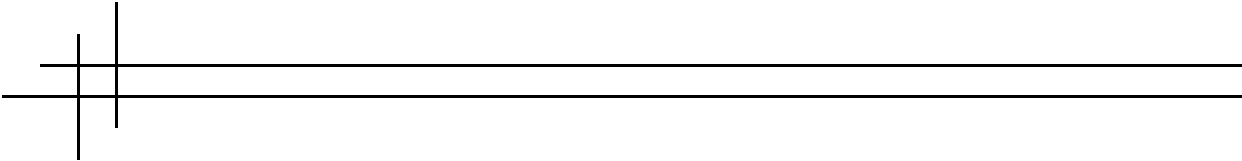


State of New Mexico
Santa Rosa Consolidated Schools

Annual Financial Report
June 30, 2017

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



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State of New Mexico
Santa Rosa Consolidated Schools
Official Roster
June 30, 2017

Board of Education

Gilda Gonzales	President
Pablita Abeyta	Vice-President
Marcella Gerhardt	Secretary
Lorraine Madrid	Member
Jennifer Muniz	Member

School Officials

Richard Perea	Superintendent
Sonia Tenorio	Business Manager

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Santa Rosa Consolidated Schools

Mr. Keller and Members of the Board

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico
October 20, 2017

Financial Section

State of New Mexico
Santa Rosa Consolidated Schools
Government-Wide Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,154,191
Taxes Receivable	101,478
Due from Grantor	405,848
Inventory	12,886
Total Current Assets	<u>1,674,403</u>
Noncurrent Assets	
Capital Assets	31,069,341
Less: Accumulated Depreciation	<u>(15,342,414)</u>
Total Noncurrent Assets	<u>15,726,927</u>
Total Assets	<u>17,401,330</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	45,713
Investment Experience	628,972
Changes of Assumptions	214,491
Changes in Proportion	122,541
Contributions Subsequent to Measurement Date	614,601
Total Deferred Outflows of Resources	<u>1,626,318</u>
Liabilities	
Current Liabilities	
Accounts Payable	34,246
Accrued Interest	9,027
Current Portion Due of Long-Term Debt	400,000
Total Current Liabilities	<u>443,273</u>
Noncurrent Liabilities	
Bonds Payable	3,325,000
Pension Liability	10,537,018
Total Noncurrent Liabilities	<u>13,862,018</u>
Total Liabilities	<u>14,305,291</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	100,220
Changes in Proportion	495,449
Total Deferred Inflows of Resources	<u>595,669</u>
Net Position	
Invested in Net Capital Assets	12,001,927
Restricted for:	
Capital Projects	442,742
Debt Service	137,057
Unrestricted	<u>(8,455,038)</u>
Total Net Position	<u>\$ 4,126,688</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 4,410,709	54,186	\$ 667,669	\$ 0	\$ (3,688,854)
Support Services					
Students	704,562	118,187	59,659	0	(526,716)
Instruction	137,248	0	16,681	0	(120,567)
General Administration	337,843	0	13,459	0	(324,384)
School Administration	648,766	0	5,560	0	(643,206)
Central Services	261,281	0	0	0	(261,281)
Operation of Plant	1,820,838	0	0	0	(1,820,838)
Student Transportation	480,132	0	369,106	80,295	(30,731)
Other	672	0	0	0	(672)
Food Services Operations	460,195	21,219	473,294	0	34,318
Interest Expense	90,181	0	0	0	(90,181)
Total Governmental Activities	\$ 9,352,427	\$ 193,592	\$ 1,605,428	\$ 80,295	(7,473,112)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					
					47,575
Property Taxes, Levied for Capital Projects					
					210,456
Property Taxes, Levied for Debt Service					
					472,175
Federal and State aid not restricted to specific purpose					
General					
					5,926,793
Capital					
					0
Interest and investment earnings					
					33,772
Miscellaneous					
					306,099
Subtotal, General Revenues					
					<u>6,996,870</u>
Change in Net Position					
					<u>(476,242)</u>
Net Position - Beginning					
					4,577,884
Restatement					
					25,046
Restated Beginning Net Position					
					<u>4,602,930</u>
Net Position - Ending					
					<u><u>\$ 4,126,688</u></u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	General		
	Operational 11000	Transportation 13000	Instructional Materials 14000
Assets			
Cash and Cash Equivalents	\$ 196,134	\$ 2,361	\$ 47,851
Receivables			
Taxes	5,597	0	0
Due From Grantor	0	0	0
Interfund Balance	404,167	0	0
Inventory	0	0	0
Total Assets	<u>\$ 605,898</u>	<u>\$ 2,361</u>	<u>\$ 47,851</u>
Liabilities			
Accounts Payable	\$ 28,779	\$ 161	\$ 0
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>28,779</u>	<u>161</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>4,668</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>4,668</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Unassigned	<u>572,451</u>	<u>2,200</u>	<u>47,851</u>
Total Fund Balances	<u>572,451</u>	<u>2,200</u>	<u>47,851</u>
 Total Liabilities, Deferred Inflow of Resources and Fund Balances	 <u>\$ 605,898</u>	 <u>\$ 2,361</u>	 <u>\$ 47,851</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
Governmental Funds
Balance Sheet
June 30, 2017

