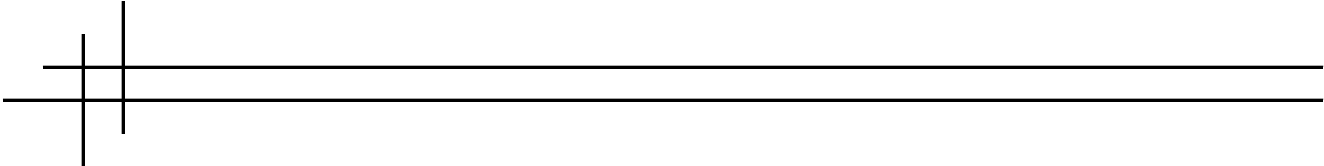




State of New Mexico
San Jon Municipal Schools

Annual Financial Report
June 30, 2018

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, 2018

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. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the San Jon Municipal Schools

Mr. Johnson 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 and major special revenue funds of San Jon Municipal Schools (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and Other Post-Employment Benefits (OPEB) and their 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.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The other schedules presented as other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules presented as other supplemental information 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 other supplementary information is 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 1, 2018 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'Aun Willoughby, CPA, PC

Clovis, New Mexico

October 1, 2018

Financial Section

State of New Mexico
San Jon Municipal Schools
Government Wide-Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 260,003
Taxes Receivable	10,458
Due From Grantor	56,787
Inventory	1,916
Total Current Assets	<u>329,164</u>
Noncurrent Assets	
Capital Assets	9,819,834
Less Accumulated Depreciation	(4,673,513)
Total Noncurrent Assets	<u>5,146,321</u>
Total Assets	<u>5,475,485</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	
Investment Experience	8,197
Changes of Assumptions	1,333,058
Changes in Proportion	91,035
Contributions Subsequent to Measurement Date	175,283
	<u>1,607,573</u>
Deferred Outflows Related to Other Post-Employment Benefits	
Contributions Subsequent to Measurement Date	25,130
	<u>25,130</u>
Total Deferred Outflows of Resources	<u>1,632,703</u>
Liabilities	
Current Liabilities	
Accounts Payable	9,107
Accrued Interest	1,525
Current Portion of Long-Term Debt	60,000
Total Current Liabilities	<u>70,632</u>
Noncurrent Liabilities	
Bonds	30,000
Pension Liability	4,566,524
Other Post-Employment Benefits Liability	1,235,334
Total Noncurrent Liabilities	<u>5,831,858</u>
Total Liabilities	<u>5,902,490</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	70,352
Investment Experience	626
Changes in Proportion	118,429
	<u>189,407</u>
	\$

State of New Mexico
San Jon Municipal Schools
Government Wide-Statement of Net Position
June 30, 2018

Deferred Inflows Related to Other Post-Employment Benefits	
Actuarial Experience	\$ 47,406
Investment Experience	17,771
Changes of Assumptions	215,982
	<u>281,159</u>
Total Deferred Inflows of Resources	<u>470,566</u>
 Net Position	
Net Investment in Capital Assets	5,056,321
Restricted for	
Capital Projects	14,915
Debt Service	14,846
Unrestricted	<u>(4,350,950)</u>
Total Net Position	<u>\$ 735,132</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, 2018

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	\$ 2,003,788	\$ 12,318	\$ 224,994	\$ 0	\$ (1,766,476)
Support Services					
Students	106,175	0	3,600	0	(102,575)
Instruction	57,610	0	6,552	0	(51,058)
General Administration	318,975	0	0	0	(318,975)
Central Services	122,068	0	0	0	(122,068)
Operation of Plant	424,303	13,607	0	0	(410,696)
Student Transportation	179,387	0	173,678	0	(5,709)
Food Services Operations	161,330	11,886	50,445	0	(98,999)
Community Service	31,957	0	0	0	(31,957)
Interest Expense	6,555	0	0	0	(6,555)
Total Governmental Activities	\$ 3,412,148	\$ 37,811	\$ 459,269	\$ 0	(2,915,068)

General Revenues

Taxes	
Property Taxes, Levied for General Purposes	6,461
In Lieu of Property Taxes for General Purposes	86,000
Property Taxes, Levied for Capital Projects	24,201
Property Taxes, Levied for Debt Service	50,421
Federal and State aid not restricted to specific purpose	
General	1,898,774
Capital	45,600
Miscellaneous	9,881
Subtotal, General Revenues	2,121,338
Change in Net Position	(793,730)
Net Position -Beginning	2,996,241
Restatement-Note P	(1,467,379)
Restated Beginning Net Position	1,528,862
Net Position - Ending	\$ 735,132

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, 2018

	General Fund			
	Operational	Teacherage	Transportation	Instructional
	11000	12000	13000	Materials 14000
Assets				
Cash and Cash Equivalents	\$ 151,555	\$ 4,964	\$ 0	\$ 452
Receivables				
Property Taxes	640	0	0	0
Due From Grantor	0	0	0	0
Interfund Balances	56,787	0	0	0
Inventory	0	0	0	0
Total Assets	\$ 208,982	\$ 4,964	\$ 0	\$ 452
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	\$ 7,332	\$ 604	\$ 0	\$ 0
Interfund Balances	0	0	0	0
Total Liabilities	7,332	604	0	0
Deferred Inflows of Resources				
Unavailable Revenue	624	0	0	0
Total Deferred Inflows of Resources	624	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	201,026	4,360	0	452
Total Fund Balances	201,026	4,360	0	452
Total Liabilities, Deferred Inflows and Fund Balances	\$ 208,358	\$ 4,964	\$ 0	\$ 452

