 2018, the Pecos Connections Academy Charter School paid employee and employer contributions of \$394,716 and \$239,457, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$165,077,835 for its proportionate share of the net pension liability. At June 30, 2019, the Jefferson Montessori Academy Charter School reported a liability of \$4,676,860 for its proportionate share of the net pension liability. At June 30, 2019, the Pecos Connections Academy Charter School reported a liability of \$4,141,751 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the ERB Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the District’s and Charter’s portion was established as of the measurement date of June 30, 2018. The District’s and Charter’s proportion of the net pension liability was based on a projection of the District and Charter long- term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District’s proportion was 1.38822% which was an increase of 0.02873% from its proportion measured at June 30, 2017. At June 30, 2018, the Jefferson Montessori Academy Charter School proportion was 0.03933%, which was a decrease of 0.00081% from its proportion measured at June 30, 2017. At June 30, 2018, the Pecos Connections Academy Charter School proportion was 0.03483%, which was an increase of 0.01266% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$29,950,637. For the year ended June 30, 2019, Jefferson Montessori Academy Charter School recognized pension expense of \$780,119. For the year ended June 30, 2019, Pecos Connections Academy Charter School recognized pension expense of \$1,385,750.

At June 30, 2019, the District and Charters reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

District:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 120,480 | \$ 3,141,697 |
| Changes of assumptions | 34,021,761 | - |
| Net difference between projected and actual earnings on pension plan investments | 365,440 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 2,666,196 | |
| District contributions subsequent to the measurement date | 5,536,536 | - |
| Total | \$ 42,710,413 | \$ 3,141,697 |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Jefferson Montessori Academy Charter School:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 3,413 | \$ 89,008 |
| Changes of assumptions | 963,879 | - |
| Net difference between projected and actual earnings on pension plan investments | 10,353 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 62,290 | 93,493 |
| Charter contributions subsequent to the measurement date | <u>169,563</u> | <u>-</u> |
| Total | <u><u>\$ 1,209,498</u></u> | <u><u>\$ 182,501</u></u> |

Pecos Connections Academy Charter School:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 3,023 | \$ 78,824 |
| Changes of assumptions | 853,595 | - |
| Net difference between projected and actual earnings on pension plan investments | 9,169 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 1,397,478 | - |
| Charter contributions subsequent to the measurement date | <u>211,227</u> | <u>-</u> |
| Total | <u><u>\$ 2,474,492</u></u> | <u><u>\$ 78,824</u></u> |

The District reported \$5,536,536, Jefferson Montessori Academy Charter School reported \$169,563 and Pecos Connections Academy Charter School reported \$211,227 as deferred outflows of resources related to pensions resulting from the District's, Jefferson Montessori Academy Charter School and Pecos Connections Academy Charter School contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

| District: | Jefferson Montessori Academy | | Pecos Connections Academy | | |
|-----------------------------|-------------------------------------|-------|----------------------------------|-------|---------------------|
| <u>Year Ending June 30,</u> | Charter School: | | Charter School: | | |
| <u>Year Ending June 30,</u> | <u>Year Ending June 30,</u> | | <u>Year Ending June 30,</u> | | |
| 2020 | \$ 20,688,637 | 2020 | \$ 518,160 | 2020 | \$ 1,172,619 |
| 2021 | 13,203,525 | 2021 | 355,800 | 2021 | 857,652 |
| 2022 | 135,208 | 2022 | (16,662) | 2022 | 154,049 |
| 2023 | <u>4,810</u> | 2023 | <u>136</u> | 2023 | <u>121</u> |
| Total | <u>\$ 34,032,180</u> | Total | <u>\$ 857,434</u> | Total | <u>\$ 2,184,441</u> |

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

| | | | | | | | | | | | | | |
|---|---|-------------|-------------|-------------|-------------|-------------|-------------|-----------------------|------|------|------|------|------|
| Inflation | 2.50% | | | | | | | | | | | | |
| Salary increases | 3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service. | | | | | | | | | | | | |
| Investment rate of return | 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return. | | | | | | | | | | | | |
| Average of expected remaining service lives | <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: right;">Fiscal year</td> <td style="text-align: center;"><u>2018</u></td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: right;">Service life in years</td> <td style="text-align: center;">3.56</td> <td style="text-align: center;">3.65</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table> | Fiscal year | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | Service life in years | 3.56 | 3.65 | 3.77 | 3.92 | 3.88 |
| Fiscal year | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | | | | | | | | |
| Service life in years | 3.56 | 3.65 | 3.77 | 3.92 | 3.88 | | | | | | | | |
| Mortality | <p>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p> | | | | | | | | | | | | |
| Retirement age | Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014. | | | | | | | | | | | | |
| Cost-of-living increases | 1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement. | | | | | | | | | | | | |
| Payroll growth | 3.00% per year (with no allowance for membership growth). | | | | | | | | | | | | |
| Contribution accumulation | The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future. | | | | | | | | | | | | |
| Disability incidence | Approved rates are applied to eligible members with at least 10 years of service. | | | | | | | | | | | | |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

| | 1 % Decrease 4.69% | Current Discount Rate 5.69% | 1 % Increase 6.69% |
|---|-----------------------|-----------------------------------|-----------------------|
| District's proportionate share of the net pension liability | <u>\$ 214,537,961</u> | <u>\$ 165,077,835</u> | <u>\$ 124,721,459</u> |
| Jefferson Montessori Academy Charter School's proportionate share of the net pension liability | <u>\$ 6,078,127</u> | <u>\$ 4,676,860</u> | <u>\$ 3,533,514</u> |
| Pecos Connection Academy Charter School's proportionate share of the net pension liability | <u>\$ 5,382,689</u> | <u>\$ 4,141,751</u> | <u>\$ 3,129,222</u> |

Pension Plan Fiduciary Net Position. Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for the years ended June 30, 2019 and 2018, which are publicly available at www.nmerb.org.

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTH CARE PLAN

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

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
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JUNE 30, 2019**

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Employees covered by benefit terms. At June 30, 2018, the Fund’s measurement date, the following State of New Mexico employees were covered by the benefit terms:

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

Contributions. Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$797,229 for the year ended June 30, 2019. Contributions to the Fund from the Jefferson Montessori Academy Charter Schools were \$24,460 for the year ended June 30, 2019. Contributions to the Fund from the Pecos Connections Academy Charter Schools were \$31,553 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019, the District reported a liability of \$39,521,762 for its proportionate share of the net OPEB liability. At June 30, 2019, Jefferson Montessori Academy Charter School reported a liability of \$1,117,962 for its proportionate share of the net OPEB liability. At June 30, 2019, Pecos Connections Academy Charter School reported a liability of \$1,068,826 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District’s and Charter’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the District’s proportion was 0.90889%. At June 30, 2018, the Jefferson Montessori Academy Charter School’s proportion was 0.02571%. At June 30, 2018, the Pecos Connections Academy Charter School’s proportion was 0.02458%.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

For the year ended June 30, 2019, the District recognized OPEB expense of \$13,848. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| | <u>Resources</u> | <u>Resources</u> |
| Difference between expected and actual experience | \$ - | \$ 2,339,941 |
| Differences between actual and projected earnings on OPEB plan investments | - | 493,217 |
| Changes of assumptions | - | 7,378,538 |
| Change in Proportion | 321,794 | - |
| Contributions made after the measurement date | <u>797,229</u> | <u>-</u> |
| Total | <u>\$ 1,119,023</u> | <u>\$ 10,211,696</u> |

For the year ended June 30, 2019, the Jefferson Montessori Academy Charter School recognized OPEB income of \$32,108. At June 30, 2019, the Charter reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| | <u>Resources</u> | <u>Resources</u> |
| Difference between expected and actual experience | \$ - | \$ 66,191 |
| Differences between actual and projected earnings on OPEB plan investments | - | 13,952 |
| Changes of assumptions | - | 208,719 |
| Change in Proportion | - | 144,601 |
| Contributions made after the measurement date | <u>24,460</u> | <u>-</u> |
| Total | <u>\$ 24,460</u> | <u>\$ 433,463</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

For the year ended June 30, 2019, the Pecos Connections Academy Charter School recognized OPEB expense of \$98,767. At June 30, 2019, the Charter reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ - | \$ 63,281 |
| Differences between actual and projected earnings on OPEB plan investments | - | 13,339 |
| Changes of assumptions | - | 199,545 |
| Change in Proportion | 467,773 | - |
| Contributions made after the measurement date | <u>31,553</u> | <u>-</u> |
| Total | <u>\$ 499,326</u> | <u>\$ 276,165</u> |

Deferred outflows of resources totaling \$797,229 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|-----------------------------|
| 2020 | \$(1,977,665) |
| 2021 | (1,977,665) |
| 2022 | (1,977,665) |
| 2023 | (1,391,314) |
| 2024 | <u>(1,391,314)</u> |
| Total | <u>\$(8,715,623)</u> |

Deferred outflows of resources totaling \$24,460 represent Jefferson Montessori Academy Charter 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

| <u>Year Ending June 30,</u> | |
|-----------------------------|---------------------|
| 2020 | \$ (63,285) |
| 2021 | (63,285) |
| 2022 | (63,285) |
| 2023 | (44,521) |
| 2024 | <u>(44,521)</u> |
| Total | <u>\$ (278,897)</u> |

Deferred outflows of resources totaling \$31,553 represent Pecos Connections Academy Charter 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

| <u>Year Ending June 30,</u> | |
|-----------------------------|---------------------|
| 2020 | \$ (31,555) |
| 2021 | (31,555) |
| 2022 | (31,555) |
| 2023 | (22,198) |
| 2024 | <u>(22,198)</u> |
| Total | <u>\$ (139,061)</u> |

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

| | |
|-----------------------------|---|
| Valuation Date | June 30, 2018 |
| 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% |
| Investment rate of return | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation |
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs |

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

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

| Asset Class | Target Allocation | Long-Term Rate of Return |
|-------------------------------|-------------------|--------------------------|
| U.S. core fixed income | 20% | 2.1% |
| U.S. equity - large cap | 20% | 7.7% |
| Non U.S. - emerging markets | 15% | 10.2% |
| Non U.S. - developed equities | 12% | 7.8% |
| Private equity | 10% | 11.8% |
| Credit and structured finance | 10% | 5.3% |
| Real estate | 5% | 4.9% |
| Absolute return | 5% | 4.1% |
| U.S. equity - small/mid cap | 3% | 7.1% |

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

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

| 1% Decrease (3.08%) | Current Discount (4.08%) | 1% Increase (5.08%) |
|------------------------|-----------------------------|------------------------|
| \$ 47,830,639 | \$ 39,521,762 | \$ 32,972,515 |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10. OTHER POST EMPLOYMENT BENEFITS (OPEB) – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

The following presents the net OPEB liability of Jefferson Montessori Academy Charter School, as well as what the Charter’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the **current discount rate**:

| <u>1% Decrease (3.08%)</u> | <u>Current Discount (4.08%)</u> | <u>1% Increase (5.08%)</u> |
|--------------------------------|-------------------------------------|--------------------------------|
| \$ 1,352,997 | \$ 1,117,962 | \$ 932,702 |

The following presents the net OPEB liability of Pecos Connections Academy Charter School, as well as what the Charter’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the **current discount rate**:

| <u>1% Decrease (3.08%)</u> | <u>Current Discount (4.08%)</u> | <u>1% Increase (5.08%)</u> |
|--------------------------------|-------------------------------------|--------------------------------|
| \$ 1,293,531 | \$ 1,068,826 | \$ 891,708 |

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

| <u>1% Decrease</u> | <u>Current Trend Rates</u> | <u>1% Increase</u> |
|--------------------|--------------------------------|--------------------|
| \$ 33,409,745 | \$ 39,521,762 | \$ 44,313,721 |

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

| <u>1% Decrease</u> | <u>Current Trend Rates</u> | <u>1% Increase</u> |
|--------------------|--------------------------------|--------------------|
| \$ 945,070 | \$ 1,117,962 | \$ 1,253,513 |

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

| <u>1% Decrease</u> | <u>Current Trend Rates</u> | <u>1% Increase</u> |
|--------------------|--------------------------------|--------------------|
| \$ 903,532 | \$ 1,068,826 | \$ 1,198,419 |

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, 2019.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11. CONTINGENT LIABILITIES

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

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

NOTE 12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

- A. Deficit fund balance of individual funds. The following funds maintained a deficit fund balance as of June 30, 2019:

Primary Government:

| | |
|--|-------------------------|
| Non-major Funds | |
| Athletics (Fund 22000) | \$ 25,981 |
| Title I (Fund 24101) | 28 |
| Entitlement IDEA-B (Fund 24106) | 8,902 |
| IDEA-B "Risk Plan" (Fund 24132) | 550 |
| Carl D Perkins Secondary Current (Fund 24174) | 634 |
| Truancy Initiative PED (Fund 27141) | 1,220 |
| Breakfast for Elementary Students (Fund 27155) | <u>6,418</u> |
| Total Governmental Funds | <u>\$ 43,733</u> |

The District had more liabilities than assets in these funds in the current year. The District anticipates these fund balances will not be in a deficit state in subsequent years.

Component Unit – Jefferson Montessori Academy Charter School:

| | |
|---|------------------------|
| Non-major Funds | |
| Capital Improvements SB-9 State (31701) | \$ 1,948 |
| Total Governmental Funds | <u>\$ 1,948</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 12. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED)

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2019, as more fully described in audit finding 2019-010:

Primary Government:

| | |
|---|----------|
| Major Funds | |
| General Fund - Operational (11000) | |
| Operation of Non-instructional Services | \$ 6,731 |
| Capital Improvements HB-33 (31600) | |
| Support Services | 2,227 |
| Debt Service (41000) | |
| Support Services | 34,609 |
| Non-major Funds | |
| Competitive IDEA-B (24108) | |
| Instruction | 3,117 |

C. Designated cash appropriations in excess of available balance The District, Jefferson Montessori Academy Charter School and Pecos Connections Academy Charter School had no designated cash appropriations in excess of available balances in any funds as of June 30, 2019.

NOTE 13. PAYROLL RELATED EXPENDITURES

The District and Charter Schools' expenditures are budgeted on a cash basis, with the exception of those expenditures related to payroll. Payroll expenditures are budgeted on the accrual basis and the beginning fund balance and current year actual expenditures are budgeted on the budgetary comparisons in those funds that have accrued payroll at year end have been adjusted to account for this requirement.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 14. TAX ABATEMENTS

The District was impacted by the following tax abatements:

| | |
|--|---|
| Agency number for Agency making the disclosure (Abating Agency) | 5008 |
| Abating Agency Name | Eddy County |
| Abating Agency Type | County |
| Tax Abatement Agreement Name | Industrial Revenue Bond Agreement |
| Name of agency affected by abatement agreement (Affected Agency) | Carlsbad Municipal Schools |
| Agency number of Affected Agency | 7010 |
| Agency type of Affected Agency | School District |
| Recipient(s) of tax abatement | Enterprise Field Services, LLC |
| Tax abatement program (name and brief description) | Industrial Revenue Bond |
| Specific Tax(es) Being Abated | Gross Receipts Taxes, Compensating Taxes and Ad Valorem taxes |
| Authority under which abated tax would have been paid to Affected Agency | NMSA 4-59-1 et seq, 1978 Comp as amended |
| 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 | \$818,548.42 |
| 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 | \$818,548.42 |
| 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 |

NOTE 15. CONCENTRATIONS

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 16. RESTRICTED NET POSITION

The government-wide Statement of Net Position for the District reports \$77,200,357 of restricted amounts, all of which is restricted by enabling legislation. For the Jefferson Montessori Academy Charter School restricted net position is \$232,955. For the Pecos Connections Academy Charter School there is not a restricted net position.

NOTE 17. RESTATEMENT OF FUND BALANCE – PAYMENT IN LIEU OF TAXES

The District is subject to tax abatements granted by Eddy County through the Industrial Revenue Bond Act, which exempt projects from certain gross receipt, compensating, and ad valorem taxes (Note 14). The District receives payments in lieu of these abated taxes to compensate in whole or in part for these lost tax revenues.

In the financial statements for the year ended June 30, 2018, these balances were included in certain funds associated with the receipt of ad valorem tax revenue. In the financial statements for the year ended June 30, 2019, as more fully described in finding 2019-001, these amounts are shown as a restatement reducing beginning fund balance in those funds and increasing beginning fund balance in the Industrial Revenue Bonds PILOT Fund (29315), on the Statement of Revenues, Expenditures, and Changes in Fund Balances. The restatement of these balances during the year ended June 30, 2019 is as follows:

| | |
|---------------------------------|--------------------|
| General Fund | \$ (51,534) |
| Capital Improvements HB-33 | (199,574) |
| Capital Improvements SB-9 Local | (200,500) |
| Debt Service | (240,394) |
| Ed Tech Debt Service | (406,683) |
| Industrial Revenue Bonds PILOT | <u>1,098,685</u> |
| Total | <u><u>\$ -</u></u> |

NOTE 18. RESTATEMENT OF FUND BALANCE AND NET POSITION – INVESTMENTS

In fiscal year 2018, the District’s bank erroneously double-entered a purchase of a certificate of deposit for \$250,000. This error resulted in an overstatement of investments in Fund 31100 in the financial statements for the year ended June 30, 2018. The error was identified and corrected in fiscal year 2019, as more fully described in finding 2019-002.

In the financial statements for the year ended June 30, 2019, this amount is shown as a restatement reducing beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balances and reducing net position of the Statement of Activities.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 19. GOVERNMENTAL FUND BALANCE

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

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

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

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

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

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

| | Major Funds | | | Other | Total |
|----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Operational | Capital Project | Debt Service | Governmental | |
| | Fund | Funds | Funds | Funds | |
| Fund Balances | | | | | |
| Nonspendable | | | | | |
| Inventory | \$ 77,426 | \$ - | \$ - | \$ 72,645 | \$ 150,071 |
| Prepaid expenditures | - | - | - | - | - |
| Restricted for | | | | | |
| Instructional materials | 172,987 | - | - | - | 172,987 |
| Food service | - | - | - | 1,406,619 | 1,406,619 |
| Special revenue | - | - | - | 4,585,541 | 4,585,541 |
| Capital projects | - | 40,762,762 | - | 417,965 | 41,180,727 |
| Debt service | - | - | 28,680,540 | 1,346,930 | 30,027,470 |
| Committed to | - | - | - | - | - |
| Assigned to | - | - | - | - | - |
| Unassigned | 4,896,587 | - | - | (43,733) | 4,852,854 |
| Total fund balances | <u>\$ 5,147,000</u> | <u>\$ 40,762,762</u> | <u>\$ 28,680,540</u> | <u>\$ 7,785,967</u> | <u>\$ 82,376,269</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 20. OIL AND GAS LEASE

On October 22, 2017, the District (lessor) entered into an oil and gas lease with SPC Resources, LLC (lessee), for ten dollars and a period of five years, the exclusive rights for the purpose of investigating, exploring, drilling and mining for and producing, extracting, severing, storing and marketing all oil and gas and all associated gaseous minerals and products and hydrocarbons located in, under, and that may be produced from approximately 149 acres of land owned by the District. The lessor and lessee agree this is a “no surface occupancy” lease and that any operations on the surface of the ground require written consent by the lessor. Lessee agrees to pay oil and gas royalties to the District at a rate of 18.75%.

NOTE 21. SUBSEQUENT EVENT

On November 5, 2019, voters of Eddy County passed the \$80,000,000 General Obligation Bond question in support of the Carlsbad Municipal Schools. The General Obligation Bond proceeds will fund various projects, including elementary school renovation and expansion, construction of a new Performing Arts Center, and a new Multi-Sport Locker Room Facility.