	Special Revenue		Capital Projects
	Title I 24101	School Bus 27178	Senate Bill Nine-Local 31701
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 381,737
Receivables			
Taxes	0	0	27,772
Due From Grantor	105,737	80,295	0
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 105,737</u>	<u>\$ 80,295</u>	<u>\$ 409,509</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 2,064
Interfund Balance	105,737	80,295	0
Total Liabilities	<u>105,737</u>	<u>80,295</u>	<u>2,064</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	23,118
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>23,118</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	384,327
Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>384,327</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 105,737</u>	<u>\$ 80,295</u>	<u>\$ 409,509</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 126,758	\$ 399,350	\$ 1,154,191
Receivables			
Taxes	68,109	0	101,478
Due From Grantor	0	219,816	405,848
Interfund Balance	0	0	404,167
Inventory	0	12,886	12,886
Total Assets	<u>\$ 194,867</u>	<u>\$ 632,052</u>	<u>\$ 2,078,570</u>
Liabilities			
Accounts Payable	\$ 0	\$ 3,242	\$ 34,246
Interfund Balance	<u>0</u>	<u>218,135</u>	<u>404,167</u>
Total Liabilities	<u>0</u>	<u>221,377</u>	<u>438,413</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>57,810</u>	<u>0</u>	<u>85,596</u>
Total Deferred Inflows of Resources	<u>57,810</u>	<u>0</u>	<u>85,596</u>
Fund Balances			
Nonspendable-Inventory	0	12,886	12,886
Restricted for:			
Special Revenue Funds	0	339,374	339,374
Capital Improvements	0	58,415	442,742
Debt Service	137,057	0	137,057
Unassigned	<u>0</u>	<u>0</u>	<u>622,502</u>
Total Fund Balances	<u>137,057</u>	<u>410,675</u>	<u>1,554,561</u>
 Total Liabilities, Deferred Inflow of Resources and Fund Balances	 <u>\$ 194,867</u>	 <u>\$ 632,052</u>	 <u>\$ 2,078,570</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2017

Total Fund Balance - Governmental Funds \$ 1,554,561

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. 85,596

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

Capital Assets	\$ 31,069,341	
Accumulated Depreciation	<u>(15,342,414)</u>	15,726,927

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

Deferred Outflows Related to Pensions	1,626,318	
Deferred Inflows Related to Pensions	<u>(595,669)</u>	1,030,649

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 :

Bond Payable	(3,725,000)	
Pension Liability	(10,537,018)	
Accrued Interest	<u>(9,027)</u>	<u>(14,271,045)</u>

Total Net Position - Governmental Activities \$ 4,126,688

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

State of New Mexico
Santa Rosa Consolidated Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2017