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, 2018

	Special Revenue Funds		
	Title I 24101	IDEA B Entitlement 24106	NM Reads to Lead 27114
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	11,993	10,794	24,622
Interfund Balances	0	0	0
Inventory	0	0	0
Total Assets	\$ 11,993	\$ 10,794	\$ 24,622
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	11,993	10,794	24,622
Total Liabilities	11,993	10,794	24,622
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	0
Capital Projects	0	0	0
Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 11,993	\$ 10,794	\$ 24,622

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, 2018

	Special Revenue Fund		Other Governmental Funds		Total Governmental Funds
	Wind Farm Project 29134				
Assets					
Cash and Cash Equivalents	\$ 62,443	\$	40,589	\$	260,003
Receivables					
Property Taxes	0		9,818		10,458
Due From Grantor	0		9,378		56,787
Interfund Balances	0		0		56,787
Inventory	0		1,916		1,916
Total Assets	\$ 62,443	\$	61,701	\$	385,951
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 0	\$	1,171	\$	9,107
Interfund Balances	0		9,378		56,787
Total Liabilities	0		10,549		65,894
Deferred Inflows of Resources					
Unavailable Revenue			9,537		10,161
Total Deferred Inflows of Resources	0		9,537		10,161
Fund Balances					
Nonspendable-Inventory	0		3,697		3,697
Restricted for					
Special Revenue Funds	62,443		8,157		70,600
Capital Projects	0		14,915		14,915
Debt Service	0		14,846		14,846
Unassigned	0		0		205,838
Total Fund Balances	62,443		41,615		309,896
Total Liabilities, Deferred Inflows and Fund Balances	\$ 62,443	\$	52,164	\$	375,790

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, 2018

Total Fund Balance - Governmental Funds \$ 309,896

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. 10,161

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

Capital Assets	\$ 9,819,834	
Accumulated Depreciation	<u>(4,673,513)</u>	5,146,321

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits 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	1,607,573	
Deferred Outflows Related to OPEB	25,130	
Deferred Inflows Related to Pensions	(189,407)	
Deferred Inflows Related to OPEB	<u>(281,159)</u>	1,162,137

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	(1,525)	
Bonds payable	(90,000)	
Pension Liability	(4,566,524)	
OPEB Liability	<u>(1,235,334)</u>	<u>(5,893,383)</u>

Total Net Position - Governmental Activities \$ 735,132

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, 2018

	General Fund			
	Operational	Teacherage	Transportation	Instructional
	11000	12000	13000	Materials 14000
Revenues				
Property Taxes	\$ 7,577	\$ 0	\$ 0	\$ 0
Fees	320	13,607	0	0
State & Local Grants	1,898,774	0	173,678	4,494
Federal Grants	0	0	0	0
Miscellaneous	9,881	0	0	0
Total Revenues	1,916,552	13,607	173,678	4,494
Expenditures				
Current				
Instruction	1,054,414	0	0	3,318
Support Services				
Students	81,945	0	0	0
Instruction	41,633	0	0	0
General Administration	240,146	0	0	0
Central Services	92,666	0	0	0
Operation of Plant	324,935	17,968	0	0
Student Transportation	0	0	173,678	0
Food Services	60,776	0	0	0
Community Service	3,867	0	0	0
Capital Outlay	0	0	0	0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	1,900,382	17,968	173,678	3,318
Excess (Deficiency) of Revenues Over Expenditures	16,170	(4,361)	0	1,176
Fund Balances at Beginning of Year	184,856	8,721	0	(724)
Fund Balances at End of Year	\$ 201,026	\$ 4,360	\$ 0	\$ 452

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, 2018

	Special Revenue Funds		
	Title I 24101	IDEA B Entitlement 24106	NM Reads to Lead 27114
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	73,874
Federal Grants	36,293	30,857	0
Miscellaneous	0	0	0
Total Revenues	36,293	30,857	73,874
Expenditures			
Current			
Instruction	36,293	30,857	73,874
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
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	36,293	30,857	73,874
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	0	0	0
Fund Balances at End of Year	\$ 0	\$ 0	\$ 0

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, 2018

	Special Revenue Fund		
	Wind Farm Project 29134	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 86,000	\$ 94,908	\$ 188,485
Fees	0	23,884	37,811
State & Local Grants	0	83,804	2,234,624
Federal Grants	0	101,869	169,019
Miscellaneous	0	0	9,881
Total Revenues	86,000	304,465	2,639,820
Expenditures			
Current			
Instruction	105,799	94,253	1,398,808
Support Services			
Students	0	3,600	85,545
Instruction	0	6,552	48,185
General Administration		954	241,100
Central Services	0	0	92,666
Operation of Plant	2,304	18,171	363,378
Student Transportation	0	0	173,678
Food Services	0	65,596	126,372
Community Service	0	0	3,867
Capital Outlay	12,217	52,224	64,441
Debt Service			
Principal	0	60,000	60,000
Interest	0	7,545	7,545
Total Expenditures	120,320	308,895	2,665,585
Excess (Deficiency) of Revenues Over Expenditures	(34,320)	(4,430)	(25,765)
Fund Balances at Beginning of Year	96,763	46,045	335,661
Fund Balances at End of Year	\$ 62,443	\$ 41,615	\$ 309,896

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, 2018

Excess (Deficiency) of Revenues Over Expenditures \$ (25,765)

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, 2017	\$ (31,563)	
Property Taxes Receivable, June 30, 2018	<u>10,161</u>	(21,402)

