**This is an amendment to 6.20.2 NMAC, Section 25, effective 1/12/2021**

**TITLE 6 PRIMARY AND SECONDARY EDUCATION**

**CHAPTER 20 PUBLIC SCHOOL FINANCE - BUDGETING AND ACCOUNTING**

**PART 2 GOVERNING BUDGETING AND ACCOUNTING FOR NEW MEXICO PUBLIC**

 **SCHOOLS AND SCHOOL DISTRICTS**

**6.20.2.1 ISSUING AGENCY:** Public Education Department

[11-01-97, 01-15-99, 09-15-99; 6.20.2.1 NMAC - Rn, 6 NMAC 2.2.1.1, 05-31-01; A, 11-30-06]

**6.20.2.2 SCOPE:** This regulation applies to public school districts, charter schools, and regional education cooperatives in the state of New Mexico.

[11-01-97, 01-15-99; 6.20.2.2 NMAC - Rn, 6 NMAC 2.2.1.2, 05-31-01; A, 10-15-03]

**6.20.2.3 STATUTORY AUTHORITY:** This rule is adopted pursuant to Sections 9-24-8, 22-2-1, 22-2-2, and 22-8-5, NMSA 1978.

[11-01-97, 01-15-99; 6.20.2.3 NMAC - Rn, 6 NMAC 2.2.1.3, 05-31-01; A, 11-30-06]

**6.20.2.4 DURATION:** Permanent

[11-01-97, 01-15-99; 6.20.2.4 NMAC - Rn, 6 NMAC 2.2.1.4, 05-31-01]

**6.20.2.5 EFFECTIVE DATE:** November 1, 1997, unless a later date is cited at the end of a section.

[11-01-97, 01-15-99; 6.20.2.5 NMAC - Rn, 6 NMAC 2.2.1.5, 05-31-01; A, 11-30-06]

**6.20.2.6 OBJECTIVE:** To establish standards in budgets and uniform financial accounting for all New Mexico public schools and school districts. All budgets and financial accounting of public schools and school districts of the state of New Mexico are to be maintained in accordance with the Public School Code, Chapter 22, NMSA, 1978 Compilation, and Generally Accepted Accounting Principles (GAAP), and federal laws and regulations.

[11-01-97, 01-15-99; 6.20.2.6 NMAC - Rn, 6 NMAC 2.2.1.6, 05-31-01]

**6.20.2.7 DEFINITIONS:**

 **A.** **"Budget"** - A written plan of financial operation for one fiscal year to include an estimate of revenues and proposed expenditures.

 **B.** **"Department”** means the public education department.

 **C.** **"Operating budget"** - The budget submitted and approved by the local board by June 20 and certified by the department on or before July 1.

 **D.** **"Fiscal year"** - A twelve-month period, beginning July 1 and ending June 30, to which the annual operating budget applies.

 **E.** **"Fixed assets"** - Land, buildings, improvements other than buildings, equipment, machinery, construction work in progress, and capital leased assets with a cost of $500 or more. The definition of fixed assets applies to all assets purchased regardless of funding source.

 **F.** **"GAAP"** - generally accepted accounting principles.

 **G.** **"Local school board"** or **“board”** means the governing body of a school district or charter school.

 **H.** **“School districts”** means public school districts, charter schools and regional education cooperatives (RECs).

[02-03-93, 11-01-97, 01-15-99, 09-15-99; 6.20.2.7 NMAC - Rn, 6 NMAC 2.2.1.7, 05-31-01; A, 10-15-03; A, 11-30-06]

**6.20.2.8 PROCEDURAL REQUIREMENTS:**

 **A.** All school districts shall account for financial transactions and develop and maintain their budgets in accordance with the Public School Code, GAAP and department procedures for public school accounting and budgeting, which are referenced where applicable.

 **B.** The deadlines identified in this regulation pertaining to the submittal of required reports and documents may be extended by the secretary of education or his designee after a request has been submitted by the school district, provided the extension is not in violation of state or federal law.

 **C.** If reporting requirements and deadlines are not met, the department may withhold funds, suspend payments or both, pursuant to 6.21.2.10 NMAC and 6.21.2.11 NMAC.