The first General Obligation bond sale is expected in January 2020 to fund Phase 1 projects.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2015
LAST 10 FISCAL YEARS* (UNAUDITED)**

| | Fiscal Year Measurement Date | 2019 2018 | 2018 2017 | 2017 2016 | 2016 2015 | 2015 2014 |
|--|---------------------------------|-----------------------|----------------|---------------|---------------|---------------|
| Primary Government | | | | | | |
| District's proportion of the net pension liability | | 1.38822% | 1.35949% | 1.34099% | 1.30623% | 1.26280% |
| District's proportionate share of the net pension liability | | \$ 165,077,835 | \$ 151,086,489 | \$ 96,503,454 | \$ 84,607,996 | \$ 72,050,819 |
| District's covered employee payroll | | \$ 38,809,376 | \$ 38,715,655 | \$ 38,299,188 | \$ 35,664,263 | \$ 34,806,911 |
| District's proportionate share of the net pension liability as a percentage of its covered employee payroll | | 425% | 390% | 252% | 237% | 207% |
| ERB Plan fiduciary net position as a percentage of the total pension liability | | 52.17% | 52.95% | 61.58% | 63.97% | 66.54% |

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2015
LAST 10 FISCAL YEARS* (UNAUDITED)**

| | Fiscal Year Measurement Date | 2019 2018 | 2018 2017 | 2017 2016 | 2016 2015 | 2015 2014 |
|---|---------------------------------|----------------------|--------------|--------------|--------------|--------------|
| Component Unit - Jefferson Montessori Academy | | | | | | |
| Charter's proportion of the net pension liability | | 0.03933% | 0.04014% | 0.03807% | 0.04164% | 0.03926% |
| Charter's proportionate share of the net pension liability | | \$ 4,676,860 | \$ 4,460,946 | \$ 2,739,682 | \$ 2,697,134 | \$ 2,240,061 |
| Charter's covered employee payroll | | \$ 1,099,113 | \$ 1,143,110 | \$ 1,082,295 | \$ 1,136,905 | \$ 1,082,138 |
| Charter's proportionate share of the net pension liability as a percentage of its covered employee payroll | | 426% | 390% | 253% | 237% | 207% |
| ERB Plan fiduciary net position as a percentage of the total pension liability | | 52.17% | 52.95% | 61.58% | 63.97% | 66.54% |
| Component Unit - Pecos Connections Academy | | | | | | |
| Charter's proportion of the net pension liability | | 0.03483% | 0.02217% | 0.00000% | 0.00000% | 0.00000% |
| Charter's proportionate share of the net pension liability | | \$ 4,141,751 | \$ 2,463,856 | \$ - | \$ - | - |
| Charter's covered employee payroll | | \$ 973,404 | \$ 631,359 | \$ - | \$ - | - |
| Charter's proportionate share of the net pension liability as a percentage of its covered employee payroll | | 425% | 390% | 0% | 0% | 0% |
| ERB Plan fiduciary net position as a percentage of the total pension liability | | 52.17% | 52.95% | 0.00% | 0.00% | 0.00% |

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

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
RETIREE HEALTH CARE AUTHORITY (RHCA) OPEB PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

| | Fiscal Year Measurement Date | 2019 2018 | 2018 2017 |
|---|---------------------------------|----------------------------|---------------|
| Primary Government | | | |
| District's proportion of the net OPEB liability | | 0.90889% | 0.90188% |
| District's proportionate share of the net OPEB liability | | \$ 39,521,762 | \$ 40,870,253 |
| District's covered employee payroll | | \$ 38,996,987 | \$ 37,569,140 |
| District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | | 101.35% | 108.79% |
| RHCA Plan fiduciary net position as a percentage of the total pension liability | | 13.14% | 11.34% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years. Complete information for the District is not available prior to 2018, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
RETIREE HEALTH CARE AUTHORITY (RHCA) OPEB PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2018
LAST 10 FISCAL YEARS* (UNAUDITED)**

| | Fiscal Year Measurement Date | 2019 2018 | 2018 2017 |
|--|---------------------------------|----------------------|--------------|
| Component Unit - Jefferson Montessori Academy | | | |
| Charter's proportion of the net OPEB liability | | 0.02571% | 0.02886% |
| Charter's proportionate share of the net OPEB liability | | \$ 1,117,962 | \$ 1,307,841 |
| Charter's covered employee payroll | | \$ 1,103,118 | \$ 1,202,206 |
| Charter's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | | 101.35% | 108.79% |
| RHCA Plan fiduciary net position as a percentage of the total pension liability | | 13.14% | 11.34% |
| Component Unit - Pecos Connections Academy | | | |
| Charter's proportion of the net OPEB liability | | 0.02458% | 0.01439% |
| Charter's proportionate share of the net OPEB liability | | \$ 1,068,826 | \$ 652,108 |
| Charter's covered employee payroll | | \$ 1,054,634 | \$ 599,437 |
| Charter's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | | 101.35% | 108.79% |
| RHCA Plan fiduciary net position as a percentage of the total pension liability | | 13.14% | 11.34% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Charter will present information for available years. Complete information for the Charter is not available prior to 2018, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2015
LAST 10 FISCAL YEARS* (UNAUDITED)**

| Primary Government | June 30, | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Statutorily required contributions | \$ 5,536,536 | \$ 5,380,803 | \$ 5,381,682 | \$ 5,316,325 | \$ 5,161,306 |
| Contribution in relation to the statutorily required contributions | <u>\$ 5,536,536</u> | <u>\$ 5,380,803</u> | <u>\$ 5,381,682</u> | <u>\$ 5,316,325</u> | <u>\$ 5,161,306</u> |
| Annual contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2015
LAST 10 FISCAL YEARS* (UNAUDITED)**

| | June 30, | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Component Unit - Jefferson Montessori Academy | | | | | |
| Statutorily required contributions | \$ 169,563 | \$ 152,777 | \$ 158,874 | \$ 151,242 | \$ 164,554 |
| Contribution in relation to the statutorily required contributions | <u>\$ 169,563</u> | <u>\$ 152,777</u> | <u>\$ 158,874</u> | <u>\$ 151,242</u> | <u>\$ 164,554</u> |
| Annual contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Component Unit - Pecos Connections Academy | | | | | |
| Statutorily required contributions | \$ 211,227 | \$ 135,303 | \$ 87,771 | \$ - | \$ - |
| Contribution in relation to the statutorily required contributions | <u>\$ 211,227</u> | <u>\$ 135,303</u> | <u>\$ 87,771</u> | <u>\$ -</u> | <u>\$ -</u> |
| Annual contribution deficiency | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
RETIREE HEALTH CARE AUTHORITY (RHCA) OPEB PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

| | June 30, | |
|--|----------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Primary Government | | |
| Contractually required contribution | \$ 1,420,293 | \$ 2,863,892 |
| Contributions in relation to the contractually required | <u>\$ 1,402,951</u> | <u>\$ 1,437,355</u> |
| Contribution deficiency (excess) | <u>\$ 17,342</u> | <u>\$ 1,426,537</u> |
| Employer's covered employee payroll | \$ 38,996,987 | \$ 37,569,140 |
| Contributions as a percentage of covered employee payroll | 3.60% | 3.83% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
RETIREE HEALTH CARE AUTHORITY (RHCA) OPEB PLAN
FOR THE YEARS ENDED JUNE 30, 2019 - 2018
LAST 10 FISCAL YEARS* (UNAUDITED)**

| | June 30, | |
|--|------------------|------------------|
| | <u>2019</u> | <u>2018</u> |
| Component Unit - Jefferson Montessori Academy | | |
| Contractually required contribution | \$ 40,176 | \$ 91,644 |
| Contributions in relation to the contractually required | <u>\$ 39,686</u> | <u>\$ 45,995</u> |
| Contribution deficiency (excess) | <u>\$ 491</u> | <u>\$ 45,649</u> |
| Employer's covered employee payroll | \$ 1,103,118 | \$ 1,202,206 |
| Contributions as a percentage of covered employee payroll | 3.60% | 3.83% |
| Component Unit - Pecos Connections Academy | | |
| Contractually required contribution | \$ 38,410 | \$ 45,695 |
| Contributions in relation to the contractually required | <u>\$ 37,941</u> | <u>\$ 22,934</u> |
| Contribution deficiency (excess) | <u>\$ 469</u> | <u>\$ 22,761</u> |
| Employer's covered employee payroll | \$ 1,054,634 | \$ 599,437 |
| Contributions as a percentage of covered employee payroll | 3.60% | 3.83% |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Charter will present information for available years. Complete information for the Charter is not available prior to fiscal year 2018, the year the statement's requirements became effective.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
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. There were no modifications to the actuarial assumptions and methods reflected in the actuarial valuation at June 30, 2018.

RHCA 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. The actuary removed 4,010 members that were deemed participants of non-participating employers. There were no other modifications to the assumptions and methods that were reflected in the actuarial valuation at June 30, 2018.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS

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

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

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

Non-Instructional Support (23000) - To account for funds paid to the Schools for student activity travel. Accumulated funds are used to replace activity buses. Funding authority is the New Mexico Public Education Department.

Title I (24101) – This fund is used to provide supplemental educational opportunity for academically disadvantaged children. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Public Education Department. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103- 383.

Migrant Children Education (24103) – To account for federal sources administered by the State Public Education Department to provide for special education needs of children of migratory agricultural workers. Authority for the creation of this fund is Public Law 100-297.

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

Competitive IDEA-B (24108) – Research-based model program for the New Mexico Autism Project to improve the outcomes for students with Autism Spectrum Disorders.

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from age three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

Education of Homeless (24113) – To ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to establish or designate an office in each State educational agency (SEA) for the coordination of education for homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to local educational agencies (LEAs). Program funding is authorized by authorized by McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.

IDEA Private School Share (24115) – Under 34 CFR §§ 300.132-300.133, an LEA must spend a proportionate amount of their IDEA-B Basic Entitlement and, if applicable, Preschool sub-grant funds for special education and related services (“equitable participation services”) to students with disabilities who are parentally placed in private elementary and secondary schools (“equitable participation services”) located in the school district served by the LEA. The private schools must be non-profit institutions. Children aged three through five are considered to be parentally placed private school children with disabilities, only if they are enrolled in a private school that meets the definition of elementary school in 34 CFR §300.13. New Mexico State law defines an elementary school as “a public school providing instruction for grades kindergarten through eight, unless there is a junior high school program approved by the state board [department], in which case it means a public school providing instruction for grades kindergarten through six” 22-1-3(A) NMSA 1978.

IDEA-B “Risk Pool” (24120) – Entitlement funds that are set aside each year for the Puente para los Ninos high-cost child program.

IDEA-B Results Plan (24132) – This account is to support the individual school site's Educational Plan for Student Success, or areas of need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by US Dept. of Education of Special Education Programs. Authority for creation of this fund is New Mexico Public Education Department. -

English Language Acquisition (24153) - To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards.

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

Title I 1300A School Improvement (24162) – To improve Title I schools identified for improvement, corrective action, or restructuring. Authority for the creation of this fund is School Improvement Grants (SIG) section 1003 (g) of Title I of the Elementary and Secondary Education Act of 1965.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

Carl D Perkins Secondary – Current (24174), Carl D Perkins Secondary- PY Unliq. Obligation (24175), Carl D Perkins Redistribution (24176) and Carl D Perkins HSTW - Redistribution (24182) – To provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Funds are acquired from federal sources through the New Mexico Public Education Department. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1990, as amended, Public Law 105-332.

Title IV - Student Support and Academic Enrichment Program (24189) – To account for funds used to improve student’s academic achievement by increasing the capacity of States, local educational agencies (LEAs), schools and local communities to: (1) provide all students with access to a well-rounded education; (2) improve school conditions for student learning; and (3) improve the use of technology in order to improve the academic achievement and digital literacy for all students. Authorized by Section 4101 of the Elementary and Secondary Education Act.

Title XIX Medicaid 3/21 Years (25153) – 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.

Exxon Education Foundation (26102) – Donations from the Exxon Education Foundation to support education with an emphasis on math and science. Authority for the creation of this fund is the New Mexico Public Education Department.

Chevron School Grant (26205) - The Chevron School Grant program supports education by helping fund eligible classroom projects at local public schools. Authority for the creation of this fund is the New Mexico Public Education Department.

Bridge Early College High School (26215) – To account for a program that is educationally driven by local business community to develop the local workforce and reduce the high school drop-out rate. Authority is Public School Code Section 22, NMSA 1978.

United Way (26218) – To account for mini-grants awarded to the District by the United Way of Carlsbad and South Eddy County. The awards are based on grant applications submitted by various schools and departments for instruction and instructional support purposes. The expenditures of the grant funds are made in support of the approved/funded proposals. The authority for this fund is the New Mexico Public Education Department.

Dual Credit Instructional Materials (27103) - SB943 (2007) and SB31 (2008) create a dual credit program that allows public high school students in school districts, charter schools and state-supported schools in the state to earn both high school and college credit for qualifying dual credit courses. Authority is Senate Bills 943 and 31.

2012 G.O. Bond Student Library Fund (27107) – This award allows schools to acquire library books, equipment, and library resources for public school library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, 2012 Senate and House Bill.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

New Mexico Reads to Lead (27114) – To account for a program that increases the quality of reading instruction, provides screening assessment for use in planning data-driven instruction and reaches out to parents and families with free resources in English and Spanish to support children’s reading at home. Authority is Laws of 2013 House Bill 2.

Excellence in Teaching Awards (27125) - To account for state special appropriation funding to be used solely for Excellence in Teacher salary supplements. These salary supplements are \$5,000 or \$10,000 per teacher and may only be awarded to teachers who have met the award criteria.

Teacher Recruitment Support Initiative (27128) – Teacher recruitment awarded to all LEA’s by the NM PED for signing bonuses for new teachers, covering cost of travel to recruit/hire, update district web site with regards to recruitment or the cost of other advertising such as newspaper or external website.

Truancy Initiative PED (27141) – The purpose of the Truancy and Dropout Prevention Coaches program is to establish a cohort of truancy and dropout prevention coaches placed in Elementary, Middle and High Schools whose role is to work with students, families, communities, schools, and districts to improve attendance for habitually truant students as well as to decrease the number of students dropping out of school.

Pre-K Initiative (27149) – Half-day program services for 300 students. Funding provided shall be used as specified by the 2015 PreK Act. Must be implemented as specified in the approved application.

Breakfast for Elementary Students (27155) – To account for Legislative Appropriation to implement Breakfast in the Classroom for elementary students in need of improvement based on AYP designation. Authority for the creation of this fund is the New Mexico Public Education Department.

K3 Plus (27166) –To account for a program that extends the school year for K-3 by 25 instructional days beginning before school starts. Authority for the creation of this fund is the New Mexico Public Education Department (Title II part A).

Workforce Readiness (27179) – This fund is used to help students discover the wide range of career options available to them, chart the most efficient path for students to achieve those goals and work directly with business and industry partners to ensure that their experience results in the most necessary skills, credentials, and technical knowledge to be successful in the students’ next step as they enter postsecondary or workforce engagement. House Bill 2 of the regular 2013 Legislative Session provides funding for this fund.

New Mexico Grown Fruits & Vegetables (27183) – To account for appropriations received from the New Mexico Public Education Department for the purchase of New Mexico grown fresh fruits and vegetables for school meal programs. Authority for the creation of this fund is the New Mexico Public Education Department.

Teachers “Hard to Staff” Stipend (27195) – To account for the grant awarded to a school district as additional compensation for hard to staff positions of teachers. Funding authority for this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

K3+ 4&5 PILOT (27198) – Provides funding for additional educational time for students in the kindergarten through fifth grade with at least 25 instructional days, beginning up to two months earlier than the regular school year.

NM Highway Dept (Road) (28120) – To account for road funds, provided by the New Mexico Department of Transportation for parking lot and bus area improvements. Authority for creation of this fund is the Board of Education pursuant to grant agreement requirements.

Private Direct Grants (29102) – To provide additional classroom time for seniors to meet graduation requirements. Funding authority is the New Mexico Public Education Department.

Industrial Revenue Bonds PILOT (29135) – Funds received from a natural gas processing plant located in the District. Funds are for textbook and construction services. The authority for creation of this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NON-MAJOR FUND DESCRIPTIONS
JUNE 30, 2019**

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for acquisition and construction of major facilities.

Special Capital Outlay – Local (31300) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of specific capital outlay projects. To account for special appropriations made by the Public Schools Capital Outlay Council (PSCOC) based on school facility needs. The allocations are made through a standards-based process that ranks the condition of every school building in the State and provides funding to allow public school facilities to meet an adequate level statewide.

Special Capital Outlay – State (31400) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1966 for the purpose of specific capital outlay projects. Funding authority is the New Mexico Public Education Department.

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

DEBT SERVICE FUNDS

Deferred Sick Leave Reserve (42000) – To account for the transfers from other funds. The expenditures are restricted to paying terminated employees their sick leave.

NON-MAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|-----------------------|-----------------|-------------------------|-------------------|----------------------------------|
| | 21000 | 22000 | 23000 | 24101 | 24103 |
| | Food Services | Athletics | Non-Instruct Support | Title I | Migrant Children Education |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,227,926 | \$ - | \$ 588,245 | \$ - | \$ - |
| Investments | - | - | - | - | - |
| Accounts receivable, collectible | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 325,590 | - | - | 783,982 | - |
| Other receivables | 8,588 | - | - | - | - |
| Interfund receivables | 87,624 | - | - | - | - |
| Inventory | 72,645 | - | - | - | - |
| Total assets | <u>\$ 1,722,373</u> | <u>\$ -</u> | <u>\$ 588,245</u> | <u>\$ 783,982</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| Accounts payable | 133,882 | - | 1,610 | - | - |
| Accrued payroll | 109,227 | - | 9,959 | 70,954 | - |
| Interfund payables | - | 25,981 | - | 713,056 | - |
| Total liabilities | <u>243,109</u> | <u>25,981</u> | <u>11,569</u> | <u>784,010</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Delinquent property taxes | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>243,109</u> | <u>25,981</u> | <u>11,569</u> | <u>784,010</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | 72,645 | - | - | - | - |
| Restricted for | | | | | |
| General fund | - | - | - | - | - |
| Special revenue | 1,406,619 | - | 576,676 | - | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | (25,981) | - | (28) | - |
| Total fund balances | <u>1,479,264</u> | <u>(25,981)</u> | <u>576,676</u> | <u>(28)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 1,722,373</u> | <u>\$ -</u> | <u>\$ 588,245</u> | <u>\$ 783,982</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|-----------------------|-----------------------|---------------------|--------------------------|---------------------------------|
| | 24106 | 24108 | 24109 | 24113 | 24115 |
| | Entitlement IDEA-B | Competitive IDEA-B | IDEA-B Preschool | Education of Homeless | IDEA Private School Share |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 4,269 | \$ - | \$ - |
| Investments | - | - | - | - | - |
| Accounts receivable, collectible | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 1,366,848 | 5,885 | 4,472 | 8,469 | 630 |
| Other receivables | - | - | - | - | - |
| Interfund receivables | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ 1,366,848</u> | <u>\$ 5,885</u> | <u>\$ 8,741</u> | <u>\$ 8,469</u> | <u>\$ 630</u> |
| LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll | 96,303 | 1,286 | 676 | 181 | - |
| Interfund payables | 1,279,447 | 4,599 | - | 8,288 | 630 |
| Total liabilities | <u>1,375,750</u> | <u>5,885</u> | <u>676</u> | <u>8,469</u> | <u>630</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Delinquent property taxes | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>1,375,750</u> | <u>5,885</u> | <u>676</u> | <u>8,469</u> | <u>630</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| General fund | - | - | - | - | - |
| Special revenue | - | - | 8,065 | - | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | (8,902) | - | - | - | - |
| Total fund balances | <u>(8,902)</u> | <u>-</u> | <u>8,065</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 1,366,848</u> | <u>\$ 5,885</u> | <u>\$ 8,741</u> | <u>\$ 8,469</u> | <u>\$ 630</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|-----------------------|-----------------------|------------------------------------|--|--|
| | 24120 | 24132 | 24153 | 24154 | 24162 |
| | IDEA-B "Risk Pool" | IDEA-B "Risk Plan" | English Language Acquisition | Teacher/Prin Training & Recruiting | Title I 1300A School Improvement |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investments | - | - | - | - | - |
| Accounts receivable, collectible | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | - | 103,467 | 4,990 | 74,283 | - |
| Other receivables | - | - | - | - | - |
| Interfund receivables | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ 103,467</u> | <u>\$ 4,990</u> | <u>\$ 74,283</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll | - | 5,190 | 262 | 7,212 | - |
| Interfund payables | - | 98,827 | 4,728 | 45,545 | - |
| Total liabilities | <u>-</u> | <u>104,017</u> | <u>4,990</u> | <u>52,757</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Delinquent property taxes | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>-</u> | <u>104,017</u> | <u>4,990</u> | <u>52,757</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| General fund | - | - | - | - | - |
| Special revenue | - | - | - | 21,526 | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | (550) | - | - | - |
| Total fund balances | <u>-</u> | <u>(550)</u> | <u>-</u> | <u>21,526</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ -</u> | <u>\$ 103,467</u> | <u>\$ 4,990</u> | <u>\$ 74,283</u> | <u>\$ -</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|--|---|----------------------------------|--------------------------------------|------------------|
| | 24174 | 24175 | 24176 | 24182 | 24189 |
| | Carl D Perkins Secondary Current | Carl D Perkins Secondary-PY Unliq. Oblig. | Carl D Perkins Redistribution | Impact Aid Carl D Perkins HSTW | Title IV |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investments | - | - | - | - | - |
| Accounts receivable, collectible | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 32,964 | - | - | - | 37,976 |
| Other receivables | - | - | - | - | - |
| Interfund receivables | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ 32,964</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37,976</u> |
| LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll | - | - | - | - | 3,987 |
| Interfund payables | 33,598 | - | - | - | 33,989 |
| Total liabilities | <u>33,598</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,976</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Delinquent property taxes | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>33,598</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>37,976</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| General fund | - | - | - | - | - |
| Special revenue | - | - | - | - | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | (634) | - | - | - | - |
| Total fund balances | <u>(634)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 32,964</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37,976</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|--|---|-------------------------------------|---|---------------------|
| | 25153 Title XIX Medicaid 3/21 Years | 26102 Exxon Education Foundation | 26205 Chevron School Grant | 26215 Bridge Early College High School | 26218 United Way |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,536,495 | \$ 20,000 | \$ 375,022 | \$ - | \$ 4,188 |
| Investments | - | - | - | - | - |
| Accounts receivable, collectible | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 78,514 | - | - | - | - |
| Other receivables | - | - | - | - | - |
| Interfund receivables | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ 1,615,009</u> | <u>\$ 20,000</u> | <u>\$ 375,022</u> | <u>\$ -</u> | <u>\$ 4,188</u> |
| LIABILITIES | | | | | |
| Accounts payable | 1,287 | - | - | - | - |
| Accrued payroll | 51,462 | - | - | - | - |
| Interfund payables | - | - | - | - | - |
| Total liabilities | <u>52,749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Delinquent property taxes | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>52,749</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| General fund | - | - | - | - | - |
| Special revenue | 1,562,260 | 20,000 | 375,022 | - | 4,188 |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | <u>1,562,260</u> | <u>20,000</u> | <u>375,022</u> | <u>-</u> | <u>4,188</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 1,615,009</u> | <u>\$ 20,000</u> | <u>\$ 375,022</u> | <u>\$ -</u> | <u>\$ 4,188</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|--|--|------------------------------|--|---|
| | 27103 Dual Credit Instructional Materials | 27107 2012 GO Bond Student Library Fund | 27114 NM Reads to Lead | 27125 Excellence in Teaching Awards | 27128 Teacher Recruitment Support Initiative |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ 6,000 |
| Investments | - | - | - | - | - |
| Accounts receivable, collectible | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 7,638 | 45,048 | 6,976 | 25,363 | - |
| Other receivables | - | - | - | - | - |
| Interfund receivables | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ 7,638</u> | <u>\$ 45,048</u> | <u>\$ 6,976</u> | <u>\$ 25,363</u> | <u>\$ 6,000</u> |
| LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | 6,000 |
| Accrued payroll | - | - | 934 | - | - |
| Interfund payables | 7,638 | 45,046 | 6,042 | 25,363 | - |
| Total liabilities | <u>7,638</u> | <u>45,046</u> | <u>6,976</u> | <u>25,363</u> | <u>6,000</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Delinquent property taxes | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>7,638</u> | <u>45,046</u> | <u>6,976</u> | <u>25,363</u> | <u>6,000</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| General fund | - | - | - | - | - |
| Special revenue | - | 2 | - | - | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | <u>-</u> | <u>2</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 7,638</u> | <u>\$ 45,048</u> | <u>\$ 6,976</u> | <u>\$ 25,363</u> | <u>\$ 6,000</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|---------------------------|---------------------|---|-------------------|------------------------|
| | 27141 | 27149 | 27155 | 27166 | 27179 |
| | Truancy Initiative PED | Pre-K Initiative | Breakfast for Elementary Students | K3 Plus | Workforce Readiness |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 81,206 | \$ - | \$ - |
| Investments | - | - | - | - | - |
| Accounts receivable, collectible | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 61,649 | 295,270 | - | 219,037 | - |
| Other receivables | - | - | - | - | - |
| Interfund receivables | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ 61,649</u> | <u>\$ 295,270</u> | <u>\$ 81,206</u> | <u>\$ 219,037</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll | 6,526 | 85,227 | - | 50,566 | - |
| Interfund payables | 56,343 | 204,069 | 87,624 | 168,466 | - |
| Total liabilities | <u>62,869</u> | <u>289,296</u> | <u>87,624</u> | <u>219,032</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Delinquent property taxes | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>62,869</u> | <u>289,296</u> | <u>87,624</u> | <u>219,032</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| General fund | - | - | - | - | - |
| Special revenue | - | 5,974 | - | 5 | - |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | (1,220) | - | (6,418) | - | - |
| Total fund balances | <u>(1,220)</u> | <u>5,974</u> | <u>(6,418)</u> | <u>5</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 61,649</u> | <u>\$ 295,270</u> | <u>\$ 81,206</u> | <u>\$ 219,037</u> | <u>\$ -</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|------------------------------------|--|------------------|---------------------------|--------------------------|
| | 27183 | 27195 | 27198 | 28120 | 29102 |
| | NM Grown Fruits & Vegetables | Teachers "Hard to Staff" Stipend | K3+ 4&5 PILOT | NM Highway Dept (Road) | Private Direct Grants |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 59,000 | \$ 43,979 |
| Investments | - | - | - | - | - |
| Accounts receivable, collectible | | | | | |
| Taxes | - | - | - | - | - |
| Due from other governments | 3,839 | - | 53,928 | - | - |
| Other receivables | - | - | - | - | - |
| Interfund receivables | - | - | - | - | - |
| Inventory | - | - | - | - | - |
| Total assets | <u>\$ 3,839</u> | <u>\$ -</u> | <u>\$ 53,928</u> | <u>\$ 59,000</u> | <u>\$ 43,979</u> |
| LIABILITIES | | | | | |
| Accounts payable | - | - | - | - | - |
| Accrued payroll | - | - | 10,732 | - | - |
| Interfund payables | 3,839 | - | 43,196 | - | - |
| Total liabilities | <u>3,839</u> | <u>-</u> | <u>53,928</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Delinquent property taxes | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>3,839</u> | <u>-</u> | <u>53,928</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | - | - |
| Restricted for | | | | | |
| General fund | - | - | - | - | - |
| Special revenue | - | - | - | 59,000 | 43,979 |
| Capital projects | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>59,000</u> | <u>43,979</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 3,839</u> | <u>\$ -</u> | <u>\$ 53,928</u> | <u>\$ 59,000</u> | <u>\$ 43,979</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue | Capital Projects Funds | | | Debt Service | Total Nonmajor Governmental Funds |
|--|---------------------|------------------------|----------------|-------------------|---------------------|---|
| | Fund | | | | | |
| | <u>29135</u> | <u>31300</u> | <u>31400</u> | <u>31700</u> | <u>42000</u> | |
| | Industrial | Special | Special | Capital | Deferred | |
| | Revenue | Capital | Capital | Improvements | Sick | |
| | Bonds PILOT | Outlay - Local | Outlay - State | SB-9 State | Leave Reserve | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ 363,750 | \$ - | \$ - | \$ 193,525 | \$ 4,503,605 |
| Investments | - | - | - | - | 1,167,039 | 1,167,039 |
| Accounts receivable, collectible | | | | | | - |
| Taxes | - | - | - | - | - | - |
| Due from other governments | - | - | - | 333,953 | - | 3,880,771 |
| Other receivables | - | - | - | - | - | 8,588 |
| Interfund receivables | 1,908,844 | - | - | - | - | 1,996,468 |
| Inventory | - | - | - | - | - | 72,645 |
| Total assets | <u>\$ 1,908,844</u> | <u>\$ 363,750</u> | <u>\$ -</u> | <u>\$ 333,953</u> | <u>\$ 1,360,564</u> | <u>\$ 11,629,116</u> |
| LIABILITIES | | | | | | |
| Accounts payable | - | - | - | - | - | 142,779 |
| Accrued payroll | - | - | - | - | 13,634 | 524,318 |
| Interfund payables | - | - | - | 279,738 | - | 3,176,052 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>279,738</u> | <u>13,634</u> | <u>3,843,149</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Delinquent property taxes | - | - | - | - | - | - |
| Total liabilities and deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>279,738</u> | <u>13,634</u> | <u>3,843,149</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | - | - | - | - | - | 72,645 |
| Restricted for | | | | | | |
| General fund | - | - | - | - | - | - |
| Special revenue | 1,908,844 | - | - | - | - | 5,992,160 |
| Capital projects | - | 363,750 | - | 54,215 | - | 417,965 |
| Debt service | - | - | - | - | 1,346,930 | 1,346,930 |
| Assigned | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | (43,733) |
| Total fund balances | <u>1,908,844</u> | <u>363,750</u> | <u>-</u> | <u>54,215</u> | <u>1,346,930</u> | <u>7,785,967</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 1,908,844</u> | <u>\$ 363,750</u> | <u>\$ -</u> | <u>\$ 333,953</u> | <u>\$ 1,360,564</u> | <u>\$ 11,629,116</u> |