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	\$ (237,999)	
Capital Outlays	<u>64,441</u>	(173,558)

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, 2017	2,515	
Accrued Interest, June 30, 2018	<u>(1,525)</u>	990

Pension and Other Post Employment Benefits (OPEB) contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension and OPEB expenses are reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	175,282	
OPEB Contributions	25,130	
Pension Expense	(785,294)	
OPEB Expense	<u>(49,113)</u>	<u>(633,995)</u>

Changes in Net Position of Governmental Activities \$ (793,730)

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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Property Taxes	\$ 7,296	\$ 7,296	\$ 7,613	\$ 317
Fees	1,200	1,200	320	(880)
State & Local Grants	1,814,917	1,898,774	1,898,774	0
Miscellaneous	1,350	1,350	9,881	8,531
Total Revenues	<u>1,824,763</u>	<u>1,908,620</u>	<u>1,916,588</u>	<u>7,968</u>
Expenditures				
Instruction				
Personnel Services	742,686	747,224	739,235	7,989
Employee Benefits	296,357	290,366	270,680	19,686
Professional & Tech Services	2,500	1,953	225	1,728
Other Purchased Services	34,000	45,000	27,243	17,757
Supplies	31,000	33,000	26,884	6,116
Total Instruction	<u>1,106,543</u>	<u>1,117,543</u>	<u>1,064,267</u>	<u>53,276</u>
Support Services				
Students				
Personnel Services	32,207	32,207	28,807	3,400
Employee Benefits	1,212	17,212	16,137	1,075
Professional & Tech Services	31,900	37,900	36,568	1,332
Supplies	600	600	433	167
Total Students	<u>65,919</u>	<u>87,919</u>	<u>81,945</u>	<u>5,974</u>
Instruction				
Personnel Services	19,249	19,249	19,249	0
Employee Benefits	19,499	19,499	18,323	1,176
Professional & Tech Services	7,730	7,730	3,677	4,053
Supplies	1,000	4,000	405	3,595
Total Instruction	<u>47,478</u>	<u>50,478</u>	<u>41,654</u>	<u>8,824</u>
General Administration				
Personnel Services	150,600	152,600	151,381	1,219
Employee Benefits	59,872	59,872	58,675	1,197
Professional & Tech Services	36,676	37,687	25,894	11,793
Other Purchased Services	8,000	8,361	2,266	6,095
Supplies	1,500	1,500	718	782
Total General Administration	<u>\$ 256,648</u>	<u>\$ 260,020</u>	<u>\$ 238,934</u>	<u>\$ 21,086</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Central Services				
Personnel Services	\$ 60,045	60,045	\$ 60,045	\$ 0
Employee Benefits	23,584	23,584	23,125	459
Professional & Tech Services	9,200	9,200	8,516	684
Other Purchased Services	1,500	2,500	782	1,718
Supplies	1,000	1,000	198	802
Total Central Services	<u>95,329</u>	<u>96,329</u>	<u>92,666</u>	<u>3,663</u>
Operation of Plant				
Personnel Services	82,581	88,690	74,231	14,459
Employee Benefits	43,315	43,323	34,081	9,242
Purchased Property Services	167,737	166,620	131,742	34,878
Other Purchased Services	76,009	77,009	74,486	2,523
Supplies	12,000	17,000	11,892	5,108
Total Operation of Plant	<u>381,642</u>	<u>392,642</u>	<u>326,432</u>	<u>66,210</u>
Total Support Services	<u>847,016</u>	<u>887,388</u>	<u>781,631</u>	<u>105,757</u>
Food Service Operations				
Personnel Services	20,846	21,046	21,046	0
Employee Benefits	22,479	22,479	21,942	537
Other Purchased Services	1,000	726	244	482
Supplies	12,000	22,074	17,544	4,530
Total Food Service Operations	<u>56,325</u>	<u>66,325</u>	<u>60,776</u>	<u>5,549</u>
Community Service				
Personnel Services	2,000	2,000	730	1,270
Employee Benefits	163	163	61	102
Supplies	3,000	6,000	3,076	2,924
Capital Outlay	20,708	20,708	0	20,708
Total Community Service	<u>25,871</u>	<u>28,871</u>	<u>3,867</u>	<u>25,004</u>
Total Expenditures	<u>\$ 2,035,755</u>	<u>\$ 2,100,127</u>	<u>\$ 1,910,541</u>	<u>\$ 189,586</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ (210,992)	\$ (191,507)	\$ 6,047	\$ 197,554
Cash Balance Beginning of Year	<u>202,295</u>	<u>202,295</u>	<u>202,295</u>	<u>0</u>
Cash Balance End of Year	<u><u>\$ (8,697)</u></u>	<u><u>\$ 10,788</u></u>	<u><u>\$ 208,342</u></u>	<u><u>\$ 197,554</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 6,047	
Net Change in Taxes Receivable			(1,152)	
Net Change in Accounts Payable			10,159	
Net Change in Deferred Taxes			<u>1,116</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ 16,170</u></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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Rentals	\$ 12,600	\$ 12,600	\$ 13,607	\$ 1,007
