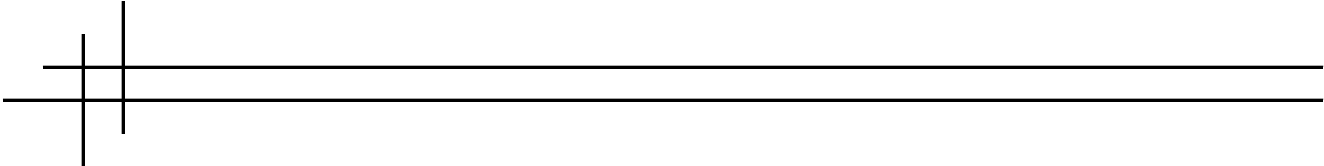




State of New Mexico
San Jon Municipal Schools

Annual Financial Report
June 30, 2017

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



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State of New Mexico
San Jon Municipal Schools
Official Roster
June 30, 2017

Board of Education

Franklin Gibson	President
Tommy Evans	Vice-President
Cynthia Lee	Secretary
Pam Slater	Member
Dale Bone	Member

School Officials

Colin Taylor	Superintendent
Lucy Heddlesten	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the San Jon Municipal Schools

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of San Jon Municipal Schools (District), as of and for the year ended June 30, 2017, 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 also have audited the financial statements of each of the District's nonmajor governmental funds, and the budgetary comparisons for the major capital projects and debt service funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital projects and debt service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules required by Section 2.2.2 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 13, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico
October 13, 2017

Financial Section

State of New Mexico
San Jon Municipal Schools
Government Wide-Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 330,433
Taxes Receivable	32,358
Due From Grantor	27,989
Inventory	3,698
Total Current Assets	<u>394,478</u>
Noncurrent Assets	
Capital Assets	9,785,129
Less: Accumulated Depreciation	<u>(4,465,250)</u>
Total Noncurrent Assets	<u>5,319,879</u>
Total Assets	<u>5,714,357</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	13,594
Investment Experience	187,034
Changes of Assumptions	63,782
Changes in Proportion	197,733
Contributions Subsequent to Measurement Date	162,640
Total Deferred Outflows of Resources	<u>624,783</u>
Liabilities	
Current Liabilities	
Accounts Payable	27,255
Accrued Interest	2,515
Current Portion of Long-Term Debt	60,000
Total Current Liabilities	<u>89,770</u>
Noncurrent Liabilities	
Bonds	90,000
Pension Liability	3,133,327
Total Noncurrent Liabilities	<u>3,223,327</u>
Total Liabilities	<u>3,313,097</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	29,802
Total Deferred Inflows of Resources	<u>29,802</u>
Net Position	
Net Investment in Capital Assets	5,169,879
Restricted for:	
Capital Projects	13,542
Debt Service	17,098
Unrestricted	<u>(2,204,278)</u>
Total Net Position	<u>\$ 2,996,241</u>

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

State of New Mexico
San Jon Municipal Schools
 Government Wide-Statement of Activities
 For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 1,614,148	\$ 14,247	\$ 259,189	\$ 0	\$ (1,340,712)
Support Services					
Students	88,190	0	4,152	0	(84,038)
Instruction	43,740	0	0	0	(43,740)
General Administration	274,306	0	0	0	(274,306)
Central Services	101,494	0	0	0	(101,494)
Operation of Plant	450,451	8,400	38,305	0	(403,746)
Student Transportation	186,581	0	183,755	0	(2,826)
Food Services Operations	144,370	15,610	52,284	0	(76,476)
Community Service	30,687	0	0	0	(30,687)
Interest Expense	11,696	0	0	0	(11,696)
Total Governmental Activities	\$ 2,945,663	\$ 38,257	\$ 537,685	\$ 0	\$ (2,369,721)

General Revenues

Taxes	
Property Taxes, Levied for General Purposes	8,745
Property Taxes, Levied for Capital Projects	36,222
Property Taxes, Levied for Debt Service	86,822
Federal and State aid not restricted to specific purpose	
General	1,855,865
Capital	0
Miscellaneous	9,737
Subtotal, General Revenues	1,997,391
Change in Net Position	(372,330)
Net Position -Beginning	3,388,279
Restatement	(19,708)
Restated Beginning Net Position	3,368,571
Net Position - Ending	\$ 2,996,241

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

State of New Mexico
San Jon Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund			
	Operational	Teacherage	Transportation	Instructional
	11000	1200	13000	Materials 14000
Assets				
Cash and Cash Equivalents	\$ 175,056	\$ 8,789	\$ 0	\$ 2,658
Receivables				
Property Taxes	1,792	0	0	0
Due From Grantor	0	0	0	0
Interfund Balances	27,239	0	0	0
Inventory	0	0	0	0
Total Assets	\$ 204,087	\$ 8,789	\$ 0	\$ 2,658
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 17,491	\$ 68	\$ 0	\$ 3,382
Interfund Balances	0	0	0	0
Total Liabilities	17,491	68	0	3,382
Deferred Inflows of Resources				
Unavailable Revenue	1,740	0	0	0
Total Deferred Inflows of Resources	1,740	0	0	0
Fund Balances				
Nonspendable-Inventory	0	0	0	0
Restricted for:				
Special Revenue Funds	0	0	0	0
Capital Projects	0	0	0	0
Debt Service	0	0	0	0
Unassigned	184,856	8,721	0	(724)
Total Fund Balances	184,856	8,721	0	(724)
Total Liabilities, Deferred Inflows and Fund Balances	\$ 202,347	\$ 8,789	\$ 0	\$ 2,658

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

State of New Mexico
San Jon Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2017

	Special Revenue Funds		
	Title I 24101	REC 26107	Wind Farm Project 29134
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 96,763
Receivables			
Property Taxes	0	0	0
Due From Grantor	10,378	8,956	0
Interfund Balances	0	0	0
Inventory	0	0	0
Total Assets	\$ 10,378	\$ 8,956	\$ 96,763
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	10,378	8,956	0
Total Liabilities	10,378	8,956	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	96,763
Capital Projects	0	0	0
Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	96,763
Total Liabilities, Deferred Inflows and Fund Balances	\$ 10,378	\$ 8,956	\$ 96,763