 **D.** Business officials, serving in the capacity of a supervisor or director or manager of accounting and/or bookkeeping as mentioned in 6.63.12.8 NMAC, responsible for the preparation and presentation of all financial documentation and budget maintenance will meet the competency requirements enumerated in 6.63.12.9 NMAC.

[02-03-93, 11-01-97, 01-15-99; 6.20.2.8 NMAC - Rn, 6 NMAC 2.2.1.8, 05-31-01; A, 10-15-03; A, 11-30-06]

**6.20.2.9 BUDGET PREPARATION STANDARDS:**

 **A.** 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.

 **B.** The proposed budget for the ensuing fiscal year shall be submitted to the department by April 15 of each year unless extended to a later date by the secretary of education.

 **C.** The department shall review the school district’s projected revenues, including estimated tax production based on the most current assessed valuation from the local taxing authority and estimated cash carryover for all funds. The department shall confer with the school district before determining where additions or reductions to the budget will be incorporated.

 **D.** Approval of the proposed budget by the local board shall be in a public hearing held prior to June 20. The notice of public hearing for the adoption of the budget shall be published in accordance with the Open Meetings Act, Section 10-15-1 et seq*.* 1978, Public School Code, and local board policy. Certification of the proposed budget by the department shall be on or before July 1. The approved and certified budget then constitutes the operating budget.

 **E.** On or before July 31, school districts shall determine their actual cash balances in all funds and report them on the most current form prescribed by the department. The operational subfund cash balance shall be adjusted by the amount of June credits for revenues received in that month from local school tax levy federal impact aid, and federal forest reserve, if any. The June credits shall be categorized as restricted cash balance and are unavailable for budgeting in the ensuing fiscal year. Cash balance carried forward from the previous fiscal year in the operational subfund shall not be used for salaries and benefits.

 **F.** The operating budget and any authorized adjustments, shall be integrated into the school district’s accounting system after required approvals. Encumbrances shall be used as an element of control and integrated into the budget system.

[12-08-89, 02-03-93, 11-01-97, 01-15-99, 09-15-99; 6.20.2.9 NMAC - Rn, 6 NMAC 2.2.1.9, 05-31-01; A, 11-30-06]

**6.20.2.10 BUDGET MAINTENANCE STANDARDS:**

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

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

 **C.** School districts shall submit periodic financial reports to the department using the department-approved format. Reporting shall be either monthly or quarterly at the discretion of the department. The school district shall be notified of its required reporting frequency in writing by the department. Required reporting frequency may be changed by the department at any time during the year. Reports are due at the department by the last working day of the month following the end of the required reporting period, unless extended to a later date by the secretary of education.

[12-08-89, 02-03-93, 11-01-97, 01-15-99, 09-15-99; 6.20.2.10 NMAC - Rn, 6 NMAC 2.2.1.10, 05-31-01; A, 10-15-03; A, 11-30-06]

**6.20.2.11 INTERNAL CONTROL STRUCTURE STANDARDS:**

 **A.** 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, and that state and federal programs are managed in compliance with applicable laws and regulations. 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.

 **B.** Each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

 **(1)** School district management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the school district.

 **(2)** Employees handling significant amounts of cash must be adequately bonded. Access to assets is permitted only in accordance with school district authorization.

 **(3)** Receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

 **(4)** School districts shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.

 **(5)** Transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, school districts shall establish any other criteria applicable to such statements to maintain accountability for assets.

 **(6)** School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.

 **C.** An internal control structure is required to demonstrate the school district's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:

 **(1)** rights and ownership;

 **(2)** existence and occurrence;

 **(3)** valuation and allocations;

 **(4)** completeness; and,

 **(5)** presentation and disclosure.

 **D.** The internal control structure shall demonstrate that the school district identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the school district complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through school district correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

[02-03-93, 11-01-97, 01-15-99; 6.20.2.11 NMAC - Rn, 6 NMAC 2.2.1.11, 05-31-01]

**6.20.2.12 ORGANIZATIONAL STRUCTURE:** School districts shall develop, establish and maintain an effective organizational structure that includes the following:

 **A.** Devise a system for the measurement of and accountability for employee performance.

 **B.** Establish a policy in which the delegation of responsibility for employee actions is combined with sufficient authority to perform the assigned activities.