Total Revenues	<u>12,600</u>	<u>12,600</u>	<u>13,607</u>	<u>1,007</u>
Expenditures				
Operation of Plant				
Purchased Property Services	18,000	19,056	15,854	3,202
Supplies	<u>2,333</u>	<u>2,333</u>	<u>1,578</u>	<u>755</u>
Total Operation of Plant	<u>20,333</u>	<u>21,389</u>	<u>17,432</u>	<u>3,957</u>
Total Expenditures	<u>20,333</u>	<u>21,389</u>	<u>17,432</u>	<u>3,957</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,733)	(8,789)	(3,825)	4,964
Cash Balance Beginning of Year	<u>8,789</u>	<u>8,789</u>	<u>8,789</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,056</u>	<u>\$ 0</u>	<u>\$ 4,964</u>	<u>\$ 4,964</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,825)	
Net Change in Accounts Payable			<u>(536)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (4,361)</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 173,678	\$ 173,678	\$ 173,678	\$ 0
Total Revenues	<u>173,678</u>	<u>173,678</u>	<u>173,678</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	11,658	11,658	11,658	0
Employee Benefits	2,748	2,645	2,645	0
Professional & Tech Services	300	300	300	0
Purchased Property Services	58,036	58,036	58,036	0
Other Purchased Services	99,966	99,553	99,553	0
Supplies	970	1,486	1,486	0
Total Student Transportation	<u>173,678</u>	<u>173,678</u>	<u>173,678</u>	<u>0</u>
Total Support Services	<u>173,678</u>	<u>173,678</u>	<u>173,678</u>	<u>0</u>
Total Expenditures	<u>173,678</u>	<u>173,678</u>	<u>173,678</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 4,216	\$ 4,216	\$ 4,494	\$ 278
Total Revenues	<u>4,216</u>	<u>4,216</u>	<u>4,494</u>	<u>278</u>
Expenditures				
Instruction				
Supplies	4,216	6,874	6,700	174
Total Instruction	<u>4,216</u>	<u>6,874</u>	<u>6,700</u>	<u>174</u>
Total Expenditures	<u>4,216</u>	<u>6,874</u>	<u>6,700</u>	<u>174</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(2,658)	(2,206)	452
Cash Balance Beginning of Year	<u>2,658</u>	<u>2,658</u>	<u>2,658</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,658</u>	<u>\$ 0</u>	<u>\$ 452</u>	<u>\$ 452</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,206)	
Net Change in Accounts Payable			<u>3,382</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,176</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 52,012	\$ 52,012	\$ 34,678	\$ (17,334)
Total Revenues	<u>52,012</u>	<u>52,012</u>	<u>34,678</u>	<u>(17,334)</u>
Expenditures				
Instruction				
Personnel Services	22,105	22,105	22,105	0
Employee Benefits	14,124	14,124	13,894	230
Supplies	4,593	4,593	294	4,299
Total Instruction	<u>40,822</u>	<u>40,822</u>	<u>36,293</u>	<u>4,529</u>
Support Services				
General Administration				
Professional & Tech Services	812	812	0	812
Total General Administration	<u>812</u>	<u>812</u>	<u>0</u>	<u>812</u>
Total Support Services	<u>812</u>	<u>812</u>	<u>0</u>	<u>812</u>
Total Expenditures	<u>41,634</u>	<u>41,634</u>	<u>36,293</u>	<u>5,341</u>
Excess (Deficiency) of Revenues Over Expenditures	10,378	10,378	(1,615)	(11,993)
Cash Balance Beginning of Year	<u>(10,378)</u>	<u>(10,378)</u>	<u>(10,378)</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(11,993)</u>	\$ <u>(11,993)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,615)	
Net Change in Due from Grantor			<u>1,615</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-IDEA B-Entitlement-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 48,527	\$ 48,527	\$ 27,968	\$ (20,559)
Total Revenues	<u>48,527</u>	<u>48,527</u>	<u>27,968</u>	<u>(20,559)</u>
Expenditures				
Instruction				
Personnel Services	22,105	22,105	21,515	590
Employee Benefits	5,275	5,275	5,132	143
Professional & Tech Services	3,000	3,000	0	3,000
Other Purchased Services	3,000	3,000	0	3,000
Supplies	<u>7,242</u>	<u>7,242</u>	<u>4,210</u>	<u>3,032</u>
Total Instruction	<u>40,622</u>	<u>40,622</u>	<u>30,857</u>	<u>9,765</u>
Total Expenditures	<u>40,622</u>	<u>40,622</u>	<u>30,857</u>	<u>9,765</u>
Excess (Deficiency) of Revenues Over Expenditures	7,905	7,905	(2,889)	(10,794)
Cash Balance Beginning of Year	<u>(7,905)</u>	<u>(7,905)</u>	<u>(7,905)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (10,794)</u>	<u>\$ (10,794)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,889)	
Net Change in Due from Grantor			<u>2,889</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-NM Reads to Lead-27114