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

State of New Mexico
San Jon Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	Capital Projects Fund Senate Bill Nine-Local 31701	Debt Service Fund 41000	Other Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 19,630	\$ 16,581	\$ 10,956
Receivables			
Property Taxes	7,577	22,989	0
Due From Grantor		0	8,655
Interfund Balances	0	0	0
Inventory	0	0	3,698
Total Assets	\$ 27,207	\$ 39,570	\$ 23,309
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 6,314	\$ 0	\$ 0
Interfund Balances	0	0	7,905
Total Liabilities	6,314	0	7,905
Deferred Inflows of Resources			
Unavailable Revenue	7,351	22,472	0
Total Deferred Inflows of Resources	7,351	22,472	0
Fund Balances			
Nonspendable-Inventory	0	0	3,698
Restricted for:			
Special Revenue Funds	0	0	11,706
Capital Projects	13,542	0	0
Debt Service	0	17,098	0
Unassigned	0	0	0
Total Fund Balances	13,542	17,098	15,404
Total Liabilities, Deferred Inflows and Fund Balances	\$ 19,856	\$ 17,098	\$ 23,309

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

State of New Mexico
San Jon Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	Total Governmental Funds
Assets	
Cash and Cash Equivalents	\$ 330,433
Receivables	
Property Taxes	32,358
Due From Grantor	27,989
Interfund Balances	27,239
Inventory	3,698
Total Assets	\$ 421,717
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	\$ 27,255
Interfund Balances	27,239
Total Liabilities	54,494
Deferred Inflows of Resources	
Unavailable Revenue	31,563
Total Deferred Inflows of Resources	31,563
Fund Balances	
Nonspendable-Inventory	3,698
Restricted for:	
Special Revenue Funds	108,469
Capital Projects	13,542
Debt Service	17,098
Unassigned	192,853
Total Fund Balances	335,660
Total Liabilities, Deferred Inflows and Fund Balances	\$ 390,154

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

State of New Mexico
San Jon Municipal Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2017

Total Fund Balance - Governmental Funds \$ 335,660

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 31,563

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

Capital Assets	\$ 9,785,129	
Accumulated Depreciation	<u>(4,465,250)</u>	5,319,879

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	624,783	
Deferred Inflows Related to Pensions	<u>(29,802)</u>	594,981

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

Accrued interest on bonds	(2,515)	
Bonds payable	(150,000)	
Pension Liability	<u>(3,133,327)</u>	<u>(3,285,842)</u>

Total Net Position - Governmental Activities \$ 2,996,241

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

State of New Mexico
San Jon Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2017

	General Fund			
	Operational	Teacherage	Transportation	Instructional
	11000	1200	13000	Materials 14000
Revenues				
Property Taxes	\$ 7,728	\$ 0	\$ 0	\$ 0
Fees	1,332	8,400	0	0
State & Local Grants	1,855,865	0	183,755	9,235
Federal Grants	0	0	0	0
Miscellaneous	9,737	0	0	0
Total Revenues	1,874,662	8,400	183,755	9,235
Expenditures				
Current				
Instruction	1,049,562	0	0	10,678
Support Services				
Students	72,638	0	0	0
Instruction	40,016	0	0	0
General Administration	240,406	0	0	0
Central Services	90,055	0	0	0
Operation of Plant	319,031	12,393	0	0
Student Transportation	0	0	183,755	0
Food Services	54,332	0	0	0
Community Service	2,738	0	0	0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	1,868,778	12,393	183,755	10,678
Excess (Deficiency) of Revenues Over Expenditures	5,884	(3,993)	0	(1,443)
Fund Balances at Beginning of Year	178,972	12,714	0	1,226
Restatement	0	0	0	(507)
Restated Beginning Fund Balances	178,972	12,714	0	719
Fund Balances at End of Year	\$ 184,856	\$ 8,721	\$ 0	\$ (724)

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

State of New Mexico
San Jon Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2017

	Special Revenue Funds		
	Title I 24101	REC 26107	Wind Farm Project 29134
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	31,741	86,000
Federal Grants	45,181	0	0
Miscellaneous	0	0	0
Total Revenues	<u>45,181</u>	<u>31,741</u>	<u>86,000</u>
Expenditures			
Current			
Instruction	45,181	31,741	64,130
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Services	0	0	0
Community Service	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>45,181</u>	<u>31,741</u>	<u>64,130</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	21,870
Fund Balances at Beginning of Year	0	0	74,893
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>0</u>	<u>74,893</u>
Fund Balances at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 96,763</u>

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

State of New Mexico
San Jon Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2017

	Capital Projects Fund		
	Senate	Debt	Other
	Bill Nine-Local	Service Fund	Governmental
	31701	41000	Funds
Revenues			
Property Taxes	\$ 32,126	\$ 72,428	\$ 0
Fees	0	0	28,525
State & Local Grants	0	0	45,499
Federal Grants	0	0	136,274
Miscellaneous	0	0	0
Total Revenues	<u>32,126</u>	<u>72,428</u>	<u>210,298</u>
Expenditures			
Current			
Instruction	0	0	99,972
Support Services			
Students	0	0	4,152
Instruction	0	0	0
General Administration	351	719	0
Central Services	0	0	0
Operation of Plant	39,953	0	38,305
Student Transportation	0	0	0
Food Services	0	0	65,458
Community Service	0	0	0
Debt Service			
Principal	0	60,000	0
Interest	0	10,425	0
Total Expenditures	<u>40,304</u>	<u>71,144</u>	<u>207,887</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,178)	1,284	2,411
Fund Balances at Beginning of Year	20,454	15,814	12,993
Restatement	1,266	0	0
Restated Beginning Fund Balances	<u>21,720</u>	<u>15,814</u>	<u>12,993</u>
Fund Balances at End of Year	<u>\$ 13,542</u>	<u>\$ 17,098</u>	<u>\$ 15,404</u>

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

State of New Mexico
San Jon Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2017