 **C.** Create and maintain budgets and financial reports which facilitate the discharge of assigned responsibilities and monitors activities at each level of the organizational structure.

 **D.** Develop a system of checks and balances which separates incompatible activities to preclude absolute control by any individual or unit and provides for supervision by higher levels of management and for the monitoring of overall school district activities.

[11-01-97, 01-15-99; 6.20.2.12 NMAC - Rn, 6 NMAC 2.2.1.12, 05-31-01]

**6.20.2.13 FINANCIAL STANDARDS:**

 **A.** General ledger: All school districts shall establish and maintain a general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the department’s uniform chart of accounts and shall be reconciled every fiscal year with department records.

 **B.** Funds and account groups: School districts shall use funds and account groups to report their financial position and operating results. Funds are classified into three broad categories: a) governmental funds, b) proprietary funds and c) fiduciary funds. There are two account groups: a) general fixed assets and b) general long-term debt.

 **C.** Chart of accounts: All school districts shall prepare, maintain, and report budget and financial information utilizing a standard and uniform chart of accounts.

 **D.** Basis of accounting: 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.

 **E.** Financial statements: Financial statements are the responsibility of the school district. The school district shall maintain adequate accounting records, prepare financial statements in accordance with GAAP (specifically, GASB 34), and provide complete, accurate, and timely information to the independent public accountant (IPA) as requested. If there are differences between the financial statements*,* school district records and department records,the IPA should provide the adjusting entries to the school district to reconcile the report to the school district records*.* If the IPA prepared the financial statements, this fact must be disclosed in the notes to the financial statements*.*  If the IPA prepared the financial statements, this fact must be disclosed in the notes to the financial statements. All efforts should be made by the school district to assist the IPA with financial statement preparation.

 **F.** Financial and compliance audit: All school districts shall have a yearly audit performed on its financial records as required by Section 12-6-3, NMSA 1978.

 **G.** Financial reporting: All school districts shall provide periodic financial information to the local board as prescribed by local board action. Information shall be presented at a regularly scheduled board meeting.

[12-08-89, 02-03-93, 11-01-97, 01-15-99; 6.20.2.13 NMAC - Rn, 6 NMAC 2.2.1.13, 05-31-01; A, 10-15-03; A, 11-30-06]

**6.20.2.14 CASH CONTROL STANDARDS:**

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

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

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

 **D.** A cash receipts journal is to be used for each fiscal year beginning July 1 and ending June 30, and is to be presented to the school district's auditor during the annual audit.

 **E.** The school district shall verify that there is sufficient cash and budget prior to the disbursement of cash. A revenue ledger is required for each revenue code as approved in the finalized budget, and additional revenue ledgers may be added as necessary.

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

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

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

 **G.** Clearing accounts or pooled accounts may be used to combine more than one fund in one bank account. Clearing accounts shall reconcile to a zero balance at the end of each month. Bank reconciliations for clearing accounts shall be completed on a monthly basis.

 **H.** A local board, through the issuance of a formal board resolution, may authorize the superintendent of schools or his/her designee to approve vouchers for payment prior to a board meeting. A summary listing of the vouchers and any additional information prescribed by the local board shall be presented at the next regular board meeting for formal approval and entry in the minutes.

 **I.** Vouchers shall be numbered in such a manner as to provide a cross-reference between the voucher, the check, and the check register. All blank checks shall be properly safeguarded and an inventory of unused checks shall be taken periodically. Completed vouchers and supporting documentation is to be placed in numerical sequence, by the month in which they were paid, and filed for future reference and annual audit.

 **(1)** Each warrant or check issued shall have printed on its face the words, "void after one year from date". Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57(A), NMSA 1978.

 **(2)** The fiscal officer shall keep a register of all canceled warrants/checks. The register shall show the number, date and amount, name of payee, fund out of which it was payable, and date of cancellation. The face amount shall revert and be credited to the fund against which the warrant/check was drawn.

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

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

 **L.** The school district shall submit cash reports to the department by the last working day of the month following the end of the reporting period, unless extended to a later date by the secretary of education.