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

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 73,877	\$ 73,877	\$ 49,252	\$ (24,625)
Total Revenues	<u>73,877</u>	<u>73,877</u>	<u>49,252</u>	<u>(24,625)</u>
Expenditures				
Instruction				
Personnel Services	59,740	59,740	59,740	0
Employee Benefits	<u>14,137</u>	<u>14,137</u>	<u>14,134</u>	<u>3</u>
Total Instruction	<u>73,877</u>	<u>73,877</u>	<u>73,874</u>	<u>3</u>
Total Expenditures	<u>73,877</u>	<u>73,877</u>	<u>73,874</u>	<u>3</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(24,622)	(24,622)
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>\$ (24,622)</u>	<u>\$ (24,622)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (24,622)	
Net Change in Due from Grantor			<u>24,622</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grants	\$ 182,457	\$ 157,763	\$ 86,000	\$ (71,763)
Total Revenues	<u>182,457</u>	<u>157,763</u>	<u>86,000</u>	<u>(71,763)</u>
Expenditures				
Instruction				
Personnel Services	45,657	45,657	45,657	0
Employee Benefits	23,421	23,421	22,657	764
Other Purchased Services	6,000	32,306	32,232	74
Supplies	7,379	7,379	5,253	2,126
Fixed Assets	60,000	34,000	0	34,000
Total Instruction	<u>142,457</u>	<u>142,763</u>	<u>105,799</u>	<u>36,964</u>
Capital Outlay				
Purchased Property Services	0	0	13,846	(13,846)
Supply Assets	40,000	40,000	675	39,325
Total Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>14,521</u>	<u>25,479</u>
Total Expenditures	<u>182,457</u>	<u>182,763</u>	<u>120,320</u>	<u>62,443</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(25,000)	(34,320)	(9,320)
Cash Balance Beginning of Year	<u>96,763</u>	<u>96,763</u>	<u>96,763</u>	<u>0</u>
Cash Balance End of Year	\$ <u>96,763</u>	\$ <u>71,763</u>	\$ <u>62,443</u>	\$ <u>(9,320)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (34,320)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ (34,320)	

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, 2018

	<u>Agency Funds</u>
Assets	
Cash in Bank	\$ 49,153
Total Assets	<u>\$ 49,153</u>
Liabilities	
Deposits Held for Others	\$ 49,153
Total Liabilities	<u>\$ 49,153</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.

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.

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.

NM Reads to Lead (27114). To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

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.

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 providers 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.

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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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

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.

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 year end.

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 06/30/18	Reconciled Balance	Type
<u>Name of Account</u>			
Operational	\$ 352,887	\$ 255,010	Checking
Activity	44,695	43,653	Checking
Activity	5,500	5,500	Savings
Total Deposited	<u>403,082</u>	<u>\$ 304,163</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	153,082		
50% collateral requirement	76,541		
Pledged securities	<u>300,000</u>		
Over (Under) requirement	<u>\$ 223,459</u>		

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLB	313376BR5	\$ 300,000	12/14/2018	TIB-Dallas, TX
		<u>\$ 300,000</u>		

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First National	Balance Per Bank 06/30/18	Reconciled Balance	Type
<u>Name of Account</u>			
Athletics	\$ 5,309	\$ 4,993	Checking
Total Deposited	5,309	5,309	
Less: FDIC Coverage	(5,309)		
Uninsured Amount	\$ 0		

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

Custodial Credit Risk-Deposits	Bank Balance
<u>Depository Account</u>	
Insured	\$ 255,309
Collateralized:	
Collateral held by the pledging bank in	
District's name	153,082
Uninsured and uncollateralized	0
Total Deposits	\$ 408,391

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, 2018 none of the District's bank balance of \$408,391 was exposed to custodial credit risk.

B. Receivables

Following is a schedule of property taxes receivable as of June 30, 2018:

	General	Other Governmental Funds	Total Governmental Funds
Property Taxes			
Receivable:			
Available	\$ 16	\$ 281	\$ 297
Unavailable	624	9,537	10,161
Total Property			
Taxes	\$ 640	\$ 9,818	\$ 10,458

C. Interfund Receivables, Payables and Transfers

Interfund Balances year ending June 30, 2018 were as follows:

Loans from:		Loans to:	
Operational	\$ 11,993	Title I-24101	\$ 11,993
Operational	10,794	IDEA B Entitlement-24106	10,794
Operational	24,622	NM Reads to Lead-27114	24,622
Operational	9,378	Other Governmental Funds	9,378
	\$ 56,787		\$ 56,787

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.

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D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2018, is as follows:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
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	11,542	(29,735)	9,158,799
Equipment, Vehicles, Information	572,139	52,898	0	625,037
Total Capital Assets, being Depreciated	9,749,131	64,440	(29,735)	9,783,836
Total Capital Assets	9,785,129	64,440	(29,735)	9,819,834
Less Accumulated Depreciation				
Buildings & Improvements	4,120,645	209,214	(29,735)	4,300,124
Equipment, Vehicles, Information	344,604	28,785	0	373,389
Total Accumulated Depreciation	4,465,249	237,999	(29,735)	4,673,513
Capital Assets, net	\$ 5,319,880	\$ (173,559)	\$ 0	\$ 5,146,321

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 157,543
Support Services	
Students	6,524
General Administration	3,749
Operation of Plant	24,577
Food Service	17,873
Community Service	27,733
Total Depreciation Expenses	\$ 237,999

E. Long-Term Liabilities and Other Liabilities

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 150,000	\$ 0	\$ 60,000	\$ 90,000	\$ 60,000
Total Bonds	\$ 150,000	\$ 0	\$ 60,000	\$ 90,000	\$ 60,000

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

General Obligation Bonds.

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%	\$ 90,000
				\$ <u>90,000</u>

The annual requirements to amortize all of the general obligation bonds as of June 30, 2018, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 60,000	\$ 4,575	\$ 64,575
2020	30,000	1,545	31,545
	\$ <u>90,000</u>	\$ <u>6,120</u>	\$ <u>96,120</u>

F. Commitments

The District has no construction commitments on June 30, 2018.

G. Retirement Plan

Summary of Significant Accounting Policies

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

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

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

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

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

- *The member's age and earned service credit add up to the sum of 75 or more,
- *The member is at least sixty-five years of age and has five or more,
- *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 1.5%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.7%.