	Total Governmental Funds
Revenues	
Property Taxes	\$ 112,282
Fees	38,257
State & Local Grants	2,212,095
Federal Grants	181,455
Miscellaneous	9,737
Total Revenues	<u>2,553,826</u>
Expenditures	
Current	
Instruction	1,301,264
Support Services	
Students	76,790
Instruction	40,016
General Administration	241,476
Central Services	90,055
Operation of Plant	409,682
Student Transportation	183,755
Food Services	119,790
Community Service	2,738
Debt Service	
Principal	60,000
Interest	10,425
Total Expenditures	<u>2,535,991</u>
Excess (Deficiency) of Revenues Over Expenditures	17,835
Fund Balances at Beginning of Year	317,066
Restatement	759
Restated Beginning Fund Balances	<u>317,825</u>
Fund Balances at End of Year	<u>\$ 335,660</u>

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

State of New Mexico
San Jon Municipal Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2017

Excess (Deficiency) of Revenues Over Expenditures \$ 17,835

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

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

Property Taxes Receivable, June 30, 2016	\$	(12,056)	
Property Taxes Receivable, June 30, 2017		<u>31,563</u>	19,507

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

Depreciation expense	\$	(234,614)	
Capital Outlays		<u>0</u>	(234,614)

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

60,000

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2016		1,244	
Accrued Interest, June 30, 2017		<u>(2,515)</u>	(1,271)

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions		162,640	
Pension Expense		<u>(396,427)</u>	<u>(233,787)</u>

Changes in Net Position of Governmental Activities \$ (372,330)

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

State of New Mexico
San Jon Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 7,196	\$ 7,196	\$ 7,869	\$ 673
Fees	1,200	1,200	1,332	132
State & Local Grants	1,821,494	1,856,204	1,855,865	(339)
Miscellaneous	6,900	6,900	9,737	2,837
Total Revenues	<u>1,836,790</u>	<u>1,871,500</u>	<u>1,874,803</u>	<u>3,303</u>
Expenditures				
Instruction				
Personnel Services	727,509	725,395	694,551	30,844
Employee Benefits	308,639	308,652	278,443	30,209
Professional & Tech Services	6,000	6,000	1,382	4,618
Other Purchased Services	31,050	42,140	24,561	17,579
Supplies	27,750	47,473	40,527	6,946
Total Instruction	<u>1,100,948</u>	<u>1,129,660</u>	<u>1,039,464</u>	<u>90,196</u>
Support Services				
Students				
Personnel Services	32,784	31,749	24,807	6,942
Employee Benefits	17,052	17,052	14,758	2,294
Professional & Tech Services	31,900	32,935	32,935	0
Supplies	500	2,500	138	2,362
Total Students	<u>82,236</u>	<u>84,236</u>	<u>72,638</u>	<u>11,598</u>
Instruction				
Personnel Services	18,948	18,948	18,948	0
Employee Benefits	16,238	18,871	18,350	521
Professional & Tech Services	5,000	5,000	1,871	3,129
Supplies	1,000	1,000	826	174
Total Instruction	<u>41,186</u>	<u>43,819</u>	<u>39,995</u>	<u>3,824</u>
General Administration				
Personnel Services	149,148	149,148	147,954	1,194
Employee Benefits	58,217	58,092	57,078	1,014
Professional & Tech Services	32,014	39,786	28,604	11,182
Other Purchased Services	6,500	6,500	2,660	3,840
Supplies	1,000	6,000	3,918	2,082
Total General Administration	<u>\$ 246,879</u>	<u>\$ 259,526</u>	<u>\$ 240,214</u>	<u>\$ 19,312</u>

State of New Mexico
San Jon Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Central Services				
Personnel Services	\$ 58,199	\$ 58,199	\$ 58,198	\$ 1
Employee Benefits	22,862	22,862	22,322	540
Professional & Tech Services	8,400	9,000	8,034	966
Other Purchased Services	2,000	2,000	882	1,118
Supplies	500	900	618	282
Total Central Services	<u>91,961</u>	<u>92,961</u>	<u>90,054</u>	<u>2,907</u>
Operation of Plant				
Personnel Services	83,724	83,724	82,037	1,687
Employee Benefits	40,717	40,375	35,715	4,660
Purchased Property Services	156,085	152,427	119,701	32,726
Other Purchased Services	76,634	76,634	73,112	3,522
Supplies	13,000	16,000	7,499	8,501
Total Operation of Plant	<u>370,160</u>	<u>369,160</u>	<u>318,064</u>	<u>51,096</u>
Other				
Other Purchased Services	1,126	1,126	0	1,126
Total Other	<u>1,126</u>	<u>1,126</u>	<u>0</u>	<u>1,126</u>
Total Support Services	<u>833,548</u>	<u>850,828</u>	<u>760,965</u>	<u>89,863</u>
Food Service Operations				
Personnel Services	20,552	20,416	20,415	1
Employee Benefits	21,655	21,229	21,159	70
Other Purchased Services	1,000	1,289	1,288	1
Supplies	8,000	11,473	11,472	1
Total Food Service Operations	<u>51,207</u>	<u>54,407</u>	<u>54,334</u>	<u>73</u>
Community Service				
Personnel Services	1,300	1,300	1,105	195
Employee Benefits	110	110	89	21
Supplies	2,000	3,000	1,544	1,456
Total Community Service	<u>3,410</u>	<u>4,410</u>	<u>2,738</u>	<u>1,672</u>
Total Expenditures	<u>\$ 1,989,113</u>	<u>\$ 2,039,305</u>	<u>\$ 1,857,501</u>	<u>\$ 181,804</u>

State of New Mexico

San Jon Municipal Schools

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ (152,323)	\$ (167,805)	\$ 17,302	\$ 185,107
Cash Balance Beginning of Year	184,993	184,993	184,993	0
Cash Balance End of Year	<u>\$ 32,670</u>	<u>\$ 17,188</u>	<u>\$ 202,295</u>	<u>\$ 185,107</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 17,302	
Net Change in Taxes Receivable			876	
Net Change in Accounts Payable			(11,277)	
Net Change in Deferred Taxes			(1,017)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 5,884</u>	