	General		
	Operational	Transportation	Instructional
	11000	13000	Materials 14000
Revenues			
Property Taxes	\$ 47,789	\$ 0	\$ 0
Fees	9,044	0	0
State & Local Grants	5,926,793	367,659	49,040
Federal Grants	0	0	0
Interest Income	16,384	0	0
Miscellaneous	98,736	0	0
Total Revenues	<u>6,098,746</u>	<u>367,659</u>	<u>49,040</u>
Expenditures			
Current			
Instruction	3,283,004	0	53,524
Support Services			
Students	563,299	0	0
Instruction	111,631	0	0
General Administration	257,096	0	0
School Administration	590,297	0	0
Central Services	214,974	0	0
Operation of Plant	1,094,562	0	0
Student Transportation	3,950	365,430	0
Other	672	0	0
Food Service Operations	4,780	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>6,124,265</u>	<u>365,430</u>	<u>53,524</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,519)</u>	<u>2,229</u>	<u>(4,484)</u>
Fund Balances at Beginning of Year	597,970	2,217	57,269
Restatement	0	(2,246)	(4,934)
Restated Beginning Fund Balance	<u>597,970</u>	<u>(29)</u>	<u>52,335</u>
Fund Balance End of Year	<u>\$ 572,451</u>	<u>\$ 2,200</u>	<u>\$ 47,851</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>
	<u>Title I 24101</u>	<u>School Bus 27178</u>	<u>Senate Bill Nine-Local 31701</u>
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 207,825
Fees	0	0	0
State & Local Grants	0	80,295	0
Federal Grants	242,840	0	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>242,840</u>	<u>80,295</u>	<u>207,825</u>
Expenditures			
Current			
Instruction	232,507	0	14,490
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	10,333	0	2,102
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	188,644
Student Transportation	0	0	0
Other	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	80,295	56,823
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>242,840</u>	<u>80,295</u>	<u>262,059</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(54,234)</u>
Fund Balances at Beginning of Year	0	0	406,335
Restatement	0	0	32,226
Restated Beginning Fund Balance	<u>0</u>	<u>0</u>	<u>438,561</u>
Fund Balance End of Year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 384,327</u></u>

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

State of New Mexico
Santa Rosa Consolidated Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2017

	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 478,662	\$ 0	\$ 734,276
Fees	0	184,548	193,592
State & Local Grants	0	193,124	6,616,911
Federal Grants	0	752,765	995,605
Interest Income	16,384	1,004	33,772
Miscellaneous	0	207,363	306,099
Total Revenues	<u>495,046</u>	<u>1,338,804</u>	<u>8,880,255</u>
Expenditures			
Current			
Instruction	0	475,516	4,059,041
Support Services			
Students	0	111,352	674,651
Instruction	0	16,681	128,312
General Administration	4,715	53,003	327,249
School Administration	0	23,301	613,598
Central Services	0	14,957	229,931
Operation of Plant	0	16,054	1,299,260
Student Transportation	0	2,116	371,496
Other	0	0	672
Food Service Operations	0	441,551	446,331
Capital Outlay	0	8,299	145,417
Debt Service			
Principal	375,000	0	375,000
Interest	90,994	0	90,994
Total Expenditures	<u>470,709</u>	<u>1,162,830</u>	<u>8,761,952</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,337</u>	<u>175,974</u>	<u>118,303</u>
Fund Balances at Beginning of Year	112,720	234,701	1,411,212
Restatement	0	0	25,046
Restated Beginning Fund Balance	<u>112,720</u>	<u>234,701</u>	<u>1,436,258</u>
Fund Balance End of Year	<u>\$ 137,057</u>	<u>\$ 410,675</u>	<u>\$ 1,554,561</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2017

Excess (Deficiency) of Revenues Over Expenditures \$ 118,303

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 outflows. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2016	\$ (89,667)	
Property Taxes Receivable, June 30, 2017	<u>85,596</u>	(4,071)

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	(823,107)	
Capital Outlays	<u>145,417</u>	(677,690)

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

375,000

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

Accrued Interest, June 30, 2016	9,840	
Accrued Interest, June 30, 2017	<u>(9,027)</u>	813

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

Pension Contributions	614,601	
Pension Expense	<u>(903,198)</u>	<u>(288,597)</u>

Changes in Net Position of Governmental Activities \$ (476,242)