See Accompanying Notes.

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

| | Special Revenue Funds | | | | |
|--|-----------------------|--------------------|-------------------------|------------------|----------------------------------|
| | 21000 | 22000 | 23000 | 24101 | 24103 |
| | Food Services | Athletics | Non-Instruct Support | Title I | Migrant Children Education |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | - | | |
| Federal grants | 2,856,603 | - | - | 1,233,862 | - |
| State grants | - | - | - | - | - |
| Transportation distribution | - | - | - | - | - |
| Charges for services | 719,815 | 121,019 | 537,193 | - | - |
| Investment income | 1,053 | - | 1,027 | - | - |
| Miscellaneous | 53 | 6,749 | 95,779 | - | - |
| Total revenues | <u>3,577,524</u> | <u>127,768</u> | <u>633,999</u> | <u>1,233,862</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | - | 150,747 | 605,581 | 857,245 | - |
| Support services | | | | | |
| Students | - | - | - | 310,578 | - |
| Instruction | - | - | - | 23,766 | - |
| General administration | - | - | - | 42,301 | - |
| School administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Operation of non-instructional services | | | | | |
| Food services operations | 4,040,538 | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>4,040,538</u> | <u>150,747</u> | <u>605,581</u> | <u>1,233,890</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(463,014)</u> | <u>(22,979)</u> | <u>28,418</u> | <u>(28)</u> | <u>-</u> |
| Other financing sources | | | | | |
| Operating transfers | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>(463,014)</u> | <u>(22,979)</u> | <u>28,418</u> | <u>(28)</u> | <u>-</u> |
| Fund balances, beginning of year | 1,942,278 | (3,002) | 548,258 | - | - |
| Prior Period Restatement | - | - | - | - | - |
| Fund balance, beginning of year, restated | <u>1,942,278</u> | <u>(3,002)</u> | <u>548,258</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 1,479,264</u> | <u>\$ (25,981)</u> | <u>\$ 576,676</u> | <u>\$ (28)</u> | <u>\$ -</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | Special Revenue Funds | | | | |
|--|-----------------------|-----------------------|---------------------|--------------------------|---------------------------------|
| | 24106 | 24108 | 24109 | 24113 | 24115 |
| | Entitlement IDEA-B | Competitive IDEA-B | IDEA-B Preschool | Education of Homeless | IDEA Private School Share |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | | |
| Federal grants | 1,596,964 | 5,886 | 26,829 | 19,577 | 630 |
| State grants | - | - | - | - | - |
| Transportation distribution | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | <u>1,596,964</u> | <u>5,886</u> | <u>26,829</u> | <u>19,577</u> | <u>630</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 1,060,414 | 3,295 | 2,615 | 8,959 | - |
| Support services | | | | | |
| Students | 110,681 | 2,389 | 14,967 | 9,968 | 630 |
| Instruction | 10,770 | - | 539 | - | - |
| General administration | 55,082 | 202 | 643 | 650 | - |
| School administration | - | - | - | - | - |
| Central services | 368,562 | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | 357 | - | - | - | - |
| Operation of non-instructional services | | | | | |
| Food services operations | - | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>1,605,866</u> | <u>5,886</u> | <u>18,764</u> | <u>19,577</u> | <u>630</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(8,902)</u> | <u>-</u> | <u>8,065</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | | |
| Operating transfers | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>(8,902)</u> | <u>-</u> | <u>8,065</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | - | - | - | - | - |
| Prior Period Restatement | - | - | - | - | - |
| Fund balance, beginning of year, restated | - | - | - | - | - |
| Fund balances, end of year | <u>\$ (8,902)</u> | <u>\$ -</u> | <u>\$ 8,065</u> | <u>\$ -</u> | <u>\$ -</u> |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | |
|--|-----------------------|-----------------------|------------------------------------|--|--|
| | 24120 | 24132 | 24153 | 24154 | 24162 |
| | IDEA-B "Risk Pool" | IDEA-B "Risk Plan" | English Language Acquisition | Teacher/Prin Training & Recruiting | Title I 1300A School Improvement |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | | |
| Federal grants | - | 115,670 | 22,863 | 160,640 | - |
| State grants | - | - | - | - | - |
| Transportation distribution | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | <u>-</u> | <u>115,670</u> | <u>22,863</u> | <u>160,640</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | - | 116,220 | 22,079 | 154,613 | - |
| Support services | | | | | |
| Students | - | - | - | 421 | - |
| Instruction | - | - | - | 99 | - |
| General administration | - | - | 784 | 5,507 | - |
| School administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Operation of non-instructional services | | | | | |
| Food services operations | - | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>116,220</u> | <u>22,863</u> | <u>160,640</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>(550)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | | |
| Operating transfers | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>-</u> | <u>(550)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | - | - | - | 21,526 | - |
| Prior Period Restatement | - | - | - | - | - |
| Fund balance, beginning of year, restated | <u>-</u> | <u>-</u> | <u>-</u> | <u>21,526</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ (550)</u> | <u>\$ -</u> | <u>\$ 21,526</u> | <u>\$ -</u> |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | |
|--|--|---|----------------------------------|--------------------------------------|---------------|
| | 24174 | 24175 | 24176 | 24182 | 24189 |
| | Carl D Perkins Secondary Current | Carl D Perkins Secondary-PY Unliq. Oblig. | Carl D Perkins Redistribution | Impact Aid Carl D Perkins HSTW | Title IV |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | | |
| Federal grants | 50,428 | 3,508 | 7,384 | - | 37,975 |
| State grants | - | - | - | - | - |
| Transportation distribution | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | <u>50,428</u> | <u>3,508</u> | <u>7,384</u> | <u>-</u> | <u>37,975</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 49,875 | 3,508 | 7,384 | - | 36,767 |
| Support services | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | 1,187 | - | - | - | 1,208 |
| School administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Operation of non-instructional services | | | | | |
| Food services operations | - | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>51,062</u> | <u>3,508</u> | <u>7,384</u> | <u>-</u> | <u>37,975</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(634)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | | |
| Operating transfers | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>(634)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | - | - | - | - | - |
| Prior Period Restatement | - | - | - | - | - |
| Fund balance, beginning of year, restated | - | - | - | - | - |
| Fund balances, end of year | <u>\$ (634)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | |
|--|--|---|-------------------------------------|---|---------------------|
| | 25153 Title XIX Medicaid 3/21 Years | 26102 Exxon Education Foundation | 26205 Chevron School Grant | 26215 Bridge Early College High School | 26218 United Way |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | | |
| Federal grants | 1,076,725 | - | - | - | - |
| State grants | - | - | - | - | - |
| Transportation distribution | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | 15,000 | 2,400 | - | - |
| Total revenues | <u>1,076,725</u> | <u>15,000</u> | <u>2,400</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 139,782 | - | 122,952 | - | - |
| Support services | | | | | |
| Students | 858,240 | - | - | - | - |
| Instruction | 7,938 | - | - | - | - |
| General administration | 5,000 | - | - | - | - |
| School administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Operation of non-instructional services | | | | | |
| Food services operations | - | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>1,010,960</u> | <u>-</u> | <u>122,952</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>65,765</u> | <u>15,000</u> | <u>(120,552)</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | | |
| Operating transfers | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>65,765</u> | <u>15,000</u> | <u>(120,552)</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | 1,496,495 | 5,000 | 495,574 | - | 4,188 |
| Prior Period Restatement | - | - | - | - | - |
| Fund balance, beginning of year, restated | <u>1,496,495</u> | <u>5,000</u> | <u>495,574</u> | <u>-</u> | <u>4,188</u> |
| Fund balances, end of year | <u>\$ 1,562,260</u> | <u>\$ 20,000</u> | <u>\$ 375,022</u> | <u>\$ -</u> | <u>\$ 4,188</u> |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | |
|--|---|---|---------------------|-------------------------------------|--|
| | 27103 | 27107 | 27114 | 27125 | 27128 |
| | Dual Credit Instructional Materials | 2012 GO Bond Student Library Fund | NM Reads to Lead | Excellence in Teaching Awards | Teacher Recruitment Support Initiative |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | | |
| Federal grants | - | - | - | - | - |
| State grants | 48,219 | 45,048 | 110,713 | 181,331 | - |
| Transportation distribution | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | <u>48,219</u> | <u>45,048</u> | <u>110,713</u> | <u>181,331</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | 48,219 | - | 110,713 | 155,968 | - |
| Support services | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | 42,735 | - | - | - |
| General administration | - | - | - | - | - |
| School administration | - | - | - | - | - |
| Central services | - | - | - | 25,363 | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | - | - | - |
| Operation of non-instructional services | | | | | |
| Food services operations | - | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>48,219</u> | <u>42,735</u> | <u>110,713</u> | <u>181,331</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>2,313</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources | | | | | |
| Operating transfers | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>-</u> | <u>2,313</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | - | (2,311) | - | - | - |
| Prior Period Restatement | - | - | - | - | - |
| Fund balance, beginning of year, restated | <u>-</u> | <u>(2,311)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ 2</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | |
|--|---------------------------|---------------------|---|----------------|------------------------|
| | 27141 | 27149 | 27155 | 27166 | 27179 |
| | Truancy Initiative PED | Pre-K Initiative | Breakfast for Elementary Students | K3 Plus | Workforce Readiness |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | | |
| Federal grants | - | - | - | - | - |
| State grants | 159,293 | 1,010,549 | 132,201 | 389,321 | - |
| Transportation distribution | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total revenues | <u>159,293</u> | <u>1,010,549</u> | <u>132,201</u> | <u>389,321</u> | <u>-</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | - | 930,978 | - | 342,118 | - |
| Support services | | | | | |
| Students | 160,513 | - | - | 8,933 | - |
| Instruction | - | - | - | 3,212 | - |
| General administration | - | - | - | - | - |
| School administration | - | - | - | 5,471 | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | 73,597 | - | 29,582 | - |
| Operation of non-instructional services | | | | | |
| Food services operations | - | - | 138,619 | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>160,513</u> | <u>1,004,575</u> | <u>138,619</u> | <u>389,316</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,220)</u> | <u>5,974</u> | <u>(6,418)</u> | <u>5</u> | <u>-</u> |
| Other financing sources | | | | | |
| Operating transfers | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>(1,220)</u> | <u>5,974</u> | <u>(6,418)</u> | <u>5</u> | <u>-</u> |
| Fund balances, beginning of year | - | - | - | - | - |
| Prior Period Restatement | - | - | - | - | - |
| Fund balance, beginning of year, restated | - | - | - | - | - |
| Fund balances, end of year | <u>\$ (1,220)</u> | <u>\$ 5,974</u> | <u>\$ (6,418)</u> | <u>\$ 5</u> | <u>\$ -</u> |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Special Revenue Funds | | | | |
|--|------------------------------|----------------------------|------------------|---------------------------|--------------------------|
| | 27183 | 27195 | 27198 | 28120 | 29102 |
| | NM | Teachers | | | |
| | Grown Fruits & Vegetables | "Hard to Staff" Stipend | K3+ 4&5 PILOT | NM Highway Dept (Road) | Private Direct Grants |
| REVENUES | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | | |
| Federal grants | - | - | - | - | - |
| State grants | 11,274 | - | 53,928 | 59,000 | - |
| Transportation distribution | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Investment income | - | - | - | - | - |
| Miscellaneous | - | - | - | - | 15,000 |
| Total revenues | <u>11,274</u> | <u>-</u> | <u>53,928</u> | <u>59,000</u> | <u>15,000</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | - | - | 45,402 | - | - |
| Support services | | | | | |
| Students | - | - | - | - | - |
| Instruction | - | - | - | - | - |
| General administration | - | - | - | - | - |
| School administration | - | - | - | - | - |
| Central services | - | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - | - |
| Student transportation | - | - | 8,526 | - | - |
| Operation of non-instructional services | | | | | |
| Food services operations | 11,274 | - | - | - | - |
| Community services | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | <u>11,274</u> | <u>-</u> | <u>53,928</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>59,000</u> | <u>15,000</u> |
| Other financing sources | | | | | |
| Operating transfers | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>59,000</u> | <u>15,000</u> |
| Fund balances, beginning of year | - | - | - | - | 28,979 |
| Prior Period Restatement | - | - | - | - | - |
| Fund balance, beginning of year, restated | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,979</u> |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 59,000</u> | <u>\$ 43,979</u> |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Special Revenue | Capital Projects Funds | | | Debt Service | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------------|--------------------|-------------------------|---------------------|---|
| | Fund | | | | | |
| | 29135 | 31300 | 31400 | 31700 | 42000 | |
| | Industrial Revenue | Special Capital | Special Capital | Capital Improvements | Deferred Sick | |
| | Bonds PILOT | Outlay - Local | Outlay - State | SB-9 State | Leave Reserve | |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | | | |
| Federal grants | - | - | - | - | - | 7,215,544 |
| State grants | - | - | - | 333,953 | - | 2,534,830 |
| Transportation distribution | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | 1,378,027 |
| Investment income | - | - | - | - | - | 2,080 |
| Miscellaneous | 810,159 | 100,000 | - | - | - | 1,045,140 |
| Total revenues | <u>810,159</u> | <u>100,000</u> | <u>-</u> | <u>333,953</u> | <u>-</u> | <u>12,175,621</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | - | - | - | - | - | 4,975,434 |
| Support services | | | | | | |
| Students | - | - | - | - | - | 1,477,320 |
| Instruction | - | - | - | - | - | 89,059 |
| General administration | - | - | - | - | - | 112,564 |
| School administration | - | - | - | - | - | 5,471 |
| Central services | - | - | - | - | 138,418 | 532,343 |
| Operation & maintenance of plant | - | - | - | - | - | - |
| Student transportation | - | - | - | - | - | 112,062 |
| Operation of non-instructional services | | | | | | |
| Food services operations | - | - | - | - | - | 4,190,431 |
| Community services | - | - | - | - | - | - |
| Capital outlay | - | 41,250 | - | 333,953 | - | 375,203 |
| Debt service | | | | | | |
| Principal | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>41,250</u> | <u>-</u> | <u>333,953</u> | <u>138,418</u> | <u>11,869,887</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>810,159</u> | <u>58,750</u> | <u>-</u> | <u>-</u> | <u>(138,418)</u> | <u>305,734</u> |
| Other financing sources | | | | | | |
| Operating transfers | - | - | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>810,159</u> | <u>58,750</u> | <u>-</u> | <u>-</u> | <u>(138,418)</u> | <u>305,734</u> |
| Fund balances, beginning of year | - | 305,000 | - | 54,215 | 1,485,348 | 6,381,548 |
| Prior Period Restatement | 1,098,685 | - | - | - | - | 1,098,685 |
| Fund balance, beginning of year, restated | <u>1,098,685</u> | <u>305,000</u> | <u>-</u> | <u>54,215</u> | <u>1,485,348</u> | <u>7,480,233</u> |
| Fund balances, end of year | <u>\$ 1,908,844</u> | <u>\$ 363,750</u> | <u>\$ -</u> | <u>\$ 54,215</u> | <u>\$ 1,346,930</u> | <u>\$ 7,785,967</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET - GENERAL FUND
JUNE 30, 2019**

| | <i>11000</i> Operational Fund | <i>13000</i> Transportation Fund | <i>14000</i> Instructional Materials Fund | Total |
|---|-------------------------------------|--|---|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,882,597 | \$ - | \$ 152,367 | \$ 5,034,964 |
| Investments | - | - | - | - |
| Accounts receivables | | | | |
| Property taxes | 258,854 | - | - | 258,854 |
| Due from other governments | - | - | 20,620 | 20,620 |
| Other receivables | 30,241 | - | - | 30,241 |
| Inventory | 77,426 | - | - | 77,426 |
| Interfund receivables | 3,088,428 | - | - | 3,088,428 |
| Total assets | <u>\$ 8,337,546</u> | <u>\$ -</u> | <u>\$ 172,987</u> | <u>\$ 8,510,533</u> |
| LIABILITIES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 227,455 | \$ - | \$ - | \$ 227,455 |
| Accrued payroll | 3,027,249 | - | - | 3,027,249 |
| Interfund payables | 89,518 | - | - | 89,518 |
| Total liabilities | <u>3,344,222</u> | <u>-</u> | <u>-</u> | <u>3,344,222</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue | 19,311 | - | - | 19,311 |
| FUND BALANCES | | | | |
| Nonspendable | 77,426 | - | - | 77,426 |
| Restricted for | | | | |
| General Fund | - | - | 172,987 | 172,987 |
| Unassigned | 4,896,587 | - | - | 4,896,587 |
| Total fund balances | <u>4,974,013</u> | <u>-</u> | <u>172,987</u> | <u>5,147,000</u> |
| Total Liabilities, Deferred Inflows, and Fund Balances | <u>\$ 8,337,546</u> | <u>\$ -</u> | <u>\$ 172,987</u> | <u>\$ 8,510,533</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