 **M.** Petty cash funds shall be utilized only in rare instances to facilitate small payments. Petty cash funds are established by drawing a check made payable to the employee charged with responsibility for the fund. The petty cash fund shall contain cash and/or invoices totaling the full amount of the petty cash fund and is to remain at the amount originally established.

 **(1)** Petty cash funds are to be reflected on the school district's balance sheet as cash on hand.

 **(2)** Petty cash and change funds shall not be used to make loans to employees or for cashing checks.

 **(3)** Petty cash may not contain more than $100 unless more is authorized through local board action.

 **(4)** Change funds shall be established pursuant to school district procedure.

 **N.** School districts shall obtain a surety bond for persons who handle or manage cash or funds.

[12-08-89, 02-03-93, 11-01-97, 01-15-99, 09-15-99; 6.20.2.14 NMAC - Rn, 6 NMAC 2.2.1.14, 05-31-01; A, 11-30-06]

**6.20.2.15 INVESTMENTS:**

 **A.** The school district shall account for public money placed in interest-bearing deposits in accordance with Sections 22-8-40(C) through (G), NMSA 1978; Section 6-10-17, NMSA 1978; Section 6-10-31, NMSA 1978, and other federal and state laws applicable to the investment of public school money.

 **B.** Pledged collateral: School districts shall require pledged collateral for all cash and investments in accordance with Section 22-8-40, NMSA 1978.

[12-08-89, 02-03-93, 11-01-97, 01-15-99, 09-15-99; 6.20.2.15 NMAC - Rn, 6 NMAC 2.2.1.15, 05-31-01]

**6.20.2.16 WAREHOUSE/SUPPLY INVENTORY:** This section pertains to districts that maintain a warehouse. At fiscal year end, each school district shall take a physical inventory of remaining goods and materials of an expendable nature (items that are consumed in the normal course of operating the district). School districts shall establish adequate internal accounting control procedures over supplies inventory in accordance with GAAP.

[12-08-89, 02-03-93, 11-01-97, 01-15-99; 6.20.2.16 NMAC - Rn, 6 NMAC 2.2.1.16, 05-31-01]

**6.20.2.17 PURCHASING:**

 **A.** Each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. Purchasing policies and procedures for grant funding shall comply with requirements established within the grant and the Procurement Code. An internal control structure over purchasing shall be established and maintained to assure compliance with school district policy, and state and federal regulations.

 **B.** A school district may contract with a business which has a current price agreement with the state purchasing agent or a central purchasing office of another district, for services, construction, or items of tangible personal property without the use of competitive sealed bids or competitive sealed proposals provided that the following conditions are met:

 **(1)** the services or construction meet the same standards and specifications as the items to be procured;

 **(2)** the total quantity to be purchased would not exceed the quantity which may be purchased under the existing applicable price agreement;

 **(3)** the purchase order clearly identifies the price agreement relied upon;

 **(4)** the price agreement relied upon is available for public inspection and for inspection by auditors; and

 **(5)** in the case of an agreement with the central purchasing office for another district, the district with the agreement being relied upon has consented in writing to such reliance.

[12-08-89, 02-03-93, 11-01-97, 01-15-99; 6.20.2.17 NMAC - Rn, 6 NMAC 2.2.1.17, 05-31-01; A, 11-30-06]

**6.20.2.18 PAYROLL:** The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

[02-03-93, 11-01-97, 01-15-99; 6.20.2.18 NMAC - Rn, 6 NMAC 2.2.1.18, 05-31-01]

**6.20.2.19 TRAVEL AND TRAINING:** Each school district shall establish and implement written policies and procedures for travel and training . Travel policies and procedures shall be in compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and department of finance and administration (DFA) regulations.

[02-03-93, 11-01-97, 01-15-99, 09-15-99; 6.20.2.19 NMAC - Rn, 6 NMAC 2.2.1.19, 05-31-01]

**6.20.2.20 INSURANCE:**

 **A.** Each school district shall maintain adequate insurance coverage addressed in the Tort Claims Act, Section 41-4-1 et seq., NMSA 1978; the Workers' Compensation Act, Section 52-1-1 et seq., NMSA 1978; Insurance of Public Buildings, Section 13-5-1 et seq., NMSA 1978; Officers and Surety Bonds, Section 22-5-7, NMSA 1978; and the Public School Insurance Authority Act, Sections 22-2-6.1 through 22-2-6.10, NMSA 1978.