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

State of New Mexico
San Jon Municipal Schools
 General Fund-Teacherage-12000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Rentals	\$ 10,500	\$ 10,500	\$ 8,400	\$ (2,100)
Total Revenues	<u>10,500</u>	<u>10,500</u>	<u>8,400</u>	<u>(2,100)</u>
Expenditures				
Operation of Plant				
Purchased Property Services	20,000	20,000	11,129	8,871
Supplies	2,049	3,938	1,920	2,018
Total Operation of Plant	<u>22,049</u>	<u>23,938</u>	<u>13,049</u>	<u>10,889</u>
Total Expenditures	<u>22,049</u>	<u>23,938</u>	<u>13,049</u>	<u>10,889</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,549)	(13,438)	(4,649)	8,789
Cash Balance Beginning of Year	<u>13,438</u>	<u>13,438</u>	<u>13,438</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,889</u>	<u>\$ 0</u>	<u>\$ 8,789</u>	<u>\$ 8,789</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (4,649)	
Net Change in Accounts Payable			<u>656</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (3,993)</u>	

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

State of New Mexico
San Jon Municipal Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 203,194	\$ 183,755	\$ 183,755	\$ 0
Total Revenues	<u>203,194</u>	<u>183,755</u>	<u>183,755</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	14,378	14,379	14,379	0
Employee Benefits	3,388	3,255	3,255	0
Professional & Tech Services	750	400	400	0
Purchased Property Services	58,036	58,036	58,036	0
Other Purchased Services	124,342	107,259	107,259	0
Supplies	2,300	426	426	0
Total Student Transportation	<u>203,194</u>	<u>183,755</u>	<u>183,755</u>	<u>0</u>
Total Support Services	<u>203,194</u>	<u>183,755</u>	<u>183,755</u>	<u>0</u>
Total Expenditures	<u>203,194</u>	<u>183,755</u>	<u>183,755</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

State of New Mexico

San Jon Municipal Schools

General Fund-Instructional Materials-14000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 7,456	\$ 6,948	\$ 9,235	\$ 2,287
Total Revenues	<u>7,456</u>	<u>6,948</u>	<u>9,235</u>	<u>2,287</u>
Expenditures				
Instruction				
Supplies	8,311	7,803	7,296	507
Total Instruction	<u>8,311</u>	<u>7,803</u>	<u>7,296</u>	<u>507</u>
Returned to PED	0	0	507	(507)
Total Expenditures	<u>8,311</u>	<u>7,803</u>	<u>7,803</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(855)	(855)	1,432	2,287
Cash Balance Beginning of Year	<u>1,226</u>	<u>1,226</u>	<u>1,226</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 371</u>	<u>\$ 371</u>	<u>\$ 2,658</u>	<u>\$ 2,287</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,432	
Net Change in Accounts Payable			(3,382)	
Returned to PED			507	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,443)</u>	

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

State of New Mexico
San Jon Municipal Schools
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 53,886	\$ 62,352	\$ 48,115	\$ (14,237)
Total Revenues	<u>53,886</u>	<u>62,352</u>	<u>48,115</u>	<u>(14,237)</u>
Expenditures				
Instruction				
Personnel Services	21,885	21,885	21,885	0
Employee Benefits	13,925	13,925	13,699	226
Supplies	3,951	3,951	1,130	2,821
Supply Assets	<u>0</u>	<u>8,466</u>	<u>8,466</u>	<u>0</u>
Total Instruction	<u>39,761</u>	<u>48,227</u>	<u>45,180</u>	<u>3,047</u>
Total Expenditures	<u>39,761</u>	<u>48,227</u>	<u>45,180</u>	<u>3,047</u>
Excess (Deficiency) of Revenues Over Expenditures	14,125	14,125	2,935	(11,190)
Cash Balance Beginning of Year	<u>(13,313)</u>	<u>(13,313)</u>	<u>(13,313)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 812</u>	<u>\$ 812</u>	<u>\$ (10,378)</u>	<u>\$ (11,190)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,935	
Net Change in Due from Grantor			<u>(2,935)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
San Jon Municipal Schools
Special Revenue Fund-REC-26107
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Local Grant	\$ 31,741	\$ 31,741	\$ 22,785	\$ (8,956)
Total Revenues	<u>31,741</u>	<u>31,741</u>	<u>22,785</u>	<u>(8,956)</u>
Expenditures				
Instruction				
Personnel Services	24,800	24,800	24,800	0
Employee Benefits	5,909	5,909	5,909	0
Supplies	1,032	1,032	1,032	0
Total Instruction	<u>31,741</u>	<u>31,741</u>	<u>31,741</u>	<u>0</u>
Total Expenditures	<u>31,741</u>	<u>31,741</u>	<u>31,741</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(8,956)	(8,956)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (8,956)</u>	<u>\$ (8,956)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (8,956)	
Net Change in Due from Grantor			<u>8,956</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico

San Jon Municipal Schools

Special Revenue Fund-Wind Farm Projects - 29134

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Local Grant	\$ 156,966	\$ 160,893	\$ 86,000	\$ (74,893)
Total Revenues	<u>156,966</u>	<u>160,893</u>	<u>86,000</u>	<u>(74,893)</u>
Expenditures				
Instruction				
Personnel Services	44,765	44,766	44,765	1
Employee Benefits	15,714	15,713	15,466	247
Other Purchased Services	9,000	9,000	3,185	5,815
Supplies	12,487	16,414	714	15,700
Fixed Assets	<u>35,000</u>	<u>35,000</u>	<u>0</u>	<u>35,000</u>
Total Instruction	<u>116,966</u>	<u>120,893</u>	<u>64,130</u>	<u>56,763</u>
Total Expenditures	<u>116,966</u>	<u>120,893</u>	<u>64,130</u>	<u>56,763</u>
Excess (Deficiency) of Revenues Over Expenditures	40,000	40,000	21,870	(18,130)
Cash Balance Beginning of Year	<u>74,893</u>	<u>74,893</u>	<u>74,893</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 114,893</u>	<u>\$ 114,893</u>	<u>\$ 96,763</u>	<u>\$ (18,130)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 21,870</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 21,870</u>	

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

State of New Mexico
San Jon Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash in Bank	\$ 55,456
Total Assets	<u>\$ 55,456</u>
Liabilities	
Deposits Held for Others	\$ 55,456
Total Liabilities	<u>\$ 55,456</u>

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

Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

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

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

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

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

Governmental Funds

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

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

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

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

State of New Mexico

San Jon Municipal Schools

Notes to the Financial Statements

June 30, 2017

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

Fiduciary Fund Type

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

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This account is accounted for using the economic resources measurement focus and the accrual basis of accounting.