| | <i>11000</i> | <i>13000</i> | <i>14000</i> | |
|---|---------------------|------------------|-------------------|---------------------|
| | Operational | Transportation | Instructional | |
| | Fund | Fund | Materials Fund | Total |
| REVENUES | | | | |
| Property taxes | \$ 1,865,392 | \$ - | \$ - | \$ 1,865,392 |
| Intergovernmental revenues | | | | |
| Federal grants | 134,161 | - | - | 134,161 |
| State grants | 54,656,355 | - | 240,043 | 54,896,398 |
| Transportation distribution | - | 2,066,283 | - | 2,066,283 |
| Charges for services | 6,547 | - | - | 6,547 |
| Investment income | 11,236 | - | - | 11,236 |
| Miscellaneous | 296,364 | - | - | 296,364 |
| Total revenues | <u>56,970,055</u> | <u>2,066,283</u> | <u>240,043</u> | <u>59,276,381</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 34,899,756 | - | 182,439 | 35,082,195 |
| Support services | | | | |
| Students | 5,059,881 | - | - | 5,059,881 |
| Instruction | 2,102,511 | - | - | 2,102,511 |
| General administration | 758,549 | - | - | 758,549 |
| School administration | 4,198,067 | - | - | 4,198,067 |
| Central services | 2,380,392 | - | - | 2,380,392 |
| Operation & maintenance of plant | 6,509,614 | - | - | 6,509,614 |
| Student transportation | 12,219 | 2,066,283 | - | 2,078,502 |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services operations | 85,271 | - | - | 85,271 |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>56,006,260</u> | <u>2,066,283</u> | <u>182,439</u> | <u>58,254,982</u> |
| Net changes in fund balances | <u>963,795</u> | <u>-</u> | <u>57,604</u> | <u>1,021,399</u> |
| Fund balances, beginning | 4,061,752 | - | 115,383 | 4,177,135 |
| Restatement | (51,534) | - | - | (51,534) |
| Fund balance, beginning of year, restated | <u>4,010,218</u> | <u>-</u> | <u>115,383</u> | <u>4,125,601</u> |
| Fund balances, ending | <u>\$ 4,974,013</u> | <u>\$ -</u> | <u>\$ 172,987</u> | <u>\$ 5,147,000</u> |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
BUDGET TO ACTUAL (NON-GAAP BUDGETARY BASIS)
OPERATIONAL FUND (11000)
FOR THE YEAR ENDED JUNE 30, 2019**

| | Budgeted Amounts | | Actual Amount | Variance |
|--|--------------------|--------------------|-------------------|---|
| | Original Budget | Final Budget | | Favorable (Unfavorable) Final to Actual |
| REVENUES | | | | |
| Taxes | \$ 1,001,045 | \$ 1,001,045 | \$ 1,792,032 | \$ 790,987 |
| Intergovernmental revenue | | | | |
| Federal | 34,387 | 34,387 | 131,706 | 97,319 |
| State | 54,973,940 | 54,973,940 | 54,641,356 | (332,584) |
| Transportation distribution | - | - | - | - |
| Charges for services | 82,581 | 82,581 | 1,322 | (81,259) |
| Investment income | 14,115 | 14,115 | 11,236 | (2,879) |
| Miscellaneous | 382,154 | 382,154 | 286,347 | (95,807) |
| Total revenues | 56,488,222 | 56,488,222 | 56,863,999 | 375,777 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 38,184,096 | 38,184,096 | 34,811,251 | 3,372,845 |
| Support services | 13,374,547 | 13,374,547 | 12,139,223 | 1,235,324 |
| Central services | 2,321,099 | 2,321,099 | 2,379,766 | (58,667) |
| Operation and maintenance of plant | 6,925,087 | 6,925,087 | 6,517,682 | 407,405 |
| Student transportation | 3,517 | 3,517 | 12,219 | (8,702) |
| Food services operations | - | - | - | - |
| Community services operations | 78,540 | 78,540 | 85,271 | (6,731) |
| Capital outlay | - | - | - | - |
| Total expenditures | 60,886,886 | 60,886,886 | 55,945,412 | 4,941,474 |
| Excess (deficiency) of revenues over (under) expenditures | (4,398,664) | (4,398,664) | 918,587 | (5,317,251) |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances (Budget Basis) | | | 918,587 | |
| Adjustments to revenues | | | 106,056 | |
| Adjustments to expenditures | | | (60,848) | |
| Net change in fund balances (GAAP Basis) | | | \$ 963,795 | |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TRANSPORTATION FUND (13000)
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual Amount</u> | Variance |
|--|----------------------------|-------------------------|--------------------------|---|
| | <u>Original Budget</u> | <u>Final Budget</u> | | Favorable (Unfavorable) Final to Actual |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | | | | |
| Federal | - | - | - | - |
| State | - | - | - | - |
| Transportation distribution | 1,920,326 | 2,066,283 | 2,066,283 | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>1,920,326</u> | <u>2,066,283</u> | <u>2,066,283</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | - | - | - | - |
| Support services | - | - | - | - |
| Central services | - | - | - | - |
| Operation and maintenance of plant | - | - | - | - |
| Student transportation | 1,920,326 | 2,066,283 | 2,066,283 | - |
| Food services operations | - | - | - | - |
| Community services operations | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>1,920,326</u> | <u>2,066,283</u> | <u>2,066,283</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances (Budget Basis) | | | | - |
| Adjustments to revenues | | | | - |
| Adjustments to expenditures | | | | - |
| Net change in fund balances (GAAP Basis) | | | <u>\$ -</u> | |

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INSTRUCTIONAL MATERIALS FUND (14000)
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Budgeted Amounts</u> | | Actual Amount | Variance |
|--|----------------------------|-------------------------|------------------|---|
| | <u>Original Budget</u> | <u>Final Budget</u> | | Favorable (Unfavorable) Final to Actual |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | | | | |
| Federal | - | - | - | - |
| State | 219,423 | 240,043 | 219,423 | (20,620) |
| Transportation distribution | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>219,423</u> | <u>240,043</u> | <u>219,423</u> | <u>(20,620)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 389,102 | 409,722 | 182,439 | 227,283 |
| Support services | - | - | - | - |
| Central services | - | - | - | - |
| Operation and maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services operations | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>389,102</u> | <u>409,722</u> | <u>182,439</u> | <u>227,283</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(169,679)</u> | <u>(169,679)</u> | <u>36,984</u> | <u>(206,663)</u> |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances (Budget Basis) | | | 36,984 | |
| Adjustments to revenues | | | 20,620 | |
| Adjustments to expenditures | | | - | |
| Net change in fund balances (GAAP Basis) | | | <u>\$ 57,604</u> | |

See Accompanying Notes.

JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | General Funds * | | Special Revenue | |
|--|---------------------|----------------------------|-----------------|------------------------------|
| | 11000 | 14000 | 21000 | 23000 |
| | Operational Fund | Instructional Materials | Food Service | Non-Instructional Support |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 524,092 | \$ 4,773 | \$ 1,575 | \$ 2,215 |
| Receivables | | | | |
| Property taxes | - | - | - | - |
| Due from other governments | - | 1,701 | 3,958 | - |
| Other | 580 | - | - | - |
| Due from other funds | 101,716 | - | - | - |
| Total assets | <u>\$ 626,388</u> | <u>\$ 6,474</u> | <u>\$ 5,533</u> | <u>\$ 2,215</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 2,767 | \$ - | \$ - | \$ - |
| Accrued payroll | 140,679 | - | 4,460 | - |
| Due to other funds | - | - | - | - |
| Total liabilities | <u>143,446</u> | <u>-</u> | <u>4,460</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Spendable | | | | |
| Restricted for | | | | |
| Educational purposes | - | - | - | 2,215 |
| Food service | - | - | 1,073 | - |
| Capital acquisitions and improvements | - | - | - | - |
| Unassigned | 482,942 | 6,474 | - | - |
| Total fund balances | <u>482,942</u> | <u>6,474</u> | <u>1,073</u> | <u>2,215</u> |
| Total liabilities and fund balances | <u>\$ 626,388</u> | <u>\$ 6,474</u> | <u>\$ 5,533</u> | <u>\$ 2,215</u> |

* Major fund

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Special Revenue | | Capital Projects | |
|--|-------------------------|-----------------------------|---------------------------------|--------------------------------|
| | 24106 * | 27114 | 31200 | 31600 * |
| | Entitlement IDEA - B | New Mexico Reads to lead | Public School Capital Outlay | HB -33 Capital Improvements |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ 186,498 |
| Receivables | | | | |
| Property taxes | - | - | - | 714 |
| Due from other governments | 99,502 | - | 30,046 | - |
| Other | - | - | - | - |
| Due from other funds | - | - | - | - |
| Total assets | \$ 99,502 | \$ - | \$ 30,046 | \$ 187,212 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Accrued payroll | 2 | - | - | - |
| Due to other funds | 99,500 | - | 1,976 | - |
| Total liabilities | 99,502 | - | 1,976 | - |
| FUND BALANCES | | | | |
| Spendable | | | | |
| Restricted for | | | | |
| Educational purposes | - | - | - | - |
| Food service | - | - | - | - |
| Capital acquisitions and improvements | - | - | 28,070 | 187,212 |
| Unassigned | - | - | - | - |
| Total fund balances | - | - | 28,070 | 187,212 |
| Total liabilities and fund balances | \$ 99,502 | \$ - | \$ 30,046 | \$ 187,212 |

* Major fund

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019**

| | Capital Projects | | |
|--|--|--|-------------------|
| | 31700 Capital Improvements SB - 9 | 31701 Capital Improvements SB - 9 State | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 17,673 | \$ - | \$ 736,826 |
| Receivables | | | |
| Property taxes | - | 710 | 1,424 |
| Due from other governments | - | - | 135,207 |
| Other | - | - | 580 |
| Due from other funds | - | - | 101,716 |
| Total assets | \$ 17,673 | \$ 710 | \$ 975,753 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ - | \$ 2,418 | \$ 5,185 |
| Accrued payroll | - | - | 145,141 |
| Due to other funds | - | 240 | 101,716 |
| Total liabilities | - | 2,658 | 252,042 |
| FUND BALANCES | | | |
| Spendable | | | |
| Restricted for | | | |
| Educational purposes | - | - | 2,215 |
| Food service | - | - | 1,073 |
| Capital acquisitions and improvements | 17,673 | - | 232,955 |
| Unassigned | - | (1,948) | 487,468 |
| Total fund balances | 17,673 | (1,948) | 723,711 |
| Total liabilities and fund balances | \$ 17,673 | \$ 710 | \$ 975,753 |

* Major fund

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE COMBINING BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

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

| | |
|---|------------------------------|
| Fund balances - total governmental funds | \$ 723,711 |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:</p> | |
| Capital assets | 16,181 |
| Accumulated depreciation | (3,511) |
| <p>Deferred inflow of resources are not financial resources and are not reported in the funds and include:</p> | |
| Related to pensions | 1,209,498 |
| Related to retiree healthcare | 24,460 |
| <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p> | |
| Net pension liability | (4,676,860) |
| Net OPEB liability | (1,117,962) |
| <p>Deferred outflow of resources are not financial resources and are not reported in the funds and include:</p> | |
| Related to pensions | (182,501) |
| Related to retiree healthcare | (433,463) |
| Total net position - governmental activities | <u>\$ (4,440,447)</u> |

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| | General Funds * | | Special Revenue | |
|--|-------------------|----------------------------|-----------------|------------------------------|
| | 11000 | 14000 | 21000 | 23000 |
| | Operational | Instructional Materials | Food Service | Non-Instructional Support |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | |
| Federal grants | - | - | 50,566 | - |
| State grants | 2,160,158 | 8,523 | - | - |
| Transportation distribution | - | - | - | - |
| Charges for services | 1,063 | - | 33,787 | - |
| Investment income | - | - | - | - |
| Miscellaneous | 7,915 | - | - | - |
| Total revenues | <u>2,169,136</u> | <u>8,523</u> | <u>84,353</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 1,218,848 | 8,091 | - | - |
| Support services | | | | |
| Students | 138,214 | - | - | - |
| Instruction | 3,974 | - | - | - |
| General administration | 135,766 | - | - | - |
| School administration | 76,298 | - | - | - |
| Central services | 199,396 | - | - | - |
| Operation & maintenance of plant | 177,077 | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | 1,193 | - | 123,301 | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>1,950,766</u> | <u>8,091</u> | <u>123,301</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>218,370</u> | <u>432</u> | <u>(38,948)</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>218,370</u> | <u>432</u> | <u>(38,948)</u> | <u>-</u> |
| Fund balances, beginning of year | 264,572 | 6,042 | 40,021 | 2,215 |
| Prior Period Restatement | - | - | - | - |
| Fund balance, beginning of year, restated | <u>264,572</u> | <u>6,042</u> | <u>40,021</u> | <u>2,215</u> |
| Fund balances, end of year | <u>\$ 482,942</u> | <u>\$ 6,474</u> | <u>\$ 1,073</u> | <u>\$ 2,215</u> |

* Major Fund

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | Special Revenue | | Capital Projects | |
|--|-------------------------|-----------------------------|---------------------------------|--------------------------------|
| | 24106 * | 27114 | 31200 | 31600 * |
| | Entitlement IDEA - B | New Mexico Reads to Lead | Public School Capital Outlay | HB -33 Capital Improvements |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 73,352 |
| Intergovernmental revenues | | | | |
| Federal grants | 56,982 | - | - | - |
| State grants | - | - | 120,182 | - |
| Transportation distribution | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | 56,982 | - | 120,182 | 73,352 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 56,962 | - | - | - |
| Support services | | | | |
| Students | - | - | - | - |
| Instruction | - | - | - | - |
| General administration | - | - | - | 653 |
| School administration | - | - | - | - |
| Central services | - | - | - | - |
| Operation & maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | 120,182 | 6,358 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | 56,962 | - | 120,182 | 7,011 |
| Excess (deficiency) of revenues over (under) expenditures | 20 | - | - | 66,341 |
| Other financing sources (uses) | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net changes in fund balances | 20 | - | - | 66,341 |
| Fund balances, beginning of year | (20) | - | 28,070 | 120,871 |
| Prior Period Restatement | - | - | - | - |
| Fund balance, beginning of year, restated | (20) | - | 28,070 | 120,871 |
| Fund balances, end of year | \$ - | \$ - | \$ 28,070 | \$ 187,212 |

* Major Fund

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | Capital Projects | | Total |
|--|--|--|------------|
| | 31700 Capital Improvements SB - 9 | 31701 Capital Improvements SB - 9 State | |
| | | | |
| REVENUES | | | |
| Property taxes | \$ - | \$ 73,494 | \$ 146,846 |
| Intergovernmental revenues | | | |
| Federal grants | - | - | 107,548 |
| State grants | - | - | 2,288,863 |
| Transportation distribution | - | - | - |
| Charges for services | - | - | 34,850 |
| Investment income | - | - | - |
| Miscellaneous | - | - | 7,915 |
| Total revenues | - | 73,494 | 2,586,022 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | - | - | 1,283,901 |
| Support services | | | |
| Students | - | - | 138,214 |
| Instruction | - | - | 3,974 |
| General administration | - | 656 | 137,075 |
| School administration | - | - | 76,298 |
| Central services | - | - | 199,396 |
| Operation & maintenance of plant | - | - | 177,077 |
| Student transportation | - | - | - |
| Other support services | - | - | - |
| Food services operations | - | - | 124,494 |
| Community services | - | - | - |
| Capital outlay | - | 100,762 | 227,302 |
| Debt service | | | |
| Principal | - | - | - |
| Interest | - | - | - |
| Total expenditures | - | 101,418 | 2,367,731 |
| Excess (deficiency) of revenues over (under) expenditures | - | (27,924) | 218,291 |
| Other financing sources (uses) | | | |
| Operating transfers | - | - | - |
| Proceeds from bond issuance | - | - | - |
| Proceeds from refunding debt issuance | - | - | - |
| Bond underwriter premium discount | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net changes in fund balances | - | (27,924) | 218,291 |
| Fund balances, beginning of year | 17,673 | 25,976 | 505,420 |
| Prior Period Restatement | - | - | - |
| Fund balance, beginning of year, restated | 17,673 | 25,976 | 505,420 |
| Fund balances, end of year | \$ 17,673 | \$ (1,948) | \$ 723,711 |

* Major Fund

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
RECONCILIATION OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
JUNE 30, 2019

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 218,291 |
|--|----|---------|

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

| | | |
|----------------------|--|-------|
| Capital outlays | | 9,186 |
| Depreciation expense | | (707) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

| | | |
|-----------------------------|--|---------------|
| Pension contribution | | 169,563 |
| Pension expense | | (780,122) |
| Retiree health contribution | | 24,460 |
| OPEB expense (income) | | <u>32,108</u> |

| | | |
|--|-----------|-------------------------|
| Change in net position of governmental activities | \$ | <u>(327,221)</u> |
|--|-----------|-------------------------|

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
OPERATIONAL FUND (11000)
FOR THE YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Amount | Variance |
|--|--------------------|------------------|-------------------|---|
| | Original Budget | Final Budget | | Favorable (Unfavorable) Final to Actual |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | | | | |
| Federal | - | - | - | - |
| State | 1,890,144 | 2,161,158 | 2,160,158 | (1,000) |
| Transportation distribution | - | - | - | - |
| Charges for services | - | 549 | 1,063 | 514 |
| Investment income | - | - | - | - |
| Miscellaneous | - | 7,916 | 7,915 | (1) |
| Total revenues | 1,890,144 | 2,169,623 | 2,169,136 | (487) |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 1,339,153 | 1,401,043 | 1,218,848 | 182,195 |
| Support services | 345,971 | 441,085 | 353,646 | 87,439 |
| Central services | 192,879 | 215,179 | 199,396 | 15,783 |
| Operation and maintenance of plant | 153,252 | 252,427 | 174,916 | 77,511 |
| Student transportation | - | - | - | - |
| Food services operations | 18,718 | 19,718 | 1,193 | 18,525 |
| Community services operations | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | 2,049,973 | 2,329,452 | 1,947,999 | 381,453 |
| Excess (deficiency) of revenues over (under) expenditures | (159,829) | (159,829) | 221,137 | (380,966) |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances (Budget Basis) | | | 221,137 | |
| Adjustments to revenues | | | - | |
| Adjustments to expenditures | | | (2,767) | |
| Net change in fund balances (GAAP Basis) | | | \$ 218,370 | |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INSTRUCTIONAL MATERIALS FUND (14000)
FOR THE YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Amount | Variance |
|--|--------------------|-----------------|------------------|---|
| | Original Budget | Final Budget | | Favorable (Unfavorable) Final to Actual |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | | | | |
| Federal | - | - | - | - |
| State | 6,822 | 8,522 | 6,822 | (1,700) |
| Transportation distribution | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>6,822</u> | <u>8,522</u> | <u>6,822</u> | <u>(1,700)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 12,254 | 13,954 | 8,091 | 5,863 |
| Support services | - | - | - | - |
| Central services | - | - | - | - |
| Operation and maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services operations | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>12,254</u> | <u>13,954</u> | <u>8,091</u> | <u>5,863</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(5,432)</u> | <u>(5,432)</u> | <u>(1,269)</u> | <u>(4,163)</u> |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances (Budget Basis) | | | (1,269) | |
| Adjustments to revenues | | | 1,701 | |
| Adjustments to expenditures | | | - | |
| Net change in fund balances (GAAP Basis) | | | <u>\$ 432</u> | |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTITLEMENT IDEA-B SPECIAL REVENUE FUND (24106)
FOR THE YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Amount | Variance Favorable (Unfavorable) Final to Actual |
|--|--------------------|-----------------|------------------|---|
| | Original Budget | Final Budget | | |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | | | | |
| Federal | - | 83,760 | 46,135 | (37,625) |
| State | - | - | - | - |
| Transportation distribution | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | - | 83,760 | 46,135 | (37,625) |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | - | 56,962 | 56,962 | - |
| Support services | - | - | - | - |
| Central services | - | - | - | - |
| Operation and maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services operations | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | - | 56,962 | 56,962 | - |
| Excess (deficiency) of revenues over expenditures | - | 26,798 | (10,827) | 37,625 |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances (Budget Basis) | | | (10,827) | |
| Adjustments to revenues | | | 10,847 | |
| Adjustments to expenditures | | | - | |
| Net change in fund balances (GAAP Basis) | | | \$ 20 | |

See Accompanying Notes.