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

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 45,551	\$ 45,551	\$ 47,519	\$ 1,968
Interest Income	6,000	6,000	16,384	10,384
Fees	6,000	6,000	9,044	3,044
State Grant	5,923,983	5,923,983	5,926,793	2,810
Miscellaneous	81,785	81,785	98,736	16,951
Total Revenues	<u>6,063,319</u>	<u>6,063,319</u>	<u>6,098,476</u>	<u>35,157</u>
Expenditures				
Instruction				
Personnel Services	2,512,328	2,386,953	2,385,338	1,615
Employee Benefits	951,107	893,188	846,913	46,275
Professional & Tech Services	8,695	8,695	6,752	1,943
Purchased Property Services	5,000	5,000	0	5,000
Other Purchased Services	0	0	1,127	(1,127)
Supplies	93,200	93,200	40,214	52,986
Supply Assets	2,600	2,600	0	2,600
Total Instruction	<u>3,572,930</u>	<u>3,389,636</u>	<u>3,280,344</u>	<u>109,292</u>
Support Services				
Students				
Personnel Services	327,960	319,103	295,664	23,439
Employee Benefits	113,348	112,952	105,397	7,555
Professional & Tech Services	173,310	173,310	159,538	13,772
Other Purchased Services	563	563	283	280
Supplies	1,500	3,919	2,417	1,502
Supply Assets	200	200	0	200
Total Students	<u>616,881</u>	<u>610,047</u>	<u>563,299</u>	<u>46,748</u>
Instruction				
Personnel Services	45,358	68,464	64,118	4,346
Employee Benefits	43,975	43,150	39,019	4,131
Supplies	7,450	8,775	8,494	281
Supply Assets	500	0	0	0
Total Instruction	<u>97,283</u>	<u>120,389</u>	<u>111,631</u>	<u>8,758</u>
General Administration				
Personnel Services	108,201	122,539	121,767	772
Employee Benefits	47,322	48,996	47,787	1,209
Professional & Tech Services	53,112	57,714	56,988	726
Other Purchased Services	23,700	13,986	13,595	391
Supplies	13,300	11,858	11,784	74
Supply Assets	2,000	650	649	1
Total General Administration	<u>\$ 247,635</u>	<u>\$ 255,743</u>	<u>\$ 252,570</u>	<u>\$ 3,173</u>

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 410,633	\$ 450,163	\$ 429,155	\$ 21,008
Employee Benefits	140,146	159,283	150,517	8,766
Professional & Tech Services	5,485	7,203	6,491	712
Purchased Property Services	2,000	112	0	112
Other Purchased Services	600	2,076	1,920	156
Supplies	5,200	2,920	2,687	233
Supply Assets	2,000	0	0	0
Total School Administration	<u>566,064</u>	<u>621,757</u>	<u>590,770</u>	<u>30,987</u>
Central Services				
Personnel Services	144,838	144,300	144,298	2
Employee Benefits	52,144	54,254	53,899	355
Professional & Tech Services	9,235	13,455	13,440	15
Purchased Property Services	1,090	1,380	1,380	0
Other Purchased Services	2,804	1,437	1,436	1
Supplies	1,000	521	521	0
Supply Assets	1,000	0	0	0
Total Central Services	<u>212,111</u>	<u>215,347</u>	<u>214,974</u>	<u>373</u>
Operation of Plant				
Personnel Services	283,592	308,402	298,497	9,905
Employee Benefits	139,615	153,493	115,974	37,519
Professional & Tech Services	280	2,844	2,593	251
Purchased Property Services	384,250	430,597	300,723	129,874
Other Purchased Services	321,559	310,933	304,173	6,760
Supplies	40,666	65,374	61,870	3,504
Supply Assets	2,000	0	0	0
Total Operation of Plant	<u>1,171,962</u>	<u>1,271,643</u>	<u>1,083,830</u>	<u>187,813</u>
Student Transportation				
Purchased Property Services	0	3,951	3,950	1
Total Student Transportation	<u>0</u>	<u>3,951</u>	<u>3,950</u>	<u>1</u>
Other Support Service				
Other Support Services	19,555	19,555	672	18,883
Total Other Support Service	<u>19,555</u>	<u>19,555</u>	<u>672</u>	<u>18,883</u>
Total Support Services	\$ <u>2,931,491</u>	\$ <u>3,118,432</u>	\$ <u>2,821,696</u>	\$ <u>296,736</u>