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

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

Contributions. For the fiscal year ended June 30, 2018 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
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	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, 2018 and 2017, the District paid employee and employer contributions of \$307,358 and \$285,085, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$4,566,524 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. 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, 2017, the District's proportion was 0.04109%, which was a decrease of 0.00245% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$785,294. At the June 30, 2018, 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	\$ 8,197	70,352
Net difference between projected and actual earnings on pension plan investments	0	626
Changes of assumptions	1,333,058	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	91,035	118,429
District's contributions subsequent to the measurement date	175,283	0
	<u>\$ 1,607,573</u>	<u>189,407</u>

\$175,283 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>	
2019	\$ 491,549
2020	507,845
2021	281,092
2022	(37,602)
Total	<u>\$ 1,242,884</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:

Actuarial Cost	Entry age normal
Inflation	2.50%

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Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.				
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.				
Average Expected Remaining Service Lives	Fiscal year Service Life in Years	2017	2016	2015	2014
		3.35	3.77	3.92	3.88
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.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>				
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.				
Cost-of-living Increases	1.90% per year, compounded annually.				
Payroll Growth	3.00% per year (with no allowance for membership growth).				
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.				
Disability Incidence	Approved rates are applied to eligible members with at least 10 years of service.				

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
	<u>100%</u>	7.25%

Discount rate. A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

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 5.90 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-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	<u>1% Decrease (4.9%)</u>	<u>Current Discount Rate (5.9%)</u>	<u>1% Increase (6.9%)</u>
The Districts' proportionate share of the net pension liability	\$ 5,944,479	\$ 4,566,524	\$ 3,440,158

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. Other Post-Employment Benefits (OPEB)

Retiree Health Care Plan

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

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

All regular full-time employees of the District are members of the Plan, in addition to certain job share and intermittent employees. Eligible employees become members on the first day they are physically on the job. At June 30, 2017, Plan membership consisted of the following:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
Total	<u>160,035</u>
Active membership	
State General	19,593
State Police and Corrections	1,886
Municipal General	21,004
Municipal Police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>97,349</u>

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

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages." See Section 10 7C-13 NMSA 1978 for more details.

The Schedules are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with the standards issued by the Government Accounting Standards Board (GASB). Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For the purposes of measuring the net OPEB liability, deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Authority and additions to and deductions from Authority's fiduciary net position have been determined on the same basis as they were reported by Authority. Each participating employer's proportionate share of the Fund's net OPEB liability, deferred amounts and OPEB expense is calculated based on the employer's contributions to the Fund as a percentage of total employer contributions received by the Fund during the measurement year.

The preparation of the schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures for the reporting period. Actual results could differ from those estimates.

Benefits Provided.

Benefit Types: Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree paid. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees.

Duration of Coverage: Employees and dependents are valued for life.

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

Retiree Contributions: The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

Non-Medicare Retiree	33.0%	34.3%	35.5%	36.0%
Non-Medicare Spouse	57.6%	60.5%	63.0%	64.0%
Medicare Retiree	52.7%	50.9%	50.0%	50.0%
Medicare Spouse	79.1%	76.4%	75.0%	75.0%

Retired Before 2020 or in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	58.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

Retired After 2019 and Not in Public Safety Pension Plan			
Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

Actuarial Valuation

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return

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

Asset Class	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20.0%	4.1%
U.S. equity - large cap	20.0%	9.1%
Non U.S. - emerging markets	15.0%	12.2%
Non U.S. - developed	12.0%	9.8%
Private equity	10.0%	13.8%
Credit and structured	10.0%	7.3%
Real estate	5.0%	6.9%
Absolute return	5.0%	6.1%
U.S. equity - small/mid cap	3.0%	9.1%

Discount Rate

The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 3.81% is the blended discount rate.

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 3.81%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability	\$ 1,498,441	\$ 1,235,334	\$ 1,028,903

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2017, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

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Notes to the Financial Statements
June 30, 2018

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
The Districts' proportionate share of the net OPEB liability	\$ 1,050,737	\$ 1,235,334	\$ 1,379,274

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$1,235,334 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.02726%, which was an increase of 0% from their proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$49,113. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	47,406
Net difference between projected and actual earnings on OPEB investments	0	17,771
Changes in assumptions	0	215,982
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	25,130	0
	<u>\$ 25,130</u>	<u>281,159</u>

\$25,130 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (59,776)
2020	(59,776)
2021	(59,776)
2022	(59,776)
2023	(42,055)
Total	\$ <u><u>(281,159)</u></u>

Additional Information. Additional financial information is available at www.nmrhca.org or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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, 2018, \$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 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 1, 2018 which is the date the financial statements were available to be issued.

P. Restatement

Net Position was restated for the OPEB liability of \$1,467,379.

Required Supplemental Information

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Schedules of Required Supplementary Information for Pension Plan

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

Last 10 Fiscal Years*

	2015 2014	2016 2015	2017 2016	2018 2017
District's proportion of the net pension liability	0.04370%	0.04065%	0.04354%	0.04109%
District's proportionate share of the net pension liability	\$ 2,303,395	\$ 2,633,009	\$ 3,113,897	\$ 4,566,524
District's covered-employee payroll	\$ 1,155,446	\$ 1,243,470	\$ 1,170,073	\$ 1,261,026
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.35%	211.75%	266.13%	362.13%
Plan fiduciary net position as a percentage of the	66.54%	63.97%	61.58%	52.95%

*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	2018
Contractually required contribution	\$ 160,607	\$ 172,842	\$ 162,640	\$ 175,282
Contributions in relation to the contractually required contribution	\$ 160,607	\$ 172,841	\$ 162,640	\$ 175,282
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
Districts covered-employee payroll	\$ 1,155,446	\$ 1,243,470	\$ 1,170,073	\$ 1,261,026
Contributions as a percentage of covered-employee payroll	13.90%	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.