PECOS CONNECTIONS ACADEMY CHARTER SCHOOL

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
PECOS CONNECTIONS ACADEMY CHARTER SCHOOL
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | General Funds * | | Special Revenue | | Capital Projects | Total |
|--|---------------------|----------------------------|-------------------------|-------------------------------------|-----------------------------------|---------------------|
| | 11000 | 14000 | 24106 | 27125 | 31700 | |
| | Operational | Instructional Materials | Entitlement IDEA - B | Excellence in Teaching Awards | Capital Improvements SB - 9 | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash equivalents | \$ 1,046,363 | \$ - | \$ - | \$ - | \$ - | \$ 1,046,363 |
| Receivables | | | | | | |
| Due from other governments | - | 14,637 | 46,353 | - | 14,590 | 75,580 |
| Other | - | - | - | - | - | - |
| Due from other funds | 73,559 | - | - | - | - | 73,559 |
| Total assets | <u>\$ 1,119,922</u> | <u>\$ 14,637</u> | <u>\$ 46,353</u> | <u>\$ -</u> | <u>\$ 14,590</u> | <u>\$ 1,195,502</u> |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 418,908 | \$ - | \$ - | \$ - | \$ - | \$ 418,908 |
| Accrued payroll | 65,763 | - | 2,021 | - | - | 67,784 |
| Due to other funds | - | 14,637 | 44,332 | - | 14,590 | 73,559 |
| Total liabilities | <u>484,671</u> | <u>14,637</u> | <u>46,353</u> | <u>-</u> | <u>14,590</u> | <u>560,251</u> |
| FUND BALANCES | | | | | | |
| Spendable | | | | | | |
| Restricted for | | | | | | |
| Educational purposes | - | - | - | - | - | - |
| Food service | - | - | - | - | - | - |
| Capital acquisitions and improvements | - | - | - | - | - | - |
| Unassigned | 635,251 | - | - | - | - | 635,251 |
| Total fund balances | <u>635,251</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>635,251</u> |
| Total liabilities and fund balances | <u>\$ 1,119,922</u> | <u>\$ 14,637</u> | <u>\$ 46,353</u> | <u>\$ -</u> | <u>\$ 14,590</u> | <u>\$ 1,195,502</u> |

* Major fund

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
PECOS CONNECTIONS ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

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

| | |
|--|------------|
| Fund balances - total governmental funds | \$ 635,251 |
|--|------------|

Deferred inflow of resources are not financial resources and are not reported in the funds and include:

| | |
|-------------------------------|-----------|
| Related to pensions | 2,474,492 |
| Related to retiree healthcare | 499,326 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

| | |
|-----------------------|-------------|
| Net pension liability | (4,141,751) |
| Net OPEB liability | (1,068,826) |

Deferred outflow of resources are not financial resources and are not reported in the funds and include:

| | |
|-------------------------------|------------------|
| Related to pensions | (78,824) |
| Related to retiree healthcare | <u>(276,165)</u> |

| | |
|---|------------------------------|
| Total net position - governmental activities | <u>\$ (1,956,497)</u> |
|---|------------------------------|

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
PECOS CONNECTIONS ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | General Funds * | | Special Revenue | |
|--|-------------------|----------------------------|-------------------------|-------------------------------------|
| | 11000 | 14000 | 24106 | 27125 |
| | Operational | Instructional Materials | Entitlement IDEA - B | Excellence in Teaching Awards |
| REVENUES | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenues | | | | |
| Federal grants | - | - | 144,882 | 25,363 |
| State grants | 6,407,061 | 32,523 | - | - |
| Transportation distribution | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>6,407,061</u> | <u>32,523</u> | <u>144,882</u> | <u>25,363</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 4,785,512 | 32,523 | 144,882 | 25,363 |
| Support services | | | | |
| Students | 818,693 | - | - | - |
| Instruction | 106,361 | - | - | - |
| General administration | 153,480 | - | - | - |
| School administration | 149,307 | - | - | - |
| Central services | 229,890 | - | - | - |
| Operation & maintenance of plant | 88,657 | - | - | - |
| Student transportation | - | - | - | - |
| Other support services | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | <u>6,331,900</u> | <u>32,523</u> | <u>144,882</u> | <u>25,363</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>75,161</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Operating transfers | - | - | - | - |
| Proceeds from bond issuance | - | - | - | - |
| Proceeds from refunding debt issuance | - | - | - | - |
| Bond underwriter premium discount | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net changes in fund balances | <u>75,161</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, beginning of year | 560,090 | - | - | - |
| Prior Period Restatement | - | - | - | - |
| Fund balance, beginning of year, restated | <u>560,090</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 635,251</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

* Major fund

See Accompanying Notes.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
PECOS CONNECTIONS ACADEMY CHARTER SCHOOL
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | Capital Projects | |
|--|------------------|------------|
| | 31700 | |
| | Capital | |
| | Improvements | |
| | SB - 9 | Total |
| REVENUES | | |
| Property taxes | \$ - | \$ - |
| Intergovernmental revenues | | |
| Federal grants | - | 170,245 |
| State grants | 22,751 | 6,462,335 |
| Transportation distribution | - | - |
| Charges for services | - | - |
| Investment income | - | - |
| Miscellaneous | - | - |
| Total revenues | 22,751 | 6,632,580 |
| EXPENDITURES | | |
| Current | | |
| Instruction | - | 4,988,280 |
| Support services | | |
| Students | - | 818,693 |
| Instruction | - | 106,361 |
| General administration | - | 153,480 |
| School administration | - | 149,307 |
| Central services | - | 229,890 |
| Operation & maintenance of plant | - | 88,657 |
| Student transportation | - | - |
| Other support services | - | - |
| Food services operations | - | - |
| Community services | - | - |
| Capital outlay | 22,751 | 22,751 |
| Debt service | | |
| Principal | - | - |
| Interest | - | - |
| Total expenditures | 22,751 | 6,557,419 |
| Excess (deficiency) of revenues over (under) expenditures | - | 75,161 |
| Other financing sources (uses) | | |
| Operating transfers | - | - |
| Proceeds from bond issuance | - | - |
| Proceeds from refunding debt issuance | - | - |
| Bond underwriter premium discount | - | - |
| Total other financing sources (uses) | - | - |
| Net changes in fund balances | - | 75,161 |
| Fund balances, beginning of year | - | 560,090 |
| Prior Period Restatement | - | - |
| Fund balance, beginning of year, restated | - | 560,090 |
| Fund balances, end of year | \$ - | \$ 635,251 |

* Major fund

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
PECOS CONNECTIONS ACADEMY CHARTER SCHOOL
RECONCILIATION OF COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

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

| | | |
|--|----|--------|
| Net change in fund balances - total governmental funds | \$ | 75,161 |
|--|----|--------|

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds:

| | | |
|--|-----------|---------------------------|
| Pension contribution | | 211,227 |
| Pension expense | | (1,385,750) |
| Retiree health contribution | | 31,553 |
| OPEB expense | | <u>(98,767)</u> |
| Change in net position of governmental activities | \$ | <u>(1,166,576)</u> |

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
PECOS CONNECTION ACADEMY CHARTER SCHOOL
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
OPERATIONAL FUND (11000)
FOR THE YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Amount | Variance |
|--|--------------------|------------------|------------------|---|
| | Original Budget | Final Budget | | Favorable (Unfavorable) Final to Actual |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | | | | |
| Federal | - | - | - | - |
| State | 5,120,805 | 6,407,062 | 6,407,062 | - |
| Transportation distribution | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>5,120,805</u> | <u>6,407,062</u> | <u>6,407,062</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 3,480,945 | 5,120,037 | 4,373,015 | 747,022 |
| Support services | 1,429,983 | 1,454,983 | 1,221,431 | 233,552 |
| Central services | 260,093 | 260,093 | 229,890 | 30,203 |
| Operation and maintenance of plant | 138,784 | 123,784 | 88,657 | 35,127 |
| Student transportation | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services operations | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>5,309,805</u> | <u>6,958,897</u> | <u>5,912,993</u> | <u>1,045,904</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(189,000)</u> | <u>(551,835)</u> | <u>494,069</u> | <u>(1,045,904)</u> |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances (Budget Basis) | | | 494,069 | |
| Adjustments to revenues | | | - | |
| Adjustments to expenditures | | | <u>(418,908)</u> | |
| Net change in fund balances (GAAP Basis) | | | <u>\$ 75,161</u> | |

See Accompanying Notes.

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
PECOS CONNECTION ACADEMY CHARTER SCHOOL
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
INSTRUCTIONAL MATERIALS FUND (14000)
FOR THE YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | Actual Amount | Variance |
|--|--------------------|-----------------|------------------|---|
| | Original Budget | Final Budget | | Favorable (Unfavorable) Final to Actual |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental revenue | | | | |
| Federal | - | - | - | - |
| State | 17,885 | 32,522 | 17,884 | (14,638) |
| Transportation distribution | - | - | - | - |
| Charges for services | - | - | - | - |
| Investment income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Total revenues | 17,885 | 32,522 | 17,884 | (14,638) |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 17,885 | 32,522 | 32,522 | - |
| Support services | - | - | - | - |
| Central services | - | - | - | - |
| Operation and maintenance of plant | - | - | - | - |
| Student transportation | - | - | - | - |
| Food services operations | - | - | - | - |
| Community services operations | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | 17,885 | 32,522 | 32,522 | - |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (14,638) | (14,638) |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted increase in cash) | - | - | - | - |
| Transfers in (out) | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances (Budget Basis) | | | (14,638) | |
| Adjustments to revenues | | | 14,638 | |
| Adjustments to expenditures | | | - | |
| Net change in fund balances (GAAP Basis) | | | \$ - | |

See Accompanying Notes.

OTHER SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF DEPOSITS - DISTRICT
JUNE 30, 2019**

| Deposit Account Type | Western Commerce Bank | Wells Fargo Bank | Carlsbad National Bank | Totals |
|--|-----------------------------|------------------------|------------------------------|----------------------|
| Primary Government | | | | |
| Operational - checking | \$ 5,136,152 | \$ - | \$ - | \$ 5,136,152 |
| Operational - sweep | - | 22,954,690 | - | 22,954,690 |
| Capital improvements - checking | 39,961,850 | - | - | 39,961,850 |
| Activity fund - checking | 695,076 | - | - | 695,076 |
| Debt service - checking | - | 4,000,000 | - | 4,000,000 |
| Debt service - sweep | - | 1,167,039 | - | 1,167,039 |
| Accounts payable clearing - checking | - | 2,714,579 | - | 2,714,579 |
| Payroll clearing - checking | - | 818,693 | - | 818,693 |
| Cafeteria - checking | - | - | 1,253,316 | 1,253,316 |
| Bond building - checking | - | - | 2,957,801 | 2,957,801 |
| Certificates of Deposit | 1,153,440 | - | - | 1,153,440 |
| Total on deposit | 46,946,518 | 31,655,001 | 4,211,117 | 82,812,636 |
| Reconciling items | | | | |
| Add petty cash | | | | 51,950 |
| Add returned checks | | | | 4,021 |
| Add other reconciling items | 209 | (110,896) | - | (110,687) |
| Less outstanding checks | 103,315 | 1,062,977 | - | 1,166,292 |
| Reconciled balance at June 30, 2019 | <u>\$ 46,843,412</u> | <u>\$ 30,481,128</u> | <u>\$ 4,211,117</u> | <u>\$ 81,591,628</u> |
| Reconciliation to financial statements | | | | |
| Deposits and investments per financial statements | | | | |
| Cash and cash equivalents | | | | \$ 49,223,167 |
| Investments | | | | 24,121,729 |
| Restricted cash and cash equivalents | | | | 6,957,801 |
| Restricted investments | | | | 1,153,440 |
| Statement of fiduciary assets and liabilities | | | | 135,491 |
| | | | | <u>\$ 81,591,628</u> |

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF DEPOSITS - COMPONENT UNITS
JUNE 30, 2019

Jefferson Montessori Academy Charter School

| Deposit Account Type | Wells Fargo Bank |
|---|--------------------------|
| Operational - interest bearing checking | \$ 762,389 |
| Federal account - checking | <u>20,888</u> |
| Total on deposit | 783,277 |
| Less outstanding checks | <u>46,451</u> |
| Reconciled balance at June 30, 2019 | 736,826 |
| Plus petty cash | <u>-</u> |
| Component Unit cash and cash equivalents | <u>\$ 736,826</u> |

Pecos Connections Academy Charter School

| Deposit Account Type | |
|---|----------------------------|
| Operational - interest bearing checking | \$ <u>1,055,832</u> |
| Total on deposit | 1,055,832 |
| Less outstanding checks | <u>9,469</u> |
| Reconciled balance at June 30, 2019 | 1,046,363 |
| Plus petty cash | <u>-</u> |
| Component Unit cash and cash equivalents | <u>\$ 1,046,363</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - DISTRICT
FOR THE YEAR ENDED JUNE 30, 2019**

| | <i>11000</i> | <i>13000</i> | <i>14000</i> Instructional | <i>21000</i> |
|---|---------------------|------------------------|-------------------------------|-----------------------|
| | Operational Fund | Transportation Fund | Materials Fund | Food Services Fund |
| Beginning cash balance, June 30, 2018 | \$ 5,226,866 | \$ - | \$ 115,383 | \$ 1,671,760 |
| Additions to cash: | | | | |
| 2018-19 revenues | 56,863,999 | 2,066,283 | 219,423 | 3,068,757 |
| Receipt of prior year loans | 1,705,436 | - | - | - |
| Transfer from other funds | - | - | - | - |
| Loans from other funds | 89,518 | - | - | - |
| Total additions to cash | <u>58,658,953</u> | <u>2,066,283</u> | <u>219,423</u> | <u>3,068,757</u> |
| Deductions to cash: | | | | |
| 2018-19 expenditures | 55,942,956 | 2,066,283 | 182,439 | 3,630,590 |
| Repayment of loans | - | - | - | - |
| Transfer to other funds | - | - | - | - |
| Loans to other funds | - | - | - | 87,624 |
| Total deductions to cash | <u>55,942,956</u> | <u>2,066,283</u> | <u>182,439</u> | <u>3,718,214</u> |
| Adjustments: | | | | |
| Change in held checks | (37,441) | - | - | (4,592) |
| 2017-2018 Investments | - | - | - | - |
| Prior period restatement | (51,534) | - | - | - |
| Changes in accounts receivable | 117,137 | - | - | 210,215 |
| Total adjustments to cash | <u>28,162</u> | <u>-</u> | <u>-</u> | <u>205,623</u> |
| Ending cash balance, June 30, 2019 | <u>\$ 7,971,025</u> | <u>\$ -</u> | <u>\$ 152,367</u> | <u>\$ 1,227,926</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - DISTRICT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | 22000 Athletics Fund | 23000 Non-Instruction Fund | 24000 Federal Flowthrough Fund | 25000 Federal Direct Fund |
|---|----------------------------|----------------------------------|---|------------------------------------|
| Beginning cash balance, June 30, 2018 | \$ - | \$ 556,212 | \$ 15,280 | \$ 1,461,008 |
| Additions to cash: | | | | |
| 2018-19 revenues | 127,768 | 633,999 | 1,611,236 | 1,073,887 |
| Receipt of prior year loans | - | - | - | - |
| Transfer from other funds | - | - | - | - |
| Loans from other funds | - | - | - | - |
| Total additions to cash | <u>127,768</u> | <u>633,999</u> | <u>1,611,236</u> | <u>1,073,887</u> |
| Deductions to cash: | | | | |
| 2018-19 expenditures | 150,747 | 603,971 | 3,284,266 | 1,009,673 |
| Repayment of loans | 3,002 | - | 1,186,912 | - |
| Transfer to other funds | - | - | - | - |
| Loans to other funds | - | - | - | - |
| Total deductions to cash | <u>153,749</u> | <u>603,971</u> | <u>4,471,178</u> | <u>1,009,673</u> |
| Adjustments: | | | | |
| Change in held checks | - | (1,020) | 23,636 | 11,273 |
| 2017-2018 Investments | - | - | - | - |
| Prior period restatement | - | - | - | - |
| Changes in accounts receivable | - | 3,025 | 602,588 | - |
| Total adjustments to cash | <u>-</u> | <u>2,005</u> | <u>626,224</u> | <u>11,273</u> |
| Ending cash balance, June 30, 2019 | <u>\$ (25,981)</u> | <u>\$ 588,245</u> | <u>\$ (2,218,438)</u> | <u>\$ 1,536,495</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - DISTRICT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | 26000 | 27000 | 28000 | 29000 |
|---|-------------------|----------------------|----------------------|------------------------|
| | Local Grants | State Flowthrough | State Flowthrough | Local or State Fund |
| Beginning cash balance, June 30, 2018 | \$ 504,762 | \$ 91,438 | \$ - | \$ 28,979 |
| Additions to cash: | | | | |
| 2018-19 revenues | 17,400 | 1,866,164 | 59,000 | 825,159 |
| Receipt of prior year loans | - | - | - | - |
| Transfer from other funds | - | - | - | - |
| Loans from other funds | - | 87,624 | - | - |
| Total additions to cash | <u>17,400</u> | <u>1,953,788</u> | <u>59,000</u> | <u>825,159</u> |
| Deductions to cash: | | | | |
| 2018-19 expenditures | 122,952 | 2,143,535 | - | - |
| Repayment of loans | - | 515,522 | - | - |
| Transfer to other funds | - | - | - | - |
| Loans to other funds | - | - | - | 1,908,844 |
| Total deductions to cash | <u>122,952</u> | <u>2,659,057</u> | <u>-</u> | <u>1,908,844</u> |
| Adjustments: | | | | |
| Change in held checks | - | 102,832 | - | - |
| 2017-2018 Investments | - | - | - | - |
| Prior period restatement | - | - | - | 1,098,685 |
| Changes in accounts receivable | - | 38,203 | - | - |
| Total adjustments to cash | <u>-</u> | <u>141,035</u> | <u>-</u> | <u>1,098,685</u> |
| Ending cash balance, June 30, 2019 | <u>\$ 399,210</u> | <u>\$ (472,796)</u> | <u>\$ 59,000</u> | <u>\$ 43,979</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - DISTRICT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | 31100 | 31200 | 31300 | 31600 |
|---|---------------------|---------------------------------|---------------------------------|----------------------|
| | Bond Building | Public School Capital Outlay | Special Capital Outlay State | Cap. Improv. HB33 |
| Beginning cash balance, June 30, 2018 | \$ 548,252 | \$ - | \$ 305,000 | \$ 17,006,332 |
| Additions to cash: | | | | |
| 2018-19 revenues | 243,057 | - | 100,000 | 7,255,511 |
| Receipt of prior year loans | - | - | - | - |
| Transfer from other funds | - | - | - | - |
| Loans from other funds | - | - | - | 346,341 |
| Total additions to cash | <u>243,057</u> | <u>-</u> | <u>100,000</u> | <u>7,601,852</u> |
| Deductions to cash: | | | | |
| 2018-19 expenditures | 11,519,616 | - | 41,250 | 3,279,395 |
| Repayment of loans | - | - | - | - |
| Transfer to other funds | - | - | - | - |
| Loans to other funds | - | - | - | - |
| Total deductions to cash | <u>11,519,616</u> | <u>-</u> | <u>41,250</u> | <u>3,279,395</u> |
| Adjustments: | | | | |
| Change in held checks | - | - | - | - |
| 2017-2018 Investments | 15,089,548 | - | - | - |
| Prior period restatement | (250,000) | - | - | (199,574) |
| Changes in accounts receivable | - | - | - | - |
| Total adjustments to cash | <u>14,839,548</u> | <u>-</u> | <u>-</u> | <u>(199,574)</u> |
| Ending cash balance, June 30, 2019 | <u>\$ 4,111,241</u> | <u>\$ -</u> | <u>\$ 363,750</u> | <u>\$ 21,129,215</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - DISTRICT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | 31700 | 31701 | 31900 | 41000 |
|---|-----------------------------|-----------------------------|--------------------------|----------------------|
| | Cap. Improv. SB9 (State) | Cap. Improv. SB9 (Local) | Ed Tech Equipment Act | Debt Service Fund |
| Beginning cash balance, June 30, 2018 | \$ 54,215 | \$ 5,967,962 | \$ 1,824,924 | \$ 1,834,245 |
| Additions to cash: | | | | |
| 2018-19 revenues | - | 7,267,922 | 11,600,001 | 13,340,843 |
| Receipt of prior year loans | - | - | - | - |
| Transfer from other funds | - | - | - | - |
| Loans from other funds | - | 348,226 | - | 581,942 |
| Total additions to cash | <u>-</u> | <u>7,616,148</u> | <u>11,600,001</u> | <u>13,922,785</u> |
| Deductions to cash: | | | | |
| 2018-19 expenditures | 333,953 | 3,971,500 | 4,088,127 | 8,764,361 |
| Repayment of loans | - | - | - | - |
| Transfer to other funds | - | - | - | - |
| Loans to other funds | - | - | - | - |
| Total deductions to cash | <u>333,953</u> | <u>3,971,500</u> | <u>4,088,127</u> | <u>8,764,361</u> |
| Adjustments: | | | | |
| Change in held checks | - | - | - | - |
| 2017-2018 Investments | - | - | - | 9,580,757 |
| Prior period restatement | - | (200,500) | - | (240,394) |
| Changes in accounts receivable | - | - | - | - |
| Total adjustments to cash | <u>-</u> | <u>(200,500)</u> | <u>-</u> | <u>9,340,363</u> |
| Ending cash balance, June 30, 2019 | <u>\$ (279,738)</u> | <u>\$ 9,412,110</u> | <u>\$ 9,336,798</u> | <u>\$ 16,333,032</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - DISTRICT (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | 42000 | 43000 | | |
|---|------------------------|-------------------------|-------------------|----------------------|
| | Deferred Sick Leave | Ed Tech Debt Service | Agency Funds | Total |
| Beginning cash balance, June 30, 2018 | \$ 239,960 | \$ 1,925,795 | \$ 105,269 | \$ 39,483,642 |
| Additions to cash: | | | | |
| 2018-19 revenues | - | 9,932,201 | 175,493 | 118,348,103 |
| Receipt of prior year loans | - | - | - | 1,705,436 |
| Transfer from other funds | - | - | - | - |
| Loans from other funds | - | 542,817 | - | 1,996,468 |
| Total additions to cash | <u>-</u> | <u>10,475,018</u> | <u>175,493</u> | <u>122,050,007</u> |
| Deductions to cash: | | | | |
| 2018-19 expenditures | 138,418 | 11,624,943 | 145,271 | 113,044,246 |
| Repayment of loans | - | - | - | 1,705,436 |
| Transfer to other funds | - | - | - | - |
| Loans to other funds | - | - | - | 1,996,468 |
| Total deductions to cash | <u>138,418</u> | <u>11,624,943</u> | <u>145,271</u> | <u>116,746,150</u> |
| Adjustments: | | | | |
| Change in held checks | 5,647 | - | - | 100,335 |
| 2017-2018 Investments | 1,253,375 | 10,058,946 | - | 35,982,626 |
| Prior period restatement | - | (406,683) | - | (250,000) |
| Changes in accounts receivable | - | - | - | 971,168 |
| Total adjustments to cash | <u>1,259,022</u> | <u>9,652,263</u> | <u>-</u> | <u>36,804,129</u> |
| Ending cash balance, June 30, 2019 | <u>\$ 1,360,564</u> | <u>\$ 10,428,133</u> | <u>\$ 135,491</u> | <u>\$ 81,591,628</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2019**