Major Funds

The District reports the following major governmental funds:

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

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

Major Special Revenue Funds

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

REC (26107). The Reginal Education Cooperative (REC) handles the Preschool Grant for the participating districts. The money for salaries and benefits are paid to the District. The other expenditures are paid by the REC. The revenue in this fund is from the REC for salaries and benefits. The fund was created by definition.

Windfarm (29134). The fund is used to account for revenue paid by a local windfarm in lieu of property taxes. The fund was created by definition.

Major Capital Projects Fund

Senate Bill-Nine-Local (31701). The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

Major Debt Service Fund

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others, and 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

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

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Revenue Recognition for Grants.

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
4. Contingencies. The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the District Budget Planning Unit (SBPU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.

2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

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

Cash and Cash Equivalents

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

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

Investments

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

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

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

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

Receivables and Payables

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

Property Taxes

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

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	2-15 Years

Capital Leases

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

Compensated Absences

The District contracts with all employees on an annual basis. A terminated employee is paid through the date of dismissal in accordance with their contract. Due to this practice, no liability is reported for unpaid vacation or accumulated sick leave. As no payment is required upon termination of serve by employees.

Short -Term Debt

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

Long-Term Liabilities

For district-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

Restricted Net Position

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

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

Imposed by law through constitutional provisions or enabling legislation.

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

Fund Balances of Fund Financial Statements

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

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

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

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

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Deferred Inflows of Resources

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

Estimates

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

A. Deposits and Investments

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

Citizens Bank	Balance Per Bank 06/30/17	Reconciled Balance	Type
<u>Name of Account</u>			
Operational	\$ 440,471	\$ 325,156	Checking
Activity	49,956	49,955	Checking
Activity	5,500	5,500	Savings
Total Deposited	<u>495,927</u>	<u>\$ 380,611</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	245,927		
50% collateral requirement	122,964		
Pledged securities	<u>229,935</u>		
Over (Under) requirement	<u>\$ 106,972</u>		

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The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA	3138EG5J9	\$ 229,935	09/01/2026	TIB-Dallas, TX
		\$ 229,935		
		Balance		
		Per Bank	Reconciled	
		06/30/17	Balance	Type
First National	<u>Name of Account</u>	\$ 5,278	\$ 5,278	Checking
Athletics		5,278	5,278	
Total Deposited		(5,278)		
Less: FDIC Coverage		0		
Uninsured Amount				

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

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 255,278
Collateralized:	
Collateral held by the pledging bank in	
District's name	229,935
Uninsured and uncollateralized	15,992
Total Deposits	\$ 501,205

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017 \$15,992 of the District's bank balance of \$501,205 was exposed to custodial credit risk.

B. Receivables

Following is a schedule of property taxes receivable as of June 30, 2017:

	<u>General</u>	<u>Senate Bill Nine-Local</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Property Taxes				
Receivable:				
Available	\$ 52	\$ 226	\$ 517	795
Unavailable	1,740	7,351	22,472	31,563
Total Property				
Taxes	\$ 1,792	\$ 7,577	\$ 22,989	\$ 32,358

C. Interfund Receivables, Payables and Transfers

Interfund Balances year ending June 30, 2017 were as follows:

Loans from:	Loans to:
Operational \$ 27,239	Title I-24101 \$ 10,378
	REC-26107 8,956
	Other Governmental Funds 7,905
\$ 27,239	\$ 27,239

Loans were made from the Operational fund to above funds to cover the cash balances while awaiting reimbursements from PED. All loans are expected to be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2017, is as follows:

	Balance 6/30/16	Additions	Adjustments	Balance 6/30/17
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 35,998	\$ 0	\$ 0	\$ 35,998
Total Capital Assets not being Depreciated	35,998	0	0	35,998
Capital Assets, being Depreciated				
Buildings & Improvements	9,176,992	0	(85,800)	9,091,192
Equipment, Vehicles, Information	790,274	0	(132,336)	657,938
Total Capital Assets, being Depreciated	9,967,266	0	(218,136)	9,749,130
Total Capital Assets	10,003,264	0	(218,136)	9,785,128
Less Accumulated Depreciation				
Buildings & Improvements	3,911,893	208,752	(85,800)	4,034,845
Equipment, Vehicles, Information	504,355	25,861	(99,811)	430,405
Total Accumulated Depreciation	4,416,248	234,613	(185,611)	4,465,250
Capital Assets, net	\$ 5,587,016	\$ (234,613)	\$ (32,525)	\$ 5,319,878

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 234,613
Support Services	
Students	6,524
General Administration	3,749
Operation of Plant	24,644
Food Service	17,873
Community Service	27,733
Total depreciation expenses	\$ 234,613

E. Long-Term Liabilities and Other Liabilities

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

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 210,000	\$ 0	\$ 60,000	\$ 150,000	\$ 60,000
Total Bonds	\$ 210,000	\$ 0	\$ 60,000	\$ 150,000	\$ 60,000

Payments on the general obligation bonds are made by the Debt Service Funds.

General Obligation Bonds.

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

<u>Series</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
2009	04/15/09	1,500,000	4.2%-5.25%	150,000
				\$ <u>150,000</u>

The annual requirements to amortize all of the general obligation bonds as of June 30, 2017, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 60,000	\$ 7,545	\$ 67,545
2019	60,000	4,575	64,575
2020	30,000	1,545	31,545
	\$ <u>150,000</u>	\$ <u>13,665</u>	\$ <u>163,665</u>

F. Commitments

The District has no construction commitments on June 30, 2017.

G. Retirement Plan

Summary of Significant Accounting Policies

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.

General Information about the Pension Plan

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

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

The Plan is 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 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

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

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

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

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

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

These members must meet one of the following requirements.

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. 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 1.9%.

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.

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

Contributions. For the fiscal year ended June 30, 2017 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member's Rate	Employer's Rate	Combined Rate
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

There was no change in the rates from the previous year.