 **B.** Surety bonds paid from the operational subfund shall be approved by the department and filed with the secretary of the department of finance and administration pursuant to Subsection D of Section 22-5-7, NMSA, 1978 Compilation.

[12-08-89, 02-03-93, 11-01-97, 01-15-99; 6.20.2.20 NMAC - Rn, 6 NMAC 2.2.1.20, 05-31-01; A, 11-30-06]

**6.20.2.21 DEBT SERVICE AND BONDS:**

 **A.** A debt service fund shall be created to account for resources that will be used to service general long-term debt that is recorded in the general long-term debt account group. General long-term debt includes noncurrent bonds, as well as other noncurrent liabilities that might arise from compensated absences.

 **B.** Debt service funds shall be established only if legally required or when resources are being accumulated to meet principal and interest payments that will be made in future periods. A single debt service fund shall be used to account for a restricted portion of a general property tax that is used to finance principal and interest payments on all general obligation bonds. Debt service funds shall be used only for the retirement of general long-term debt and for payment of county collection costs. Any funds remaining after all debts have been paid may be transferred after request for transfer has been approved by the department and DFA pursuant to Section 6-10-43, NMSA 1978.

 **C.** All general obligation bonds, except refunding bonds, issued under lawful authority by any school district shall be issued in accordance with Sections 6-15-3 through 6-15-8, NMSA 1978. Refunding bonds are encompassed in Sections 6-15-11 through 6-15-13, NMSA 1978.

 **D.** In accordance with Section 6-15-9, NMSA, 1978, no bonds shall be issued or sold by any school district after the expiration of three (3) years from the date of initiation of proceedings for the election authorizing the issue, except as provided in Sections 6-15-9 supra, and 6-15-10, NMSA, 1978.

 **E.** Arbitrage: The school district shall not earn any income on invested bond proceeds which is in excess of the amount which would have been earned if the bond proceeds had been invested at a yield equal to the yield on bonds. The school district shall prevent the issuance of tax exempt bonds for the purpose of investing the proceeds to make a profit. A long-term investment can be made only at an interest rate equal to or less than the interest paid on the tax exempt bonds.

[02-03-93, 11-01-97, 01-15-99; 6.20.2.21 NMAC - Rn, 6 NMAC 2.2.1.21, 05-31-01; A, 11-30-06]

**6.20.2.22 FIXED ASSETS:**

 **A.** Cost is the generally accepted basis of accounting for governmental fixed assets. Donated assets are to be recorded at their estimated fair market value at the time of the donation.

 **B.** Fixed assets related to specific proprietary or trust funds shall be accounted for in those funds. All other fixed assets shall be accounted for in the general fixed asset account group.

 **C.** Property control system: Assets of a long-term character which are intended to continue to be held or used, such as land (including acquisition and improvements to grounds), buildings (including initial, acquisition, improvements, remodeling, additions, and replacement), furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP. General services department (GSD) rules(s), the state Procurement Code, and any other applicable state and federal requirements.

 **D.** Capital projects: The acquisition, accountability and disposition of fixed assets for capital projects shall be in accordance with GAAP. Funds used to erect, remodel, make additions to school buildings, or to purchase and improve public school grounds shall be classified under capital projects.

[02-03-93, 11-01-97, 01-15-99, 09-15-99; 6.20.2.22 NMAC - Rn, 6 NMAC 2.2.1.22, 05-31-01]

**6.20.2.23 OTHER SERVICES:**

 **A.** Food services: Food service funds are to be accounted for in the special revenue fund or the enterprise fund. All monies collected from the sale of food for the food service operation are to be accounted for in accordance with GAAP, U.S. department of agriculture (USDA) requirements, and Section 22-13-13, NMSA 1978.