| Jefferson Montessori Academy | <i>11000</i> | <i>13000</i> | <i>14000</i> | <i>21000</i> | <i>22000</i> |
|--------------------------------------|---------------------|------------------------|------------------------------------|-----------------------|-------------------|
| | Operational Fund | Transportation Fund | Instructional Materials Fund | Food Services Fund | Athletics Fund |
| Cash, June 30, 2018 | \$ 276,145 | \$ - | \$ 6,042 | \$ 40,021 | \$ - |
| Additions to cash: | | | | | |
| 2018-19 revenues | 2,169,136 | - | 6,822 | 80,394 | - |
| Receipt of prior year loans | 130,562 | - | - | - | - |
| Loans from other funds | - | - | - | - | - |
| Total additions to cash | <u>2,299,698</u> | <u>-</u> | <u>6,822</u> | <u>80,394</u> | <u>-</u> |
| Deductions to cash: | | | | | |
| 2018-19 expenditures | 1,947,999 | - | 8,091 | 123,301 | - |
| Repayment of loans | - | - | - | - | - |
| Loans to other funds | 101,716 | - | - | - | - |
| Total deductions to cash | <u>2,049,715</u> | <u>-</u> | <u>8,091</u> | <u>123,301</u> | <u>-</u> |
| Adjustments: | | | | | |
| Change in receivables | (580) | - | - | - | - |
| Change in held checks | (1,456) | - | - | 4,460 | - |
| Total adjustments to cash | <u>(2,036)</u> | <u>-</u> | <u>-</u> | <u>4,460</u> | <u>-</u> |
| Cash, June 30, 2019 | <u>\$ 524,092</u> | <u>\$ -</u> | <u>\$ 4,773</u> | <u>\$ 1,575</u> | <u>\$ -</u> |
| Pecos Connections Academy | <i>11000</i> | <i>13000</i> | <i>14000</i> | <i>21000</i> | <i>22000</i> |
| | Operational Fund | Transportation Fund | Instructional Materials Fund | Food Services Fund | Athletics Fund |
| Cash, June 30, 2018 | \$ 565,670 | \$ - | \$ - | \$ - | \$ - |
| Additions to cash: | | | | | |
| 2018-19 revenues | 6,407,062 | - | 32,523 | - | - |
| Receipt of prior year loans | 36,870 | - | - | - | - |
| Loans from other funds | - | - | 14,637 | - | - |
| Total additions to cash | <u>6,443,932</u> | <u>-</u> | <u>47,160</u> | <u>-</u> | <u>-</u> |
| Deductions to cash: | | | | | |
| 2018-19 expenditures | 6,331,900 | - | 32,523 | - | - |
| Repayment of loans | - | - | - | - | - |
| Loans to other funds | 73,559 | - | - | - | - |
| Total deductions to cash | <u>6,405,459</u> | <u>-</u> | <u>32,523</u> | <u>-</u> | <u>-</u> |
| Adjustments | | | | | |
| Change in receivables | 484,671 | - | (14,637) | - | - |
| Change in held checks | (42,450) | - | - | - | - |
| Total adjustments to cash | <u>442,221</u> | <u>-</u> | <u>(14,637)</u> | <u>-</u> | <u>-</u> |
| Cash, June 30, 2019 | <u>\$ 1,046,363</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - COMPONENT UNITS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| Jefferson Montessori Academy | 23000 | 24000 | 25000 | 26000 | 27000 |
|----------------------------------|-------------------------|--------------------------------|---------------------------|-----------------|----------------------|
| | Non-Instruction Fund | Federal Flowthrough Fund | Federal Direct Fund | Local Grants | State Flowthrough |
| Cash, June 30, 2018 | \$ 2,215 | \$ - | \$ - | \$ - | \$ - |
| Additions to cash: | | | | | |
| 2018-19 revenues | - | 46,136 | - | - | 45,939 |
| Receipt of prior year loans | - | - | - | - | - |
| Loans from other funds | - | 99,500 | - | - | - |
| Total additions to cash | - | 145,636 | - | - | 45,939 |
| Deductions to cash: | | | | | |
| 2018-19 expenditures | - | 56,962 | - | - | - |
| Repayment of loans | - | 88,674 | - | - | 39,296 |
| Loans to other funds | - | - | - | - | - |
| Total deductions to cash | - | 145,636 | - | - | 39,296 |
| Adjustments: | | | | | |
| Change in receivables | - | - | - | - | - |
| Change in held checks | - | - | - | - | (6,643) |
| Total adjustments to cash | - | - | - | - | (6,643) |
| Cash, June 30, 2019 | \$ 2,215 | \$ - | \$ - | \$ - | \$ - |
| Pecos Connections Academy | 23000 | 24000 | 25000 | 26000 | 27000 |
| | Non-Instruction Fund | Federal Flowthrough Fund | Federal Direct Fund | Local Grants | State Flowthrough |
| Cash, June 30, 2018 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Additions to cash: | | | | | |
| 2018-19 revenues | - | 144,882 | - | - | 25,363 |
| Receipt of prior year loans | - | - | - | - | - |
| Loans from other funds | - | 44,332 | - | - | - |
| Total additions to cash | - | 189,214 | - | - | 25,363 |
| Deductions to cash: | | | | | |
| 2018-19 expenditures | - | 144,882 | - | - | 25,363 |
| Repayment of loans | - | 36,870 | - | - | - |
| Loans to other funds | - | - | - | - | - |
| Total deductions to cash | - | 181,752 | - | - | 25,363 |
| Adjustments | | | | | |
| Change in receivables | - | (7,462) | - | - | - |
| Change in held checks | - | - | - | - | - |
| Total adjustments to cash | - | (7,462) | - | - | - |
| Cash, June 30, 2019 | \$ - | \$ - | \$ - | \$ - | \$ - |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - COMPONENT UNITS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| Jefferson Montessori Academy | 31100 | 31200 | 31300 | 31600 | 31700 |
|----------------------------------|---------------|------------------------------|------------------------------|-------------------|--------------------------|
| | Bond Building | Public School Capital Outlay | Special Capital Outlay State | Cap. Improv. HB33 | Cap. Improv. SB9 (State) |
| Cash, June 30, 2018 | \$ - | \$ - | \$ - | \$ 120,497 | \$ 17,673 |
| Additions to cash: | | | | | |
| 2018-19 revenues | - | 120,798 | - | 73,005 | - |
| Receipt of prior year loans | - | - | - | - | - |
| Loans from other funds | - | 1,976 | - | - | - |
| Total additions to cash | - | 122,774 | - | 73,005 | - |
| Deductions to cash: | | | | | |
| 2018-19 expenditures | - | 120,182 | - | 7,004 | - |
| Repayment of loans | - | 2,592 | - | - | - |
| Loans to other funds | - | - | - | - | - |
| Total deductions to cash | - | 122,774 | - | 7,004 | - |
| Adjustments: | | | | | |
| Change in receivables | - | - | - | - | - |
| Change in held checks | - | - | - | - | - |
| Total adjustments to cash | - | - | - | - | - |
| Cash, June 30, 2019 | \$ - | \$ - | \$ - | \$ 186,498 | \$ 17,673 |
| Pecos Connections Academy | 31100 | 31200 | 31300 | 31600 | 31700 |
| | Bond Building | Public School Capital Outlay | Special Capital Outlay State | Cap. Improv. HB33 | Cap. Improv. SB9 (State) |
| Cash, June 30, 2018 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Additions to cash: | | | | | |
| 2018-19 revenues | - | - | - | - | 22,751 |
| Receipt of prior year loans | - | - | - | - | - |
| Loans from other funds | - | - | - | - | 14,590 |
| Total additions to cash | - | - | - | - | 37,341 |
| Deductions to cash: | | | | | |
| 2018-19 expenditures | - | - | - | - | 22,751 |
| Repayment of loans | - | - | - | - | - |
| Loans to other funds | - | - | - | - | - |
| Total deductions to cash | - | - | - | - | 22,751 |
| Adjustments | | | | | |
| Change in receivables | - | - | - | - | (14,590) |
| Change in held checks | - | - | - | - | - |
| Total adjustments to cash | - | - | - | - | (14,590) |
| Cash, June 30, 2019 | \$ - | \$ - | \$ - | \$ - | \$ - |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CASH RECONCILIATION - COMPONENT UNITS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| Jefferson Montessori Academy | <i>31701</i> | <i>31900</i> | <i>41000</i> | |
|--------------------------------------|-----------------------------|--------------------------|----------------------|---------------------|
| | Cap. Improv. SB9 (Local) | Ed Tech Equipment Act | Debt Service Fund | Total |
| Cash, June 30, 2018 | \$ 25,461 | \$ - | \$ - | \$ 488,054 |
| Additions to cash: | | | | |
| 2018-19 revenues | 73,292 | - | - | 2,615,522 |
| Receipt of prior year loans | - | - | - | 130,562 |
| Loans from other funds | 240 | - | - | 101,716 |
| Total additions to cash | <u>73,532</u> | <u>-</u> | <u>-</u> | <u>2,847,800</u> |
| Deductions to cash: | | | | |
| 2018-19 expenditures | 98,993 | - | - | 2,362,531 |
| Repayment of loans | - | - | - | 130,562 |
| Loans to other funds | - | - | - | 101,716 |
| Total deductions to cash | <u>98,993</u> | <u>-</u> | <u>-</u> | <u>2,594,809</u> |
| Adjustments: | | | | |
| Change in receivables | - | - | - | (580) |
| Change in held checks | - | - | - | (3,639) |
| Total adjustments to cash | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,219)</u> |
| Cash, June 30, 2019 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 736,826</u> |
| Pecos Connections Academy | <i>31701</i> | <i>31900</i> | <i>41000</i> | |
| | Cap. Improv. SB9 (Local) | Ed Tech Equipment Act | Debt Service Fund | Total |
| Cash, June 30, 2018 | \$ - | \$ - | \$ - | \$ 565,670 |
| Additions to cash: | | | | |
| 2018-19 revenues | - | - | - | 6,632,580 |
| Receipt of prior year loans | - | - | - | 36,870 |
| Loans from other funds | - | - | - | 73,559 |
| Total additions to cash | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,743,009</u> |
| Deductions to cash: | | | | |
| 2018-19 expenditures | - | - | - | 6,557,419 |
| Repayment of loans | - | - | - | 36,870 |
| Loans to other funds | - | - | - | 73,559 |
| Total deductions to cash | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,667,848</u> |
| Adjustments | | | | |
| Change in receivables | - | - | - | 447,982 |
| Change in held checks | - | - | - | (42,450) |
| Total adjustments to cash | <u>-</u> | <u>-</u> | <u>-</u> | <u>405,532</u> |
| Cash, June 30, 2019 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,046,363</u> |

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
YEAR ENDED JUNE 30, 2019

| Name of Depository | Description of Pledged Collateral | Maturity | CUSIP Number | Fair Market Value June 30, 2019 | Name and Locations of Safekeeper |
|---|--|------------|--------------|------------------------------------|-------------------------------------|
| District: | | | | | |
| Western Commerce Bank | | | | | |
| | FNMA #254589 | 1/1/2023 | 31371KX55 | \$ 40,170 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #758904 | 12/1/2033 | 31403VDH9 | 44,452 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #256714 | 4/1/2027 | 31317NDT9 | 56,193 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #256852 | 8/1/2027 | 31371NH57 | 70,199 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #826080 | 7/1/2035 | 31407BXH7 | 277,353 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #745740 | 7/1/2036 | 31403DP26 | 147,221 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #776565 | 4/1/2034 | 31404RW29 | 424,762 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #MA0121 | 7/1/2029 | 31417YD38 | 165,460 | Federal Home Loan Bank, Irvine, TX |
| | GNMA II #005265 | 12/20/2041 | 36202FZ66 | 666,837 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #AE0937 | 2/1/2041 | 34419BBF1 | 466,203 | Federal Home Loan Bank, Irvine, TX |
| | GNMA #005302 | 2/20/2042 | 36202F3K0 | 403,247 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #AJ7680 | 12/1/2041 | 3138EORA9 | 621,644 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #AB2318 | 1/1/2041 | 31416XSG6 | 913,431 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #255631 | 3/1/2035 | 31371L4Q9 | 131,043 | Federal Home Loan Bank, Irvine, TX |
| | GNMA #MA1149 | 7/20/2043 | 36179NH27 | 830,491 | Federal Home Loan Bank, Irvine, TX |
| | FHLMC #G14660 | 1/1/2028 | 3128MDMH3 | 417,972 | Federal Home Loan Bank, Irvine, TX |
| | FHLMC #G08540 | 8/1/2043 | 3128MJS68 | 608,989 | Federal Home Loan Bank, Irvine, TX |
| | FHLMC #G07601 | 7/1/2043 | 3128M9X64 | 1,199,569 | Federal Home Loan Bank, Irvine, TX |
| | FHLMC #G15143 | 1/1/2029 | 3128MD5C3 | 962,684 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #AL3784 | 7/1/2028 | 3138ELF24 | 560,716 | Federal Home Loan Bank, Irvine, TX |
| | SBAP 2010/20B 1 | 2/1/2030 | 83162CTB9 | 690,312 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #AL3956 | 8/1/2028 | 3138ELME0 | 537,711 | Federal Home Loan Bank, Irvine, TX |
| | SBAP 2015/20B | 2/1/2030 | 83162CWV1 | 1,326,180 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #AL8367 | 4/1/2046 | 3138ETJM9 | 1,071,458 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #BE2926 | 12/1/2036 | 3140FNHC1 | 983,790 | Federal Home Loan Bank, Irvine, TX |
| | FNMA #AR2626 | 2/1/2043 | 3138NY4L6 | 2,138,414 | Federal Home Loan Bank, Irvine, TX |
| | SBAP 2015/20A | 1/1/2035 | 83162CWU3 | 1,334,399 | Federal Home Loan Bank, Irvine, TX |
| | SBAP 2016/20F | 6/1/2036 | 83162CXVO | 1,611,597 | Federal Home Loan Bank, Irvine, TX |
| | SBAP 2017/20A | 1/1/2037 | 83162CYG2 | 1,830,181 | Federal Home Loan Bank, Irvine, TX |
| | SBAP 2017/20I | 9/1/2037 | 83162CYW7 | 1,221,017 | Federal Home Loan Bank, Irvine, TX |
| | SBAP 2016/20G | 7/13/2036 | 83162CXX6 | 1,114,596 | Federal Home Loan Bank, Irvine, TX |
| | SBAP SBIC 2018/10A | 3/10/2028 | 831641FK6 | 2,015,468 | Federal Home Loan Bank, Irvine, TX |
| | SBAP 2014/20L | 12/1/2034 | 83162CWS8 | 1,220,618 | Federal Home Loan Bank, Irvine, TX |
| | Total Western Commerce Bank | | | <u>26,104,377</u> | |
| Wells Fargo Bank | | | | | |
| | FMAC FGPC 2.50% | 5/1/2031 | 3128MMU27 | \$ 2,633,486 | Bank of New York Mellon |
| | FNMA FNMS 3.50% | 3/1/2042 | 3138E2UX1 | 2,115,545 | Bank of New York Mellon |
| | FNMA FNMS 2.50% | 5/1/2031 | 3138WG4L5 | 1,228,428 | Bank of New York Mellon |
| | Total Wells Fargo Bank | | | <u>5,977,459</u> | |
| Wells Fargo Bank - Stagecoach Sweep | | | | | |
| | FHLMC #G08705 3.00% | 5/1/2046 | 3128MJYB0 | \$ 18,766,252 | Wells Fargo Bank, N.A. |
| | FHLMC #G08710 3.00% | 6/1/2046 | 3128MJYG9 | 5,837,912 | Wells Fargo Bank, N.A. |
| | Total Wells Fargo Bank - Stagecoach Sweep | | | <u>24,604,164</u> | |
| Carlsbad National Bank | | | | | |
| | FNMA FNCT Pool #MA1290 | 12/1/2032 | 31418ANG9 | \$ 813,378 | Federal Home Loan Bank of Dallas |
| | FHLMC Pool #C91649 | 4/1/2033 | 3128P7N6 | 1,469,261 | Federal Home Loan Bank of Dallas |
| | FNMA Pool #MA1424 | 4/1/2033 | 31418ASN9 | 1,152,579 | Federal Home Loan Bank of Dallas |
| | FNMA Pool #MA1543 | 12/1/2025 | 31418AWD6 | 1,072,710 | Federal Home Loan Bank of Dallas |
| | FNMA Pool #MA2198 | 3/1/2025 | 31418BNQ5 | 1,182,262 | Federal Home Loan Bank of Dallas |
| | FNMA Pool #AL5704 | 4/1/2044 | 3138ENK57 | 1,011,219 | Federal Home Loan Bank of Dallas |
| | Total Carlsbad National Bank | | | <u>6,701,409</u> | |
| | Total Primary Government Pledged Collateral | | | <u>\$ 63,387,409</u> | |
| Jefferson Montessori Academy Charter School: | | | | | |
| Wells Fargo | | | | | |
| | FNMA FNMS 3.00% | 11/1/2042 | 3138MBP23 | \$ 39,839 | Bank of New York Mellon |
| | FNMA FNMS 3.00% | 7/1/2036 | 31418B6JO | 204,417 | Bank of New York Mellon |
| | FNMA FNMS 3.00% | 10/1/2035 | 31418BVJ2 | 120,235 | Bank of New York Mellon |
| | Total Wells Fargo | | | <u>\$ 364,491</u> | |
| | Total Jefferson Montessori Academy Charter | | | <u>\$ 364,491</u> | |
| Pecos Connections Academy Charter School: | | | | | |
| Wells Fargo | | | | | |
| | FNMA FNMS 3.50% | 6/1/2045 | 3128MJWLO | \$ 85,753 | Bank of New York Mellon |
| | Total Wells Fargo | | | <u>\$ 85,753</u> | |
| | Total Pecos Connections Academy Charter | | | <u>\$ 85,753</u> | |

STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

| Organization | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 |
|---|--------------------------|-------------------|-------------------|--------------------------|
| Cash and cash equivalents | | | | |
| Art Club | \$ 1,716 | \$ 1,280 | \$ 1,544 | \$ 1,452 |
| Baseball Booster Club | 40 | - | - | 40 |
| Biology Club | 1,950 | - | - | 1,950 |
| BPA Club | 7,080 | 50,097 | 41,005 | 16,172 |
| Central Office Employee Fund | 1,600 | - | - | 1,600 |
| Chemistry Club | 3,996 | - | - | 3,996 |
| CHS Spirit Committee | 1,574 | 6,545 | 5,063 | 3,056 |
| Computer Club | 323 | - | - | 323 |
| Cross Country Booster Club (Athletics/Activity) | 72 | - | - | 72 |
| Culinary Club | 5,223 | 5,340 | - | 10,563 |
| DECA Club | 570 | - | - | 570 |
| Educator Rising Club | 9,282 | 10,014 | 4,310 | 14,986 |
| Elementary PTA | 3,404 | - | - | 3,404 |
| FCCLA Club | 8,899 | 263 | 627 | 8,535 |
| Fellowship of High School Students | 256 | - | - | 256 |
| FFA Club | 16,115 | 37,465 | 32,859 | 20,721 |
| Football Booster Club | 427 | - | - | 427 |
| French Club | 1,054 | - | - | 1,054 |
| Golf Booster Club | 194 | - | - | 194 |
| Honor Society | 5,362 | 3,234 | 1,428 | 7,168 |
| HOSA Club | 1,565 | - | - | 1,565 |
| JAG-Phoenix (Wellman) | 434 | - | - | 434 |
| Key Club | 6,660 | 8,972 | 7,526 | 8,106 |
| Rodeo Booster Club | 489 | - | - | 489 |
| Softball Booster Club | 140 | - | - | 140 |
| Spanish Club | 281 | 70 | - | 351 |
| Spirit Team-Cheerleading Booster Club | 9,889 | 15,517 | 20,317 | 5,089 |
| Swimming Booster Club | 959 | 1,814 | - | 2,773 |
| Tennis Booster Club | 164 | - | - | 164 |
| Theatre Club | 5,062 | 12,999 | 13,574 | 4,487 |
| Track-Boys Booster Club | 2,488 | - | - | 2,488 |
| Track-Girls Booster Club | 1,403 | - | - | 1,403 |
| VICA Club | 5,330 | 21,883 | 17,018 | 10,195 |
| Volleyball Booster Club | 1,142 | - | - | 1,142 |
| Wrestling Booster Club | 126 | - | - | 126 |
| Total cash and cash equivalents | <u>\$ 105,269</u> | <u>\$ 175,493</u> | <u>\$ 145,271</u> | <u>\$ 135,491</u> |

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S 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***

The Board of Education
Carlsbad Municipal School District
Carlsbad, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of the Carlsbad Municipal School District (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. We have also audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of each discretely presented component unit, presented as supplementary information, as defined by the Governmental Accounting Standards Board (GASB) as of and for the year ended June 30, 2019, as listed in the Table of Contents, 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.

The Board of Education
Carlsbad Municipal School District and
Mr. Brian Colón, Esq.
New Mexico State Auditor

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies as items 2019-001, 2019-002, 2019-007, and 2019-008.

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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* as items 2019-003, 2019-004, 2019-005, and 2019-006.

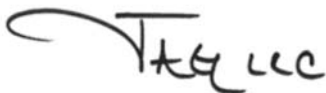
We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978 that we have described in the accompanying Schedule of Section 12-6-5 NMSA 1978 Findings as item 2019-010.