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, 2017 the employee and employer contributions were \$285,085.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$3,133,327 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District proportion was 0.04354 percent, which was a decrease of 0.00289 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2016, the District recognized pension expense of \$396,427. At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,594	29,802
Net difference between projected and actual earnings on pension plan investments	187,034	0
Changes of assumptions	63,782	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	197,733	0
District's contributions subsequent to the measurement date	162,640	0
	<u>\$ 624,783</u>	<u>29,802</u>

\$162,640 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2018	\$ 152,206
2019	108,168
2020	126,358
2021	45,609
Total	<u>\$ 432,341</u>

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	Composed of 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</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. 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.

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Cost-of-Living Increases	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).
Contribution Accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The 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 June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	35%	
Fixed Income	28%	
Alternatives	36%	
Cash	1%	
	<u>100%</u>	7.75%

Discount rate. A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.75 percent) or 1% higher (8.75percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Districts' proportionate share of the net pension liability	\$ 4,150,019	\$ 3,133,327	\$ 2,289,760

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

H. Retiree Health Care

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 (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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 (Section 10-7C-13 NMSA 1978) 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 board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes 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, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$23,401, \$24,871, and \$23,110 respectively, which equal the required contributions for each year.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

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

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

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

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

J. Risk Management

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

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

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

K. Tax Abatement

Quay County entered into an agreement with FLP Energy New Mexico Wind, LLC to abate property taxes effecting the District under the authority of the County Industrial Revenue Bond Act, Ch. 4, Art. 59 NMSA 1978 (the "Act"). A payment in lieu of taxes, (PILOT), was negotiated on by the District. For the year ended June 30, 2017, \$86,000 was received for the PILOT by the District. Other required information required for the GASB 77 disclosure was not provided to the District.

L. Joint Powers Agreements

A joint powers agreement was entered into with the Regional Education Cooperative No. 6 (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94-142 among others.

There are ten schools that participate in the REC, they are Dora, Elida, Floyd, Fort Sumner, Grady, House, Logan, Melrose, San Jon, and Texico. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The REC funds include IDEA B Entitlement and IDEA Preschool. The REC has not reimbursed the District or paid expenditures on behalf of the District. The REC assisted in writing the SPED Federal grants.

The financial statements for the REC were prepared by an IPA. The audit report is available at the REC located at 1500 South Ave K, Station 9, Portales, New Mexico 88130.

M. Concentrations

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

N. Contingent Liabilities

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

O. Subsequent Events

Subsequent events were evaluated through October 13, 2017 which is the date the financial statements were available to be issued.

P. Restatement

Net Position was restated (19,708) of which \$(32,523) was for adjustments to capital assets to agree to the depreciation schedule. \$12,056 was for outstanding property taxes for the year ended June 30, 2016, \$(507) was for money returned to PED from Instructional Materials (14000) and \$(1,266) is for the fund balance of Senate Bill Nine-Local (31701) to restate unavailable revenue.

Q. Negative Fund Balance

Instructional Materials (14000) ended the year with a negative fund balance of \$(724).

R. Subsequent Pronouncements

GASB Statement No. 85, Omnibus 2017. Issued 06/17. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. Of the ten topics, only the following will apply to this District:

- *Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- *Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- *Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- *Classifying employer-paid member contributions for OPEB.
- *Simplifying certain aspects of the alternative measurement method for OPEB.
- *Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues. Issued 05/17. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 87, Leases. Issued 06/17. Effective Date: For reporting periods beginning after December 15, 2019. The District is still evaluating how this pronouncement will affect the financial statements.

**Supplemental Information Related to
Major Funds**

State of New Mexico

San Jon Municipal Schools

Capital Project Fund-Senate Bill Nine-Local-31701

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 29,838	\$ 29,838	\$ 32,714	\$ 2,876
Total Revenues	<u>29,838</u>	<u>29,838</u>	<u>32,714</u>	<u>2,876</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	350	351	328	23
Total General Administration	<u>350</u>	<u>351</u>	<u>328</u>	<u>23</u>
Total Support Services	<u>350</u>	<u>351</u>	<u>328</u>	<u>23</u>
Capital Outlay				
Purchased Property Services	41,623	34,419	26,132	8,287
Supplies	15,000	13,000	10,686	2,314
Supply Assets	4,865	4,865	0	4,865
Total Capital Outlay	<u>61,488</u>	<u>52,284</u>	<u>36,818</u>	<u>15,466</u>
Total Expenditures	<u>61,838</u>	<u>52,635</u>	<u>37,146</u>	<u>15,489</u>
Excess (Deficiency) of Revenues Over Expenditures	(32,000)	(22,797)	(4,432)	18,365
Cash Balance Beginning of Year	<u>24,062</u>	<u>24,062</u>	<u>24,062</u>	<u>0</u>
Cash Balance End of Year	<u><u>\$ (7,938)</u></u>	<u><u>\$ 1,265</u></u>	<u><u>\$ 19,630</u></u>	<u><u>\$ 18,365</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (4,432)	
Net Change in Taxes Receivable			3,507	
Net Change in Accounts Payable			(3,157)	
Net Change in Unavailable Revenue			(4,096)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ (8,178)</u></u>	

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

State of New Mexico
San Jon Municipal Schools
Debt Service-41000
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 70,425	\$ 70,425	\$ 73,915	\$ 3,490
Total Revenues	<u>70,425</u>	<u>70,425</u>	<u>73,915</u>	<u>3,490</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	733	1,233	742	491
Total General Administration	<u>733</u>	<u>1,233</u>	<u>742</u>	<u>491</u>
Total Support Services	<u>733</u>	<u>1,233</u>	<u>742</u>	<u>491</u>
Debt Service				
Principal	60,000	60,000	60,000	0
Interest	10,425	10,425	10,425	0
Total Debt Service	<u>70,425</u>	<u>70,425</u>	<u>70,425</u>	<u>0</u>
Total Expenditures	<u>71,158</u>	<u>71,658</u>	<u>71,167</u>	<u>491</u>
Excess (Deficiency) of Revenues Over Expenditures	(733)	(1,233)	2,748	3,981
Cash Balance Beginning of Year	<u>13,833</u>	<u>13,833</u>	<u>13,833</u>	<u>0</u>
Cash Balance End of Year	\$ <u>13,100</u>	\$ <u>12,600</u>	\$ <u>16,581</u>	\$ <u>3,981</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,748	
Net Change in Taxes Receivable			12,907	
Net Change in Accounts Payable			23	
Net Change in Unavailable Revenue			(14,394)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>1,284</u>	

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

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

Athletics (22000). To account for revenue and expenditures associated with the District's budgeted athletic activities. (NMAC 6.20.2).