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015 in conjunction with the six-year experience study period ended June 30, 2014. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- * All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,

- * Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67,

- * COLAs for most retirees are reduced until NMERB attains a 100% funded status, and

- * For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

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

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 <u>2017</u>
District's proportion of the net OPEB liability		0.02726%
District's proportionate share of the net OPEB liability		\$ 1,235,334
District's covered-employee payroll		\$ 1,261,026
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		97.96%
Plan fiduciary net position as a percentage of the total OPEB liability		11.34%

**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 2018, the year the statement's requirements became effective.

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30, <u>2018</u>
Contractually required contribution	\$ <u>25,130</u>
Contributions in relation to the contractually required contribution	\$ <u>25,130</u>
Contribution deficiency (excess)	\$ <u><u>0</u></u>
Districts covered-employee payroll	\$ 1,261,026
Contributions as a percentage of covered-employee payroll	2.00%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

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 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 (REAP) (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.

REC (26107). To account for revenues and expenditure received from a grant funded through the Regional Education Cooperative #6 to provide for the education of preschool students. The fund was created by a memorandum of understanding.

GO Student Library (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico.

State of New Mexico

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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.

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.

Nonmajor 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.

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San Jon Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Assets			
Cash and Cash Equivalents	\$ 4,945	\$ 4,993	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	0	0
Inventory	1,916	0	0
Total Assets	\$ 6,861	\$ 4,993	\$ 0
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable-Inventory	3,697	0	0
Restricted for:			
Special Revenue Funds	3,164	4,993	0
Capital Projects	0	0	0
Debt Service	0	0	0
Total Fund Balances	6,861	4,993	0
Total Liabilities, Deferred Inflows and Fund Balances	6,861	\$ 4,993	\$ 0

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, 2018

	Special Revenue Funds		
		Teacher/Principal	
	IDEA B Results Plan 24132	Training and Recruiting 24154	REAP 25233
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	592	2,234	0
Inventory	0	0	0
Total Assets	<u>\$ 592</u>	<u>\$ 2,234</u>	<u>\$ 0</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	592	2,234	0
Total Liabilities	<u>592</u>	<u>2,234</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>\$ 592</u>	<u>\$ 2,234</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, 2018

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>
	REC 26107	GO Student Library 27107	Senate Bill Nine-State 31700
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	6,552	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 6,552</u>	<u>\$ 0</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balances	0	6,552	0
Total Liabilities	<u>0</u>	<u>6,552</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>\$ 6,552</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, 2018

	<u>Capital Projects Fund</u>		<u>Total</u>
	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service Fund 41000</u>	
Assets			
Cash and Cash Equivalents	\$ 16,001	\$ 14,650	\$ 40,589
Receivables			
Taxes	2,685	7,133	9,818
Due From Grantor	0	0	9,378
Inventory	0	0	1,916
Total Assets	<u>\$ 18,686</u>	<u>\$ 21,783</u>	<u>\$ 61,701</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	\$ 1,171	\$ 0	\$ 1,171
Interfund Balances	0	0	9,378
Total Liabilities	<u>1,171</u>	<u>0</u>	<u>10,549</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>2,600</u>	<u>6,937</u>	<u>9,537</u>
Total Deferred Inflows of Resources	<u>2,600</u>	<u>6,937</u>	<u>9,537</u>
Fund Balance			
Nonspendable-Inventory	0	0	3,697
Restricted for:			
Special Revenue Funds	0	0	8,157
Capital Projects	14,915	0	14,915
Debt Service	0	14,846	14,846
Total Fund Balances	<u>14,915</u>	<u>14,846</u>	<u>41,615</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 18,686</u>	<u>\$ 21,783</u>	<u>\$ 61,701</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, 2018

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA Preschool 24109
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	11,886	11,998	0
State & Local Grants	0	0	0
Federal Grants	50,445	0	3,600
Total Revenues	<u>62,331</u>	<u>11,998</u>	<u>3,600</u>
Expenditures			
Current			
Instruction	0	12,283	0
Support Services			
Students	0	0	3,600
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services	65,596	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>65,596</u>	<u>12,283</u>	<u>3,600</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,265)	(285)	0
Fund Balances at Beginning of Year	<u>10,126</u>	<u>5,278</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 6,861</u>	<u>\$ 4,993</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, 2018

	Special Revenue Funds		
	Teacher/Principal		
	IDEA B Results Plan 24132	Training and Recruiting 24154	REAP 25233
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	20,000	8,060	19,764
Total Revenues	<u>20,000</u>	<u>8,060</u>	<u>19,764</u>
Expenditures			
Current			
Instruction	20,000	8,060	19,764
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>20,000</u>	<u>8,060</u>	<u>19,764</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, 2018

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>
	<u>REC 26107</u>	<u>GO Student Library 27107</u>	<u>Senate Bill Nine-State 31700</u>
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	31,652	6,552	45,600
Federal Grants	0	0	0
Total Revenues	<u>31,652</u>	<u>6,552</u>	<u>45,600</u>
Expenditures			
Current			
Instruction	31,652	0	0
Support Services			
Students	0	0	0
Instruction	0	6,552	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services	0	0	0
Capital Outlay	0	0	45,600
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>31,652</u>	<u>6,552</u>	<u>45,600</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, 2018