The District's Responses to Findings

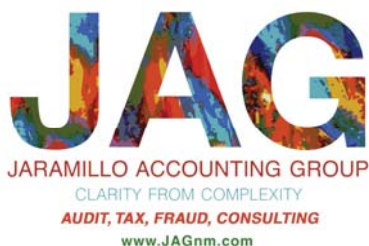
The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion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

Purpose of this Report

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



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 15, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Carlsbad Municipal School District
Carlsbad, New Mexico and
Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for the Major Federal Program

We have audited Carlsbad Municipal School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

The Board of Education
Carlsbad Municipal School District and
Mr. Brian Colón, Esq.
New Mexico State Auditor

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of non-compliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-009. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the non-compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

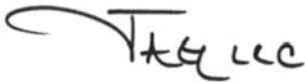
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material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

The Board of Education
Carlsbad Municipal School District and
Mr. Brian Colón, Esq.
New Mexico State Auditor

compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-009 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink, appearing to read "JAG LLC". The signature is stylized with a large, sweeping initial letter.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 15, 2019

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

| Federal Grantor or Pass-Through Grantor/Program Title | Federal CFDA | Pass-through Number | Passed-through to Subrecipients | Federal Expenditures |
|---|-----------------|-------------------------|------------------------------------|-------------------------|
| U.S. Department of Education | | | | |
| <i>Passthrough - State of NM Public Education Department</i> | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 24101 | \$ - | \$ 1,233,890 |
| <i>Special Education Cluster (IDEA)</i> | | | | |
| Special Education - Grants to States | 84.027 | 24106/24108/24115/24132 | - | 1,728,601 |
| Special Education - Preschool Grants | 84.173 | 24109 | - | 18,763 |
| Special Education Cluster (IDEA) Total | | | - | <u>1,747,364</u> |
| Education of Homeless Teens and Children | 84.196 | 24113 | - | 19,577 |
| Career and Technical Education - Basic Grants to States | 84.048 | 24174/24175/24176 | - | 61,954 |
| Student Support and Academic Enrichment Program | 84.424 | 24189 | - | 37,975 |
| English Language Acquisition State Grants | 84.365 | 24153 | - | 22,862 |
| Supporting Effective Instruction State Grants | 84.367 | 24154 | - | <u>160,640</u> |
| Total U.S. Department of Education | | | <u>-</u> | <u>3,284,262</u> |
| U.S. Department of Agriculture | | | | |
| <i>Child Nutrition Cluster</i> | | | | |
| <i>Pass-through State of New Mexico Public Education Department</i> | | | | |
| <i>Cash Assistance</i> | | | | |
| School Breakfast | 10.553 | 21000 | - | 870,104 |
| National School Lunch Program | 10.555 | 21000 | - | 1,721,272 |
| <i>Pass-through State of New Mexico Human Services Department</i> | | | | |
| <i>Non-Cash Assistance</i> | | | | |
| National School Lunch Program (Commodities) | 10.555 | 21000 | - | 265,227 |
| Child Nutrition Cluster Total | | | <u>-</u> | <u>2,856,603</u> |
| Rural Development, Forestry, and Communities | 10.555 | | | 24,142 |
| Total U.S. Department of Agriculture | | | <u>-</u> | <u>2,880,745</u> |
| Total Federal Financial Assistance | | | <u>\$ -</u> | <u>\$ 6,165,007</u> |

See Notes to Schedule of Expenditures
of Federal Awards.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Carlsbad Municipal Schools (District) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. SUBRECIPIENTS

The Carlsbad Municipal Schools did not provide any federal awards to any subrecipients during the fiscal year.

NOTE 4. NON-CASH FEDERAL ASSISTANCE

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast program. Per USDA guidance (FPI-18-2), donated USDA commodities should be grouped with the National School Lunch Program and used the same CFDA number as the National School Lunch Program. The value of commodities received for the year ended June 30, 2019 was \$265,227. Commodities are recorded as revenues and expenditures in the Food Service Fund.

NOTE 5. INDIRECT COST RATE

During the year ended June 30, 2019, the New Mexico Public Education Department reimbursed the District for indirect costs at 3.55%.

NOTE 6. RECONCILIATION OF FEDERAL REVENUE TO FEDERAL EXPENDITURES

| | |
|---|---------------------|
| Federal expenditures as reported on Schedule of Expenditures of | |
| Federal Awards | \$ 6,165,007 |
| District as contractor relationship | |
| Medicaid (Fund 25153) | 1,076,725 |
| Indirect cost recovery (Fund 11000) | 110,022 |
| Other reconciling items | <u>(2,049)</u> |
| Federal revenue as reported in the financial statements | <u>\$ 7,349,705</u> |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

| Finding No. | Description | Current Year Status |
|--|--|----------------------------|
| PRIMARY GOVERNMENT | | |
| Financial Statement Findings | | |
| 2018-001 | Late Audit Report | Resolved |
| 2018-002 | Internal Control Over Financial Close and Reporting | Repeated and modified |
| 2018-003 | PED OBMS Reporting | Resolved |
| 2018-004 | Inventory Controls | Resolved |
| 2018-005 | Investment Interest | Repeated and modified |
| 2018-010 | Cash Management and Journal Entries – Segregation of Duties | Resolved |
| 2018-011 | Mileage Rates – Per Diem and Mileage Act | Resolved |
| 2018-012 | Purchase Orders | Resolved |
| 2018-014 | School Personnel Act | Repeated and modified |
| Federal Award Findings | | |
| 2018-015 | Failure to Submit the Data Collection Form in a Timely Manner | Resolved |
| 2018-016 | Student Nutrition – Verification and Eligibility | Repeated and modified |
| COMPONENT UNITS | | |
| JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL | | |
| Financial Statement Findings | | |
| 2018-006 | School Personnel Act | Repeated and modified |
| 2018-007 | Bank Collateralization | Resolved |
| 2018-013 | Fiscal Year-end Certification of Capital Assets Physical Inventory | Resolved |
| PECOS CONNECTION ACADEMY CHARTER SCHOOL | | |
| Financial Statement Findings | | |
| 2018-008 | School Personnel Act | Repeated and modified |
| 2018-009 | Bank Collateralization | Repeated and modified |

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

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

Federal Awards:

- | 1. Internal control over major programs: | | | | | |
|---|-------------------------|------------------------|----------------|-------------------------|--|
| a. Material weakness identified? | No | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | |
| 2. Type of auditor’s report issued on compliance for major programs | Unmodified | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; width: 50%;"><u>CFDA Number</u></th> <th style="text-align: center; width: 50%;"><u>Federal Program</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">10.553, 10.555</td> <td style="text-align: center;">Child Nutrition Cluster</td> </tr> </tbody> </table> | <u>CFDA Number</u> | <u>Federal Program</u> | 10.553, 10.555 | Child Nutrition Cluster | |
| <u>CFDA Number</u> | <u>Federal Program</u> | | | | |
| 10.553, 10.555 | Child Nutrition Cluster | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | |

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 (PREVIOUSLY REPORTED AS 2018-002) INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED)

TYPE OF FINDING: Significant Deficiency

CONDITION

During our audit, we noted the following weakness in the District's year-end financial close and reporting process:

The capital asset roll-forward starting with prior year financial statement balances and capital asset depreciation schedules for building and land improvements could not be timely produced after year-end. When produced, current year additions and deletions to the schedule and transfers from Construction in Progress had not been performed, nor had depreciation been calculated for buildings and improvements nor land improvements.

Year-end investment balances were not properly reconciled and not all current year investment activity was properly recorded, which required adjustments to correct. See finding 2019-002 for further details.

The unadjusted, cash-basis trial balance submitted to the auditors for the fiscal year ended June 30, 2019, incorrectly contained certain accrual entries, including receivables in several funds. It also included interfund loans from the general fund to other funds.

The Balance Sheet for Governmental funds contains certain funds that are reimbursement basis funds, for which the fund balance should be zero as of year-end, however the following funds have either a positive or negative fund balance:

| | |
|--|-------------|
| Athletics (Fund 22000) | \$ (25,981) |
| Title I (Fund 24101) | (28) |
| Entitlement IDEA-B (Fund 24106) | (8,902) |
| IDEA-B "Risk Plan" (Fund 24132) | (550) |
| Carl D Perkins Secondary Current (Fund 24174) | (634) |
| Truancy Initiative PED (Fund 27141) | (1,220) |
| Breakfast for Elementary Students (Fund 27155) | (6,418) |
| IDEA-B Preschool (Fund 24109) | 8,065 |
| Teacher/Principal Training and Recruiting (Fund 24154) | 21,526 |

The New Mexico Public Education Department set up Fund 29135 to account for PILOT payments on Industrial Revenue Bonds. The District erroneously placed these funds in fiscal year 2018 into five separate funds that normally account for property tax revenues. When management discovered the error in fiscal year 2019, they moved the funds into Fund 29135.

The District has made significant improvements in the financial close and reporting process from fiscal year 2018.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 (PREVIOUSLY REPORTED AS 2018-002) INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED) (CONTINUED)

CRITERIA

NMAC 6.20.2.12 requires that the District “create and maintain ... financial reports which facilitate the discharge of assigned responsibilities and monitors activities at each level of the organizational structure.”

New Mexico Manual of Procedures for Public School Accounting and Budget (PSAB), Supplement 5, Financial Statements. “The financial statements are the responsibility of the district. The IPA must provide the adjusting entries and supporting documentation to the district for any differences between the district’s records and the financial reports in the audit. The district should review and approve the audit draft prior to it being submitted to the state auditor.”

The State Auditor Rule (2.2.2, NMAC) requires the school district to maintain adequate accounting records to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP), and cooperate with the Independent Public Accountant (IPA) by providing in a timely manner the information required to express an opinion on the agency's financial statements. Districts should familiarize themselves with the contents of the annual audit. If the IPA prepares the financial statements, this fact must be disclosed in notes to the financial statements and may result in an audit finding if there is “ineffective oversight of the financial reporting and internal control processes by those charged by governance.” (Statement of Auditing Standards, SAS 115).

Financial Standards for New Mexico Public Schools and School Districts, 6.20.2.14 NMAC. “In accordance with GASB 34, school districts shall use a full accrual basis of accounting in preparation of annual financial statements and cash basis of accounting for budgeting and reporting.”

New Mexico Manual of Procedures for Public School Accounting and Budget (PSAB), Supplement 2, Internal Control Structure. “The Financial Management System (FMS) generally produces reports containing operational, financial, and compliance related information recorded on a cash basis of accounting, making it possible to efficiently manage the cash functions of the school district. Additional software is generally needed to convert from a cash basis to an accrual basis of accounting required by Generally Accepted Accounting Practices (GAAP) and Generally Accepted Governmental Auditing Standards (GAGAS).

EFFECT

There were misstatements in the fund trial balances. Additionally, the basis of accounting which the financial management system was maintained does not appear to be fully cash basis or fully modified accrual basis. While cash reports to PED reconciled to the cash basis as required, this is not ideal. The status of the budget was not tracked properly on a cash basis through the entire year. Fund balances in reimbursement funds that are not equal to zero are typically caused by either error or by requests for reimbursement that have been denied, which have not been identified and corrected.

CAUSE

Turnover and lack of effective internal controls relating to the financial close and reporting process.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 (PREVIOUSLY REPORTED AS 2018-002) INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING (REPEATED AND MODIFIED) (CONTINUED)

RECOMMENDATION

We recommend management evaluate all aspects of the financial close and reporting process and establish effective internal controls and procedures to ensure timely and accurate financial statements and supporting schedules.

We also recommend that the District maintain its books on a cash basis in the financial management system, and track and record modified and full accrual entries separately for financial reporting purposes.

MANAGEMENT RESPONSE

Corrective Action: The financial close and reporting process is under review. Procedural changes, evaluation of duty assignments and staff training needs were included in the review. A proposed plan of action addresses the areas in need of improvement. A new financial close and reporting procedure designed to track all required activities, assign responsible parties and sets firm due dates will be used. The Director of Finance monitors all

aspects of the financial close and reviews/approves all supporting reports and documents prior to finalizing the financial close and completing required reports.

Account reconciliations for all financial system modules, including General Fixed Assets, and all bank/investment accounts will ensure the timely and accurate posting of all transactions. A routine review of trial balance reports for all Funds is included in the financial close requirements.

Due Date of Completion: June 30, 2020

Responsible Party: Finance Director

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002 (PREVIOUSLY REPORTED AS 2018-005) INVESTMENT INTEREST (REPEATED AND MODIFIED)

TYPE OF FINDING: Significant Deficiency

CONDITION

During our testing of investment balances, we noted the District had not recorded interest income on investments during the year in the following account, for the following amount:

- \$418,158 in fiscal year 2019 of unrecorded investment income in Western Commerce Bank investment accounts was recorded immediately after year-end.
- An additional \$242,382 in fiscal year 2019 corrections to investment income in Western Commerce Bank investment accounts were recorded in November 2019, which netted with a correction of \$250,000 to investment distributions.

Additionally, in November 2017, the bank had erroneously double-entered a purchase of a certificate of deposit for \$250,000, and did not correct this error until January 2019. The District did not identify this error and the correction until November 2019.

The District did not make improvements in this area from the fiscal year 2018.

CRITERIA

Cash Control Standards for New Mexico Public Schools and School Districts, 6.20.2.14 NMAC. "All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit."

New Mexico Manual of Procedures for Public School Accounting and Budget (PSAB), Supplement 7, Cash Controls. "The (PED) Cash Report should flow directly from the General Ledger. Before completing the Cash Report, districts/charter schools should first reconcile all bank accounts and *properly record any adjusting items such as interest* or deductions for banking supplies, or for loans made by the district operational fund to other funds. The cash balance on the final line of the cash report should tie directly to the general ledger cash accounts total."

EFFECT

In order to ensure that assets are protected and accounted for in a professional and timely manner, it is important for good internal cash controls to reconcile and make proper entries each month as part of the District's month end closing procedures. In fiscal year 2018, investments were overstated by \$250,000 and the District was not aware because it had not performed proper reconciliations. In fiscal year 2019, this error was corrected without the District's knowledge. If this correction had not been proper, the District would not have had adequate controls in place to detect it.

CAUSE

We noted that the Comptroller prepared bank reconciliations for cash accounts on a monthly basis, which were then reviewed and approved by the Finance Director. However, for investment accounts, the same process for reconciling and recording associated adjusting items was not followed. This issue was identified during the prior year audit; however, these controls were not properly implemented in fiscal year 2019.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2019-002 (PREVIOUSLY REPORTED AS 2018-005) INVESTMENT INTEREST (REPEATED AND MODIFIED)
(CONTINUED)**

RECOMMENDATION

The District should implement procedures to ensure that bank reconciliations reconcile to the general ledger and the PED cash report. Any unexplained differences should be investigated and corrective action taken immediately.

MANAGEMENT RESPONSE

Corrective Action: Review of cash control procedures was a part of the overall Internal Control evaluation. The new financial close and reporting process proposed ensures that all bank accounts are reconciled on a monthly basis and that all adjusting items are recorded properly and in a timely manner. The Director of Finance will review and give final approval for all account reconciliations. Any errors and/or missed transactions will be corrected and posted to the General Ledger prior to finalizing the monthly close process.

Due Date of Completion: Completed

Responsible Party: Finance Director

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 (PREVIOUSLY REPORTED AS 2018-006) SCHOOL PERSONNEL ACT (JEFFERSON MONTESSORI ACADEMY CHARTER SCHOOL) (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-compliance

CONDITION

During our testing of payroll and the School Personnel Act, we noted the following exception: 3 of 3 tested, for whom the statute was applicable, did not have signed contracts 10 days before the start of the school year.

JMA did not make improvements in this area from FY18.

CRITERIA

School Personnel Act Statute 22-10A-23 (B), NMSA 1978 Reemployment; acceptance; rejection; binding contract states "Written employment contracts between local school boards or governing authorities of state agencies and certified school instructors shall be executed by the parties no later than ten days before the first day of a school year."

School Personnel Act Statute 22-10A-18 states: "develop a proposed budget for the public school, with input from the school council, and submit it to the local superintendent"

EFFECT

Students may not have teachers in the classroom at the start of school if contracts are not executed proactively.

CAUSE

Administration did not ensure State policies were followed and review did not ensure proper execution.

RECOMMENDATION

We recommend that JMA ensure all employees contracts for the school year are executed no later than ten days before the first day of the school year. There are software options to help with this – for teachers who may be out of town during the summer.

MANAGEMENT RESPONSE

Corrective Action: Management had processes in place using letters of intent to ensure all staffing needs were met. The early dating of these were meant to meet the requirement of NMSA. Administration will make sure all staff contracts comply with statute and are appropriately dated moving forward.

Due Date of Completion: August 31, 2019

Responsible Party: Superintendent and Assistant Business Manager

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-004 (PREVIOUSLY REPORTED AS 2018-008) SCHOOL PERSONNEL ACT (PECOS CONNECTIONS ACADEMY CHARTER SCHOOL) (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-compliance

CONDITION

During our testing of payroll and the School Personnel Act, we noted the following exceptions:

- 1 of 4 tested, for whom the statute was applicable, did not have signed contracts 10 days before the start of the school year
- Fingerprint cards not retained in employees' files

PCA did not make improvements in this area from FY18.

CRITERIA

School Personnel Act Statute 22-10A-23 (B), NMSA 1978 Reemployment; acceptance; rejection; binding contract states "Written employment contracts between local school boards or governing authorities of state agencies and certified school instructors shall be executed by the parties no later than ten days before the first day of a school year."

School Personnel Act Statute 22-10A-5 states: "An applicant for initial licensure shall be fingerprinted and shall provide two fingerprint cards or the equivalent electronic fingerprints to the department to obtain the applicant's federal bureau of investigation record".

EFFECT

Students may not have teachers in the classroom at the start of school if contracts are not executed proactively.

CAUSE

Administration did not ensure State policies were followed and review did not ensure proper execution.

RECOMMENDATION

We recommend that PCA ensure all employees contracts for the school year are executed no later than ten days before the first day of the school year. There are software options to help with this – for teachers who may be out of town during the summer.

MANAGEMENT RESPONSE

Corrective Action: Employee was on extended medical leave. PCA has reviewed processes and reassigned task. Staffing List will be reviewed at least 10 days prior to beginning of the school year to ensure that employees have signed contracts to abide by School Personnel Statue 22-104-23.

Fingerprinting is processed as part of hiring packet thru our HR contractor. TP has record of all FBI results prior to issuing contracts. We reached out to Gemalto Cogent and NM Department of Public Safety and now require our new employees to go thru both background checks; one processed by our HR contractor and the local one through Gemalto Cogent under our ORI.

Due Date of Completion: Immediately for all new employees

Responsible Party: Principal

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-005 (PREVIOUSLY REPORTED AS 2018-009) BANK COLLATERALIZATION (PECOS CONNECTIONS ACADEMY CHARTER SCHOOL) (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-compliance

CONDITION

PCA had one bank account that was uninsured in the amount of \$805,832. State law requires collateralization of \$402,916 of this uninsured amount. PCA did not have sufficient collateral in place to meet the State requirement and was under collateralized by \$317,163.

PCA did not make improvements in this area from FY18.

CRITERIA

New Mexico State Statute Section 6-10-17, NMSA 1978, requires PCA to collateralize an amount equal to one-half of the balance not covered by the Federal Deposit Insurance Corporation (FDIC) for depository accounts.

CAUSE

Charter administration did not provide sufficient oversight to ensure the bank met this requirement.

EFFECT

If the bank failed due to insufficient capital, the District could lose certain public monies. Public funds were not secured as required.

RECOMMENDATION

PCA should arrange for collateral for bank deposits in excess of \$250,000. Alternatively, PCA could maintain deposits with multiple banks with less than \$250,000 in each.

MANAGEMENT RESPONSE

Corrective Action: The un-collateralized amount was a result of PED issuing the final June 2019 SEG on the final day, Friday, June 28, 2019, before the period was closed. We also reached out to Wells Fargo relationship Manager and Analyst with the Public Funds Collateral Management to change notifications process of incoming deposits. Please note that this step was taken after our 2017-2018 audit exit, which took place in July 2019.

Due Date of Completion: Immediately upon notification of finding.

Responsible Party: Business Manager

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-006 (PREVIOUSLY REPORTED AS 2018-014) SCHOOL PERSONNEL ACT (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-compliance

CONDITION

During our testing of payroll and the School Personnel Act, we noted the following exceptions:

- For 4 of 5 individuals tested, the individuals did not have signed contracts 10 days before the start of the school year.
- The District self-reported to us that three employees were not compliant with the requirement to cease compensating employees if proper licensure or certification is not obtained within three months of beginning employment.

The District did not make significant improvements in this area from the fiscal year 2018.

CRITERIA

School Personnel Act Statute 22-10A-23 (B), NMSA 1978. "Reemployment; acceptance; rejection; binding contract states "Written employment contracts between local school boards or governing authorities of state agencies and certified school instructors shall be executed by the parties no later than ten days before the first day of a school year."

School Personnel Act Statute 22-10A-3(C), NMSA 1978. "A person performing the duties of a licensed school employee who does not hold a valid license or certificate or has not submitted a complete application for licensure or certification within the first three months from beginning employment duties shall not be compensated thereafter for services rendered until he demonstrates that he holds a valid license or certificate. This section does not apply to practice teachers as defined by rules of the state board [department]."

EFFECT

Students may not have teachers in the classroom at the start of school if contracts are not executed proactively.

CAUSE

Management did not ensure state policies were followed and review did not ensure proper execution.

RECOMMENDATION

We recommend the District ensure all employees contracts for the school year are executed no later than ten days before the first day of the school year. There are software options to help with this – for teachers who may be out of town during the summer. We further recommend that proper controls be put in to place to ensure that all compliance requirements, including School Personnel Act compliance requirement, are identified and that compliance with these requirements be tracked.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2019-006 (PREVIOUSLY REPORTED AS 2018-014) SCHOOL PERSONNEL ACT (REPEATED AND MODIFIED)
(CONTINUED)**

MANAGEMENT RESPONSE

Corrective Action: The past practice of issuing employment contracts upon completion of Collective Bargaining Agreements will be discontinued. Employment Contracts will now be issued at least ten-days prior to the first day of school, regardless of the status of Collective Bargaining negotiations.

Due Date of Completion: Corrective action is on schedule for the 2019-2020 school year.

Responsible Party: Director of Human Resources

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-007 JOURNAL ENTRY SUPPORTING DOCUMENTATION

TYPE OF FINDING: Significant Deficiency

CONDITION

During our internal control test work over manual journal entries, we noted that seven out of a random sample of forty journal entries did not contain sufficient supporting documentation to determine the accuracy, business purpose, or completeness of the entry. The total amount of these seven entries was \$23,351.

CRITERIA

Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, "every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP."

CAUSE

The District did not have effective controls over manual journal entries in place during the first eight months of fiscal year 2019 to ensure journal entries were adequately supported. Sufficient controls appear to have been put in place around approximately March 2019.

EFFECT

Financial statements could be misstated.

RECOMMENDATION

We recommend that the District maintain adequate controls over manual journal entries. All journal entries should be supported by the documentation needed to make those entries. Journal entries should be reviewed and approved by someone other than the preparer.