IDEA B Entitlement (24106). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

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

IDEA B Results Plan (24132). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

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

Rural Education Achievement Program (25233). Part B of Title VI of the reauthorized ESEA contains Rural Education Achievement Program (REAP) initiatives that are designed to help rural districts that may lack the personnel and resources to compete effectively for Federal competitive grants and that often receive grant allocations in amounts that are too small to be effective in meeting their intended purposes.

Nonmajor Capital Projects Funds

Senate Bill Nine-State (31700). The revenues are derived from a state grant. Expenditures are restricted to capital improvements and maintenance of the facilities.

State of New Mexico
San Jon Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Fund		
	Food Service 21000	Athletics 22000	IDEA Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 5,678	\$ 5,278	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	750	0	7,905
Inventory	3,698	0	0
Total Assets	<u>\$ 10,126</u>	<u>\$ 5,278</u>	<u>\$ 7,905</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	0	0	7,905
Total Liabilities	<u>0</u>	<u>0</u>	<u>7,905</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	3,698	0	0
Restricted for:			
Special Revenue Funds	6,428	5,278	0
Capital Projects	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>10,126</u>	<u>5,278</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>10,126</u>	<u>\$ 5,278</u>	<u>\$ 7,905</u>

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

State of New Mexico
San Jon Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Fund		
	IDEA B Preschool 24109	IDEA B Results Plan 24132	Teacher/Principal Training and Recruiting 24154
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	0
Capital Projects	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
San Jon Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Fund	Capital Projects Fund	
	Rural Education REAP 25233	Senate Bill Nine-State 31700	Total
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 10,956
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	8,655
Inventory	0	0	3,698
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,309</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	0	0	7,905
Total Liabilities	<u>0</u>	<u>0</u>	<u>7,905</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	3,698
Restricted for:			
Special Revenue Funds	0	0	11,706
Capital Projects	0	0	0
Debt Service	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>15,404</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23,309</u>

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

State of New Mexico
San Jon Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	Food Service 21000	Athletics 22000	IDEA B Entitlement 24106
Revenues			
Fees	\$ 15,610	\$ 12,915	\$ 0
State & Local Grants	0	0	0
Federal Grants	52,284	0	29,586
Total Revenues	<u>67,894</u>	<u>12,915</u>	<u>29,586</u>
Expenditures			
Current			
Instruction	0	12,940	29,586
Support Services			
Students	0	0	0
Operation of Plant	0	0	0
Food Services	65,458	0	0
Total Expenditures	<u>65,458</u>	<u>12,940</u>	<u>29,586</u>
Excess (Deficiency) of Revenues Over Expenditures	2,436	(25)	0
Fund Balances at Beginning of Year	<u>7,690</u>	<u>5,303</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 10,126</u>	<u>\$ 5,278</u>	<u>\$ 0</u>

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

State of New Mexico
San Jon Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	IDEA B Preschool 24109	IDEA B Results Plan 24132	Teacher/Principal Training and Recruiting 24154
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	0
Federal Grants	4,152	30,000	2,667
Total Revenues	<u>4,152</u>	<u>30,000</u>	<u>2,667</u>
Expenditures			
Current			
Instruction	0	30,000	2,667
Support Services			
Students	4,152	0	0
Operation of Plant	0	0	0
Food Services	0	0	0
Total Expenditures	<u>4,152</u>	<u>30,000</u>	<u>2,667</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
San Jon Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Fund Rural Education REAP 25233	Capital Projects Fund Senate Bill Nine-State 31700	Total
Revenues			
Fees	\$ 0	\$ 0	\$ 28,525
State & Local Grants	0	45,499	45,499
Federal Grants	17,585	0	136,274
Total Revenues	<u>17,585</u>	<u>45,499</u>	<u>210,298</u>
Expenditures			
Current			
Instruction	17,585	7,194	99,972
Support Services			
Students	0	0	4,152
Operation of Plant	0	38,305	38,305
Food Services	0	0	65,458
Total Expenditures	<u>17,585</u>	<u>45,499</u>	<u>207,887</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	2,411
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>12,993</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,404</u>

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

Required Supplemental Information

State of New Mexico
San Jon Municipal Schools
Schedules of Required Supplementary Information and Notes for Pension Plan

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016
District's proportion of the net pension liability		0.40370%	0.04065%	0.04354%
District's proportionate share of the net pension liability	\$	2,303,395	\$ 2,633,009	\$ 3,113,897
District's covered-employee payroll	\$	1,112,665	\$ 1,243,470	\$ 1,170,073
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		207.02%	211.75%	266.13%
Plan fiduciary net position as a percentage of the total pension		66.54%	63.97%	61.58%

*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.

Schedule of District's Contributions

Last 10 Fiscal Years*

		June 30,		
		2015	2016	2017
Contractually required contribution	\$	160,607	\$ 172,842	\$ 162,640
Contributions in relation to the contractually required contribution	\$	160,607	\$ 172,841	\$ 162,640
Contribution deficiency (excess)	\$	0	\$ 0	0
Districts covered-employee payroll	\$	1,155,446	\$ 1,243,470	\$ 1,170,073
Contributions as a percentage of covered-employee payroll		13.90%	13.90%	13.90%

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

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

State of New Mexico
San Jon Municipal Schools
Agency Funds - Activity
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2017