	<u>Capital Projects Fund</u>		<u>Total</u>
	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service Fund 41000</u>	
Revenues			
Property Taxes	\$ 28,952	\$ 65,956	\$ 94,908
Fees	0	0	23,884
State & Local Grants	0	0	83,804
Federal Grants	0	0	101,869
Total Revenues	<u>28,952</u>	<u>65,956</u>	<u>304,465</u>
Expenditures			
Current			
Instruction	2,494	0	94,253
Support Services			
Students	0	0	3,600
Instruction	0	0	6,552
General Administration	291	663	954
Operation of Plant	18,171	0	18,171
Food Services	0	0	65,596
Capital Outlay	6,624	0	52,224
Debt Service			
Principal	0	60,000	60,000
Interest	0	7,545	7,545
Total Expenditures	<u>27,580</u>	<u>68,208</u>	<u>308,895</u>
Excess (Deficiency) of Revenues Over Expenditures	1,372	(2,252)	(4,430)
Fund Balances at Beginning of Year	<u>13,543</u>	<u>17,098</u>	<u>46,045</u>
Fund Balance End of Year	<u>\$ 14,915</u>	<u>\$ 14,846</u>	<u>\$ 41,615</u>

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, 2018

	Balance 06/30/17	Additions	Deductions	Balance 06/30/18
23015 Class of 2015	\$ 381	\$ 0	\$ 163.65	\$ 217
23016 Class of 2016	300	0	0.00	300
23017 Class of 2017	500	0	200.00	300
23018 Class of 2018	4,459	16,342	20,338.06	462
23019 Class of 2019	1,444	5,818	4,557.70	2,704
23020 Class of 2020	2,367	446	0.00	2,813
23021 Class of 2021	2,416	252	0.00	2,669
23022 Class of 2022	1,546	258	293.70	1,511
23023 Class of 2023	2,985	270	0.00	3,255
23024 Class of 2024	1,223	1,040	0.00	2,263
23025 Class of 2025	2,857	373	84.05	3,146
23026 Class of 2026	887	200	38.96	1,047
23027 Class of 2027	2,519	1,432	0.00	3,951
23028 Class of 2028	429	139	212.39	355
23029 Class of 2029	438	982	0.00	1,421
23030 Class of 2030	0	224	203.87	21
23111 General Activity	4,263	8,417	10,444.16	2,235
23112 Annual	1,254	4,662	5,751.10	165
23127 Cheerleaders	384	738	769.98	352
23128 Library	128	2,291	2,290.75	128
23129 National Honor Society	13	0	13.00	0
23130 BPA	481	0	480.60	0
23131 Special Fund	3,242	4,315	4,641.70	2,915
23132 Student Council	2,198	2,583	2,842.65	1,939
23133 Concessions	5,839	2,704	5,342.18	3,200
23134 FFA	3,280	16,125	15,962.73	3,442
23136 Science	1,984	4,228	6,146.44	66
23137 Basketball	3	0	0.00	3
23138 Football	117	0	0.00	117
23139 Volleyball	2,019	3,279	2,643.26	2,655
All Activities	5,500	0	0.00	5,500
	<u>\$ 55,456</u>	<u>\$ 77,118</u>	<u>\$ 83,421</u>	<u>\$ 49,153</u>
Liabilities				
Deposits Held for Others	\$ 55,456	\$ 77,118	\$ 83,421	\$ 49,153
Total Liabilities	<u>\$ 55,456</u>	<u>\$ 77,118</u>	<u>\$ 83,421</u>	<u>\$ 49,153</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, 2018

		Beginning Cash Balance 6/30/17	Revenue	Expenditures	Ending Cash Balance 6/30/18
Operational	11000	\$ 202,294	\$ 1,916,588	\$ 1,910,541	\$ 208,342
Teacherage	12000	8,789	13,607	17,432	4,964
Transportation	13000	0	173,678	173,678	0
Instructional Materials	14000	2,658	4,494	6,701	452
Food Services	21000	5,678	58,177	58,910	4,945
Athletics	22000	5,278	11,998	12,283	4,993
Federal Flowthrough	24000	(18,284)	91,480	98,810	(25,614)
Federal Direct	25000	0	19,764	19,764	0
Local Grants	26000	(8,956)	40,607	31,652	0
State Grants	27000	0	49,253	80,426	(31,174)
Local & State Grants	29000	96,762	86,000	120,320	62,442
Senate Bill Nine-State	31700	0	45,600	45,600	0
Senate Bill Nine-Local	31701	19,630	29,094	32,723	16,001
Debt Service	41000	16,582	66,277	68,208	14,652
Agency Funds	23000	55,456	77,118	83,421	49,153
Total		<u>\$ 385,889</u>	<u>\$ 2,683,736</u>	<u>\$ 2,760,467</u>	<u>\$ 309,157</u>

The notes to the financial statements are an integral part

De'Aun Willoughby CPA, PC

Certified Public Accountant

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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. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the San Jon Municipal Schools

Mr. Johnson 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 and major special revenue funds, of San Jon Municipal Schools (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2018.

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.

Compliance and Other Matters

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

Purpose of this Report

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

October 1, 2018

State of New Mexico
San Jon Municipal Schools
Schedule of Findings and Responses
For the Year Ended June 30, 2018

Prior Year Audit Findings

Status

2017-001 Payroll	Resolved
2017-002 Receipt Books	Resolved
2017-003 Fixed Assets and Depreciation	Resolved

Current Year Audit Findings

None

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 1, 2018. Those present were Janet Gladu-Superintendent, Cynthia Lee-Board Member, Dale Bone-Board Member, Julie Lafferty-Audit Committee Member, Lucy Heddlesten-Business Manager and De'Aun Willoughby, CPA.