MANAGEMENT RESPONSE

Corrective Action: Corrective action for this issue has already taken place. All manual journal entries posted to the General Ledger will require a minimum of a two-person process. The individual requesting the adjustment will submit a Journal Entry request and an entry template to the Finance Department. Supporting documentation is required to be submitted with all requests. The Accounting Specialist will review and upload all Journal Entry requests to the financial management system. The Director of Finance will review all documentation before posting the entry to the General Ledger.

Due Date of Completion: March 2019; formal process finalized September 2019

Responsible Party: Finance Director

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-008 ACTIVITY FUND CASH RECEIPTS

TYPE OF FINDING: Other Non-compliance

CONDITION

During our internal control test work over a sample of twenty-five activity fund daily deposit packets, we noted seven deposit packets contained receipts totaling \$2,876 that were not deposited within 24 hours. Additionally, we noted one receipt totaling \$622 where the receipt had been post-dated three days after the date of deposit. We noted that these violations were identified by the Finance Specialist, and the individuals receipting were counseled and required to provide a corrective action plan.

CRITERIA

Per NMAC 6.20.2.14, “

- A. School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.
- B. The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book.
- C. Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.”

CAUSE

Internal controls were not properly implemented to ensure receipts were deposited within 24-hours. The District appears to conduct training over this area and has controls in place to detect the occurrence of these violations after they happen, and is taking action to counsel individuals violating the standard, however these actions have not yet been entirely effective in preventing violations.

EFFECT

The District is not in compliance with NMAC 6.20.2.14.

RECOMMENDATION

We recommend continuing to assess risk over each cash receipts revenue stream at each school, frequently monitoring controls that are then implemented over activity funds and holding employees accountable for non-compliance with policies and procedures.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-008 ACTIVITY FUND CASH RECEIPTS (CONTINUED)

MANAGEMENT RESPONSE

Corrective Action: The current cash receipt process controls the activities in the Finance Department and the Control Agents and their Secretaries at the schools and departments. New procedures will be required to expand the span of control to activity/athletic sponsors and other individuals handling monies before they reach the school/department secretary. The District is also investigating other electronic/non-cash methods of payment. Expanding the payment options accepted by the District will reduce the amount of cash transactions handled throughout the District. The current process of identifying non-compliance will be expanded to include more effective methods for preventing violations; methods yet to be determined.

Due Date of Completion: July 2020

Responsible Party: Finance Director

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

SECTION III - FEDERAL AWARD FINDINGS

**2019-009 (PREVIOUSLY REPORTED AS 2018-016) STUDENT NUTRITION - VERIFICATION AND ELIGIBILITY
(REPEATED AND MODIFIED)**

TYPE OF FINDING: Significant Deficiency / Non-compliance

Federal program information:

Funding agency: U.S. Department of Agriculture
Title: National School Lunch Program, School Breakfast
CFDA Number: 10.555, 10.553

CONDITION

During our testing of 40 applications for **eligibility**, there were two households whose information scanned into the computer had incorrect amounts or household member errors that were not caught during review. The auditor also noted one questionable amount for a household income that potentially should have been flagged for verification.

During testing of the 27 applications selected for **verification**, the calculation of gross income was not completed properly on one application, resulting in two students receiving reduced meals when they should not have. In addition, one verification reported significantly lower income for verification and different income recipients and should have resulted in additional follow up with the household.

The differences noted in both the eligibility and verification testing are more fully described below:

- Household 419 Eligibility - the application flagged one family member was left off the household count. This did not affect the classification for these students, but could result in a family not receiving benefits that they are eligible for.
- Household 1183 Eligibility - the application was flagged as the result for income was different than the application. This did not affect the classification for the students but could result in a family receiving benefits not eligible for, or not receiving benefit level they are eligible for.
- Household 1263 Verification - The pay stub submitted for verification had year-to-date income that exceeded the limit. Commission, and bonuses were not included in the calculation of gross pay resulting in two students continuing to receive reduced meals for the year when they should have been charged full price.
- Household 1515 Eligibility - Application resulted three students classified as free. The income amount for a family of five appeared small to the auditor based on the address for the application.
- Household 2208 Verification - The result of the verification allowed two students to remain in the free category. The income as the result of the verification was significantly lower than the original application. The members reporting income also changed from application to verification.

The District made significant improvements in this area from FY18.

CRITERIA

Children belonging to households meeting nationwide income eligibility requirements may receive meals at no charge or a reduced price.

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)

**2019-009 (PREVIOUSLY REPORTED AS 2018-016) STUDENT NUTRITION - VERIFICATION AND ELIGIBILITY
(REPEATED AND MODIFIED) (CONTINUED)**

By November 15th of each school year, the District must verify the current free and reduced price eligibility of households from a sample of applications that it has approved for free and reduced price meals and place them in the correct category. Earnings from work include salary (or wages) and cash bonuses.

Per CFR 245 6a (c) (7), In addition to the required verification sample, the District must verify any questionable applications and should, on a case-by-case basis when the District is aware of additional income or persons in the household, verify any application for cause such as an application on which a household reports zero income.

The District has not made improvements over “verification and eligibility” from fiscal year 2018.

QUESTIONED COSTS

None

EFFECT

The District is not in compliance with program requirements. By not calculating income properly for verifications, students’ eligibility status is incorrect resulting in improper classifications and students receiving benefits of the Federal program in excess of what they are eligible for. The proper use of Federal money in this program is dependent on District’s correct calculations of income, and following up on unusual applications when allowable by law.

CAUSE

The District’s non-compliance in this area resulted from missing the proper amount for verification on one application, and not properly reviewing the scanned applications to assure the information transitions correctly. Verifications for cause are an option available to the District for questionable applications

RECOMMENDATION

We recommend the District enhance its procedures to ensure verification calculations are correct. The District needs to ensure it uses all information provided as part of the verification process. Regular pay should be calculated for the year, and then the District needs include overtime and bonuses to get to a gross amount. In situations where the verification amount for income is significantly less than what was on the application, follow up should occur to determine why.

MANAGEMENT RESPONSE

Corrective Action: The District will review the procedures used to ensure that the verification calculations for program eligibility are met. Any participant in the program who is determined to be ineligible through either the eligibility or verification processes for free or reduced meals will be moved to the correct payment category and the District will revise future billings to the National School Lunch Program accordingly.

Due Date of Completion: Immediate

Responsible Party: Food Service Director

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

2019-010 OVER-EXPENDITURE OF BUDGET

TYPE OF FINDING: Other Non-compliance

CONDITION

The District has major function line items where actual expenditures exceeded budgetary authority, as follows:

| | |
|---|----------|
| Major Funds | |
| General Fund - Operational (11000) | |
| Operation of Non-instructional Services | \$ 6,731 |
| Capital Improvements HB-33 (31600) | |
| Support Services | 2,227 |
| Debt Service (41000) | |
| Support Services | 34,609 |
| Non-major Funds | |
| Competitive IDEA-B (24108) | |
| Instruction | 3,117 |

CRITERIA

NMAC 6.20.2.9(A) states: “every school district shall follow budget requirements stated in Sections 22-8-5 through 22-8-12.2 NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information. Budgetary control shall be at the function level. Over-expenditure of a function shall not be allowed”.

CAUSE

The Finance Department did not prepare budget adjustment requests to prevent these overages.

EFFECT

The District is out of compliance with New Mexico state statute and the control established using budgets has been compromised, which could result in deficit fund balances and unnecessary usage of operating funds to cover the over-expenditures.

RECOMMENDATION

We recommend the District establish a policy of budgetary review by the governing council or finance committee at the end of each quarter and have the governing council approve the necessary budgetary adjustments to ensure funds are not over expended. We recommend expanding the OBMS to general ledger reconciliation and budgetary review to the function level immediately. We recommend completing these reconciliations weekly and completing budget and actuals statements monthly.

MANAGEMENT’S RESPONSE

Corrective Action: Budgetary controls available in the financial management system will be activated. These system controls will limit purchases to the budget balances available in the various school, program or department budget allocations. In addition, the process to review budgets to the function level is included in the new financial close and reporting procedure. The reviews will be conducted routinely on a monthly basis and the necessary

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF SECTION 12-6-5 NMSA 1978 FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

2019-010 OVER-EXPENDITURE OF BUDGET (CONTINUED)

budget adjustment requests will be initiated through the Board of Education and submitted on OBMS. The OBMS to general ledger reconciliation will be completed when periodic reports are submitted to the Public Education Department.

Due Date of Completion: April 30, 2020

Responsible Party: Finance Director

**STATE OF NEW MEXICO
CARLSBAD MUNICIPAL SCHOOL DISTRICT
EXIT CONFERENCE
JUNE 30, 2019**

The contents of this report were discussed on November 13, 2019. The following individuals were in attendance:

Carlsbad Municipal School District

District

Gerry Washburn, Superintendent
LaVern Shan, Deputy Superintendent
Eric Spencer, Director of Secondary Education
Ron Singleton, Board Member
Laura Garcia, Director of Finance
Chris Jones, Community Business Representative
Elizabeth Cass, Parent Representative
Crystal Hernandez, Finance Department
Lorina DeAnde, Finance Department
Jacque Ballew, Finance Department
Veronica Patrick, Finance Department
Dezerae Cordova, Finance Department
Esmorilda Martinez, Finance Department
Trisha Gonzalez, Finance Department
Don Owen, Operations
Tammy Healey, Operations
Lisa Rhoades, Food Service

PCA Charter

Gloria P. Lopez, Business Manager
Stacy Doyal, Treasurer
Jed Duggan, Principal (via Zoom)

JMA Charter

Stacey Frakes, Principal
Tammi Dutton, Office Manager
Cindy Caprilozzi, Assistant Office Manager
Kyle Hunt, Business Manager (via Zoom)

Jaramillo Accounting Group LLC (JAG)

Scott Eliason, CPA, Partner

Jaramillo Accounting Group LLC (JAG) assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

OTHER INFORMATION



Board of Education
Trent Cornum
Abel Montoya
Simon J. Rubio
David Shoup
Ron Singleton

Dr. Gerry Washburn
Superintendent

CARLSBAD MUNICIPAL SCHOOLS
408 North Canyon • Carlsbad, New Mexico 88220
Phone (575) 234-3300 • Fax (575) 234-3367

CORRECTIVE ACTION PLAN

November 15, 2019

US Department of Education

Carlsbad Municipal School District respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Jaramillo Accounting Group LLC
4700 Lincoln Rd. NE
Albuquerque, New Mexico 87109

Audit period:

June 30, 2019

The findings from the June 30, 2019 Schedule of Findings and Questioned Costs are discussed below. **The Corrective Action Plan does not include the corrective actions for our discretely presented component units: Jefferson Montessori Academy Charter School and Pecos Connections Academy Charter School.** The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2019-001 (PREVIOUSLY REPORTED AS 2018-002) INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING

RECOMMENDATION

We recommend management evaluate all aspects of the financial close and reporting process and establish effective internal controls and procedures to ensure timely and accurate financial statements and supporting schedules.

We also recommend that the District maintain its books on a cash basis in the financial management system, and track and record modified and full accrual entries separately for financial reporting purposes.

MANAGEMENT RESPONSE

Corrective Action: The financial close and reporting process is under review. Procedural changes, evaluation of duty assignments and staff training needs were included in the review. A proposed plan of action addresses the areas in need of improvement. A new financial close and reporting procedure designed to track all required activities, assign responsible parties and sets firm due dates will be used. The Director of Finance monitors all

aspects of the financial close and reviews/approves all supporting reports and documents prior to finalizing the financial close and completing required reports.

Account reconciliations for all financial system modules, including General Fixed Assets, and all bank/investment accounts will ensure the timely and accurate posting of all transactions. A routine review of trial balance reports for all Funds is included in the financial close requirements.

Due Date of Completion: June 30, 2020

Responsible Party: Finance Director

2019-002 (PREVIOUSLY REPORTED AS 2018-005) INVESTMENT INTEREST

RECOMMENDATION

The District should implement procedures to ensure that bank reconciliations reconcile to the general ledger and the PED cash report. Any unexplained differences should be investigated and corrective action taken immediately.

MANAGEMENT RESPONSE

Corrective Action: Review of cash control procedures was a part of the overall Internal Control evaluation. The new financial close and reporting process proposed ensures that all bank accounts are reconciled on a monthly basis and that all adjusting items are recorded properly and in a timely manner. The Director of Finance will review and give final approval for all account reconciliations. Any errors and/or missed transactions will be corrected and posted to the General Ledger prior to finalizing the monthly close process.

Due Date of Completion: Completed

Responsible Party: Finance Director

2019-007 JOURNAL ENTRY SUPPORTING DOCUMENTATION

RECOMMENDATION

We recommend that the District maintain adequate controls over manual journal entries. All journal entries should be supported by the documentation needed to make those entries. Journal entries should be reviewed and approved by someone other than the preparer.

MANAGEMENT RESPONSE

Corrective Action: Corrective action for this issue has already taken place. All manual journal entries posted to the General Ledger will require a minimum of a two-person process. The individual requesting the adjustment will submit a Journal Entry request and an entry template to the Finance Department. Supporting documentation is required to be submitted with all requests. The Accounting Specialist will review and upload all Journal Entry requests to the financial management system. The Director of Finance will review all documentation before posting the entry to the General Ledger.

Due Date of Completion: March 2019; formal process finalized September 2019

Responsible Party: Finance Director

OTHER NON-COMPLIANCE

2019-006 (PREVIOUSLY REPORTED AS 2018-014) SCHOOL PERSONNEL ACT

RECOMMENDATION

We recommend the District ensure all employees contracts for the school year are executed no later than ten days before the first day of the school year. There are software options to help with this – for teachers who may be out of town during the summer. We further recommend that proper controls be put in to place to ensure that all compliance requirements, including School Personnel Act compliance requirement, are identified and that compliance with these requirements be tracked.

MANAGEMENT RESPONSE

Corrective Action: The past practice of issuing employment contracts upon completion of Collective Bargaining Agreements will be discontinued. Employment Contracts will now be issued at least ten-days prior to the first day of school, regardless of the status of Collective Bargaining negotiations.

Due Date of Completion: Corrective action is on schedule for the 2019-2020 school year.

Responsible Party: Director of Human Resources

2019-008 ACTIVITY FUND CASH RECEIPTS

RECOMMENDATION

We recommend continuing to assess risk over each cash receipts revenue stream at each school, frequently monitoring controls that are then implemented over activity funds and holding employees accountable for non-compliance with policies and procedures.

MANAGEMENT RESPONSE

Corrective Action: The current cash receipt process controls the activities in the Finance Department and the Control Agents and their Secretaries at the schools and departments. New procedures will be required to expand the span of control to activity/athletic sponsors and other individuals handling monies before they reach the school/department secretary. The District is also investigating other electronic/non-cash methods of payment. Expanding the payment options accepted by the District will reduce the amount of cash transactions handled throughout the District. The current process of identifying non-compliance will be expanded to include more effective methods for preventing violations; methods yet to be determined.

Due Date of Completion: July 2020

Responsible Party: Finance Director

FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

SIGNIFICANT DEFICIENCY/NON-COMPLIANCE

2019-009 (PREVIOUSLY REPORTED AS 2018-016) STUDENT NUTRITION - VERIFICATION AND ELIGIBILITY

RECOMMENDATION

We recommend the District enhance its procedures to ensure verification calculations are correct. The District needs to ensure it uses all information provided as part of the verification process. Regular pay should be calculated for the year, and then the District needs include overtime and bonuses to get to a gross amount. In situations where the verification amount for income is significantly less than what was on the application, follow up should occur to determine why.

MANAGEMENT RESPONSE

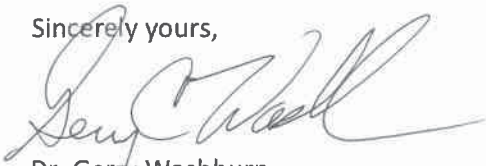
Corrective Action: The District will review the procedures used to ensure that the verification calculations for program eligibility are met. Any participant in the program who is determined to be ineligible through either the eligibility or verification processes for free or reduced meals will be moved to the correct payment category and the District will revise future billings to the National School Lunch Program accordingly.

Due Date of Completion: Immediate

Responsible Party: Food Service Director

If the US Department of Education has questions regarding this plan, please call me at 575-234-3300.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Gerry Washburn".

Dr. Gerry Washburn
Superintendent

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

The Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption notices or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption notices or other notices to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds;

DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments, with respect to the Bonds, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities depository). In that event, Bond certificates will be printed and delivered to bond holders.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor and the Underwriters believe to be reliable, but none of the District, the Financial Advisor or the Underwriters take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "The Bonds" below in this Official Statement.

APPENDIX D

BOND COUNSEL OPINION

March 18, 2020

Board of Education
Carlsbad Municipal School District
Carlsbad, New Mexico

Re: *Carlsbad Municipal School District, General Obligation School Bonds, Series 2020 (the "Bonds")*

Ladies and Gentlemen:

We have acted as bond counsel to the Carlsbad Municipal School District No. 3 (the "District") in connection with the issuance of its \$30,000,000 General Obligation School Bonds, Series 2020 (the "Bonds"), dated their date of issuance, with interest payable on August 1, 2020, and semi-annually thereafter on each February 1 and August 1, until maturity, and being bonds in registered form maturing on August 1 in the years 2020 through 2034, inclusive.

We have examined the transcript of proceedings (the "Transcript") relating to the issuance of the Bonds and the law under authority of which the Bonds are issued. Based on our examination, we are of the opinion that, under the law existing on the date of this opinion, subject to the provisions of federal bankruptcy law and other laws affecting creditors' rights and further subject to exercise of judicial discretion in accordance with general principles of equity:

1. The Bonds constitute valid and binding general obligations of the District and are to be paid from the proceeds of the levy of ad valorem taxes on all taxable property within the District without limitation as to rate or amount.

2. Assuming continuing compliance by the District with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and with the covenants contained in the Transcript regarding the use, expenditure and investment of Bond proceeds, interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. Failure of the District to comply with its covenants and with the requirements of the Code may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance.

3. Interest on the Bonds is excludable from net income for purposes of the tax imposed on individuals, estate and trusts under the New Mexico

Board of Education
Carlsbad Municipal School District
March 18, 2020
Page 2

Income Tax Act and for purposes of the tax imposed on corporations under the New Mexico Corporate Income and Franchise Tax Act.

Other than as described herein, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

The opinions expressed herein represent our legal judgment based upon existing legislation as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of a result, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

We are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds.

Respectfully submitted,

APPENDIX E

CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the Carlsbad Municipal School District, Eddy County, New Mexico (the “District”), in connection with the issuance of the Carlsbad Municipal School District, Eddy County, New Mexico, General Obligation School Bonds, Series 2020 (the “Bonds”). The Bonds are being issued pursuant to a Bond Resolution adopted January 21, 2020 and a Bond Award of the District signed by the Superintendent on February 25, 2020 (the “Bond Resolution”). Pursuant to the Bond Resolution to allow the underwriter of the Bonds to comply with the Rule (defined below), the District is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the “Owners”). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) “Annual Financial Information” means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time (“GAAP”), for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”)) and operating data with respect to the District, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type set forth under the captions “NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM,” “TAX BASE,” “THE DISTRICT – Enrollment,” “FINANCES OF THE DISTRICT State Equalization Guarantee,” “District Budget Process,” “Balance Sheet – General Fund Only” and “Statement of Revenues, Expenditures & Changes in Fund Balances – General Fund” in the Official Statement. The District will update and provide this information no later than March 31 of each year, commencing March 31, 2020, for the fiscal year ending on the preceding June 30.

(b) “Audited Financial Statements” means the District’s annual financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time (“GAAP”), for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”), which financial statements have been audited as may then be required or permitted by the laws of the State.

(c) “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System located on its website at emma.msrb.org.

(d) “Event Information” means the information delivered pursuant to Section 3(d).

(e) “MSRB” means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, phone (703) 797-6600, fax (703) 797-6708.

(f) “Official Statement” means the Official Statement dated February 25, 2020, delivered in connection with the original issue and sale of the Bonds.

(g) “Report Date” means March 31 of each year, beginning in 2020.

(h) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12), as the same may be amended from time to time.

(i) “SEC” means the United States Securities and Exchange Commission.

(j) “State” means the State of New Mexico.

Section 3. Provision of Annual Financial Information and Reporting of Event Information.

(a) The District, or its designated agent, will provide the Annual Financial Information for the preceding fiscal year to EMMA on or before each Report Date while the Bonds are outstanding.

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the District, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. The District will timely provide to EMMA notice of failure to provide Annual Financial Information or Audited Financial Statements in the event these items are not available by the Report Date.

(c) The District, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the District, which have been submitted to EMMA or filed with the SEC; provided, however, that if the document so referenced is a “final official statement” within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) The District, or its designated agent, will provide, to EMMA, notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or a similar event with respect to the District, which shall occur as described below;
 - (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (xiv) appointment of a successor or additional trustee, or the change of name of a trustee, if material.
 - (xv) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. For these purposes, any event described in (xii) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (xv) and (xvi), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

(e) The District, or its designated agent, will provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, to EMMA, notice of any: (i) failure of the District to timely provide the Annual Financial Information as specified in Sections 3(a) and 3(b); (ii) changes in its fiscal year-end; and (iii) amendment of this Undertaking.

Section 4. Method of Transmission. The District, or its designated agent, will employ such methods of electronic or physical information transmission as are requested or recommended from time to time by EMMA, the MSRB or the SEC.

Section 5. Enforcement. The obligations of the District under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the District to comply with its obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The District's breach of its obligations under this Undertaking will not constitute an event of default under the Resolution, and none of the rights and remedies provided by such Resolution will be available to the Owners with respect to such a breach.

Section 6. Term. The District's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Resolution; (ii) the date on which the District is no longer an “obligated person” with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments. The District may amend this Undertaking from time to time, without the consent of any Owner, upon the District's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the District;

(b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the Owners.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is

made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Beneficiaries. This Undertaking binds and inures to the sole benefit of the District and the Owners and creates no rights in any other person or entity.

Section 9. Subject to Appropriation. This Undertaking shall be subject to annual appropriation by the District's Board of Education and shall not be construed as a general obligation of the District.

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: March 18, 2020

BOARD OF EDUCATION
CARLSBAD MUNICIPAL SCHOOL DISTRICT

By: _____
President

[SEAL]

ATTEST:

Secretary

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