	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
23013 Class of 2013	140	0	140	0
23014 Class of 2014	456	0	456	0
23015 Class of 2015	525	0	144	381
23016 Class of 2016	539	0	239	300
23017 Class of 2017	1,215	1,008	1,723	500
23018 Class of 2018	2,395	5,261	3,197	4,459
23019 Class of 2019	1,064	380	0	1,444
23020 Class of 2020	2,021	472	126	2,367
23021 Class of 2021	2,590	221	394	2,416
23022 Class of 2022	1,266	281	0	1,546
23023 Class of 2023	2,421	564	0	2,985
23024 Class of 2024	961	262	0	1,223
23025 Class of 2025	2,207	709	60	2,857
23026 Class of 2026	596	291	0	887
23027 Class of 2027	1,817	1,461	759	2,519
23028 Class of 2028	285	144	0	429
23029 Class of 2029	0	931	493	438
23111 General Activity	1,712	9,695	7,143	4,263
23112 Annual	137	4,012	2,895	1,254
23127 Cheerleaders	384	0	0	384
23128 Library	123	2,898	2,893	128
23129 National Honor Society	13	0	0	13
23130 BPA	481	0	0	481
23131 Special Fund	2,548	1,121	427	3,242
23132 Student Council	2,792	1,709	2,303	2,198
23133 Concessions	2,031	7,810	4,002	5,839
23134 FFA	2,261	12,457	11,438	3,280
23136 Science	1,624	4,044	3,684	1,984
23137 Basketball	858	0	855	3
23138 Football	117	0	0	117
23139 Volleyball	3,618	10,602	12,201	2,019
All Activities - COD	5,500	38	38	5,500
	<u>\$ 44,695</u>	<u>\$ 66,371</u>	<u>\$ 55,610</u>	<u>\$ 55,456</u>
Liabilities				
Deposits Held for Others	\$ 44,695	\$ 66,371	\$ 55,610	\$ 55,456
Total Liabilities	<u>\$ 44,695</u>	<u>\$ 66,371</u>	<u>\$ 55,610</u>	<u>\$ 55,456</u>

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

State of New Mexico
San Jon Municipal Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2017

		Beginning Cash Balance <u>6/30/16</u>	Revenue	Expenditures	Ending Cash Balance <u>6/30/17</u>
Operational	11000	\$ 184,993	\$ 1,874,803	\$ 1,857,502	\$ 202,294
Teacherage	12000	13,438	8,400	13,049	8,789
Transportation	13000	0	183,755	183,755	0
Instructional Materials	14000	1,226	9,235	7,803	2,658
Food Services	21000	5,217	61,893	61,432	5,678
Athletics	22000	5,303	12,915	12,940	5,278
Federal Flowthrough	24000	(13,313)	106,615	111,586	(18,284)
Federal Direct	25000	0	17,585	17,585	0
Local Grants	26000	0	22,785	31,741	(8,956)
Local or State	29000	74,893	86,000	64,131	96,762
Senate Bill Nine-State	31700	(1,266)	46,765	45,499	0
Senate Bill Nine-Local	31701	24,062	32,714	37,146	19,630
Debt Service	41000	13,833	73,915	71,166	16,582
Agency Funds	23000	44,695	66,371	55,610	55,456
Total		<u>\$ 353,082</u>	<u>\$ 2,603,752</u>	<u>\$ 2,570,945</u>	<u>\$ 385,889</u>

The notes to the financial statements are an integral part

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

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

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the San Jon Municipal Schools

Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of San Jon Municipal Schools (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and the budgetary comparisons for the major capital projects and debt service funds of the District, presented as supplemental information, and have issued our report thereon dated October 13, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2017-001, 2017-002, 2017-003


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2017-001, 2017-002, 2017-003

The District's Responses to Findings

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

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

 De'Aun Willoughby CPA PC

Clovis, New Mexico

October 13, 2017

Prior Year Audit Findings

None

Current Year Audit Findings

2017-001 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

(A)-One background check could not be located.

(B)-A non-exempt employee was also paid as a coach. Time records were not kept and it could not be determined if the employee worked overtime.

Criteria

NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP.

Cause

Management was not aware the background check was missing. Management was also not aware time worked had to be tracked for non-exempt employees that did additional duties.

Effect

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

(B) Employees may not be compensated for time worked including overtime.

Recommendation

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

Response

(A) All background checks have been completed. A check off list for new hires includes background checks. (B) Non-exempt employees are no longer employed as coaches.

The Business Manager is responsible for this finding and should have it resolved by January 1, 2018.

2017-002 Receipt Books-Compliance and Internal Control-Significant Deficiency

Condition

Twelve receipts totaling \$19,175 of a total population of 389 were not made out to individuals. All twelve deposits sampled were not deposited within one week of receipt totaling \$38,726.59.

Criteria

NMAC 6.20.2.11 and NMAC 6.20.2.14 describe internal controls for receipting money.

Cause

Strong internal controls are necessary to assure receipts are not misappropriated.

Effect

Activity funds pose a high risk of fraud making the implementation of a strong internal control system very important. Without a strong working control system, activity funds could easily be misappropriated.

Recommendation

A separation of duties is necessary. The same person cannot handle money, keep the books and records and reconcile the bank statement. All receipt books should be preprinted with the District's name and pre-numbered. Original receipts should have the recipient's name on it and given to the recipient. The yellow copy should be turned into the central office with the money collected. Central office should write a receipt to the person turning in the money.

Response

All receipts are now made out to individuals, rather than to the group they sponsor. Deposits are made within a week of receipt. The Business Manager no longer receipts any checks or cash.

The Superintendent is responsible for this finding and should have it resolved by the end of the current fiscal year.

2017-003 Fixed Assets and Depreciation Schedule-Compliance and Internal Control-Significant

Deficiency

Condition

The depreciation schedule did not agree with the capital assets reported on the prior year audit. There were several very old computers on the schedule as well as other items that should have been removed.

Criteria

6.20.2.22 NMAC Fixed Assets states "shall be in accordance with GAAP."

Cause

Management had not reviewed the depreciation schedule for assets not in use nor compared the schedule to the audit report.

Effect

The financial statements could be misstated and in fact the 2016-17 year required a restatement of \$32,523 which is a material amount to this District.

Recommendation

The depreciation schedule should be reviewed annually to determine if assets are still in use or impaired and disposed of accordingly.

Response

The depreciation schedule has been updated and will be reviewed annually to determine if assets are still in use or impaired and disposed of accordingly.

The Business Manager is responsible for this finding and should have it resolved by end of the current fiscal year.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on October 13, 2017. Those present were Colin Taylor-Superintendent, Cynthia Lee-Board Member, Julir Bryant-Audit Committee Member, Lucy Heddlesten-Business Manager and De'Aun Willoughby, CPA.