 **B.** Legal fees: No district funds shall be used for payment of personal legal fees, including attorney’s fees and costs, of any school district or charter school employee or local school board member. Any payment of legal fees must serve a clearly identifiable public interest. Personal legal fees include, but are not limited to:

 **(1)** legal fees expended in obtaining or retaining any elected position;

 **(2)** legal fees incurred by any employee or board member in any civil action filed by or against the employee or board member in his or her personal capacity, unless, in the case of an action against the employee or board member, the allegations are based upon acts taken by that individual in the course and scope of his or her employment or service; and

 **(3)** legal fees incurred by any employee or board member in the defense of any criminal case, unless the charges are based upon acts taken in the course and scope of his or her employment or service.

 **C.** Federal/state grants:

 **(1)** Flowthrough funds: For grant money that flows through the department, school districts shall utilize the funding for the purpose in which it was awarded. School districts shall submit complete and accurate reports required by the grant and the department within the prescribed time. This funding shall be accounted for in accordance with GAAP, applicable federal regulations, and procedures set forth in the grant award.

 **(2)** Direct funds: For grant money that is sent direct, school districts shall utilize the funding for the purpose in which it was awarded. School districts shall submit complete and accurate reports required by the grant within the prescribed time. This funding shall be accounted for in accordance with GAAP, applicable federal regulations, and procedures set forth in the grant award. These direct funds shall be incorporated into the school district operating budget without prior approval provided that a budget adjustment request is submitted to the department.

 **D.** Student activity funds (non-instructional activities): Funds set aside for non-instructional activities shall be accounted for the same as any other funding budgeted in the operational subfund. Other assets held by the school district in a trustee capacity or as an agent for school organizations are considered agency funds, shall be accounted for in accordance with GAAP, and are not required to be budgeted. The school district is responsible for the accountability of agency funds. These funds are not considered public money for purposes of the state Procurement Code. School districts shall follow all applicable laws, rules and regulations in the disbursement of activity funds.

 **E.** Joint powers agreements: Accounting for joint powers agreements, entered into pursuant to the Joint Powers Agreement Act, Sections 11-1-1 though 11-1-7, NMSA 1978, shall be in accordance with the agreement.

[02-03-93, 11-01-97, 01-15-99; 6.20.2.23 NMAC - Rn, 6 NMAC 2.2.1.23, 05-31-01; A, 10-15-03; A, 11-30-06]

**6.20.2.24 OTHER ADMINISTRATIVE STANDARDS:**

 **A.** Instructional materials: School districts shall be allowed credit for textbooks and supplementary instructional materials adopted by the department pursuant to the Instructional Materials Act, Section 22-15-9, NMSA 1978. Districts shall report in accordance with the Instructional Materials Act and account for instructional materials in accordance with GAAP. Audited instructional material records are the official accounting of these funds.

 **B.** Transportation: Student transportation is provided for in Section 22-16-1 et seq., NMSA 1978. Monies allocated by the transportation unit of the department shall be utilized for transportation expenditures only and accounted for in accordance with department transportation regulations and GAAP.

 **C.** Records retention/disposition: The management of school district records shall be in accordance with the Public Records Act, Section 14-3-1 et seq., NMSA 1978.

 **D.** Open Meetings Act: School districts shall comply with the provisions of the Open Meetings Act, Section 10-15-1 supra, NMSA 1978.

[02-03-93, 11-01-97, 01-15-99; 6.20.2.24 NMAC - Rn, 6 NMAC 2.2.1.24, 05-31-01; A, 10-15-03; A, 11-30-06]

**6.20.2.25 SAVE HARMLESS CALCULATION:** Beginning January 12, 2021 and thereafter, the department shall calculate funding of program units under the save harmless provision for a school district or charter school with fewer than 200 students. Save harmless calculations shall include:

 **A.** MEM program units;

 **B.** small school additional units; and

 **C.** school growth additional units.

[6.20.2.25 NMAC - N, 1/12/2021]

**HISTORY OF 6.20.2 NMAC:**

**PRE-NMAC HISTORY:** The material in this regulation derived from that previously with the State Records Center & Archives under: SBE Rule 89-7, Manual of Procedure for Uniform Financial Accounting and Budgeting for New Mexico School Districts, filed 12/8/1989; SBE Rule 93-1, Governing Budgeting and Accounting for New Mexico Public Schools and Schools Districts, filed 2/3/1993.