State of New Mexico

Santa Rosa Consolidated Schools

General Fund-Operational-11000

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

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Food Service				
Purchased Property Services	\$ 18,300	\$ 18,300	\$ 16,965	\$ 1,335
Other Purchased Services	950	7,927	2,268	5,659
Supplies	1,500	1,573	0	1,573
Total Food Service	<u>20,750</u>	<u>27,800</u>	<u>19,233</u>	<u>8,567</u>
Total Expenditures	<u>6,525,171</u>	<u>6,535,868</u>	<u>6,121,273</u>	<u>414,595</u>
Excess (Deficiency) of Revenues Over Expenditures	(461,852)	(472,549)	(22,797)	449,752
Cash Balance Beginning of Year	<u>623,098</u>	<u>623,098</u>	<u>623,098</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 161,246</u>	<u>\$ 150,549</u>	<u>\$ 600,301</u>	<u>\$ 449,752</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (22,797)	
Net Change in Taxes Receivable			55	
Net Change in Accounts Payable			(2,992)	
Net Change in Unavailable Revenue			215	
Net Change in Fund Balance			<u>\$ (25,519)</u>	

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

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 424,506	367,659	\$ 367,659	\$ 0
Total Revenues	<u>424,506</u>	<u>367,659</u>	<u>367,659</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	228,705	192,308	192,304	4
Employee Benefits	140,303	101,953	101,847	106
Professional & Tech Services	1,215	1,408	1,406	2
Purchased Property Services	7,515	14,786	14,785	1
Other Purchased Services	30,911	24,787	24,785	2
Supplies	15,857	32,417	32,416	1
Return to PED	0	2,246	2,246	0
Total Student Transportation	<u>424,506</u>	<u>369,905</u>	<u>369,789</u>	<u>116</u>
Total Support Services	<u>424,506</u>	<u>369,905</u>	<u>369,789</u>	<u>116</u>
Total Expenditures	<u>424,506</u>	<u>369,905</u>	<u>369,789</u>	<u>116</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(2,246)	(2,130)	116
Cash Balance Beginning of Year	<u>4,491</u>	<u>4,491</u>	<u>4,491</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,491</u>	<u>\$ 2,245</u>	<u>\$ 2,361</u>	<u>\$ 116</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (2,130)	
Net Change in Accounts Payable			2,113	
Return to PED			2,246	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 2,229</u>	

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

State of New Mexico
Santa Rosa Consolidated Schools
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 29,474	\$ 29,474	\$ 49,040	\$ 19,566
Total Revenues	<u>29,474</u>	<u>29,474</u>	<u>49,040</u>	<u>19,566</u>
Expenditures				
Instruction				
Supplies	85,857	80,923	53,524	27,399
Return to PED	0	0	4,934	(4,934)
Total Instruction	<u>85,857</u>	<u>80,923</u>	<u>58,458</u>	<u>22,465</u>
Total Expenditures	<u>85,857</u>	<u>80,923</u>	<u>58,458</u>	<u>22,465</u>
Excess (Deficiency) of Revenues Over Expenditures	(56,383)	(51,449)	(9,418)	42,031
Cash Balance Beginning of Year	<u>57,269</u>	<u>57,269</u>	<u>57,269</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 886</u>	<u>\$ 5,820</u>	<u>\$ 47,851</u>	<u>\$ 42,031</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (9,418)	
Return to PED			<u>4,934</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (4,484)</u>	

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

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 356,784	\$ 383,633	\$ 275,118	\$ (108,515)
Total Revenues	<u>356,784</u>	<u>383,633</u>	<u>275,118</u>	<u>(108,515)</u>
Expenditures				
Instruction				
Personnel Services	125,485	130,398	128,445	1,953
Employee Benefits	60,398	53,902	53,819	83
Professional & Tech Services	2,600	0	0	0
Other Purchased Services	1,000	0	40,520	(40,520)
Supplies	20,126	41,262	9,723	31,539
Supply Assets	0	9,723	0	9,723
Total Instruction	<u>209,609</u>	<u>235,285</u>	<u>232,507</u>	<u>2,778</u>
Support Services				
General Administration				
Professional & Tech Services	9,160	10,333	10,333	0
Total General Administration	<u>9,160</u>	<u>10,333</u>	<u>10,333</u>	<u>0</u>
Total Support Services	<u>9,160</u>	<u>10,333</u>	<u>10,333</u>	<u>0</u>
Total Expenditures	<u>218,769</u>	<u>245,618</u>	<u>242,840</u>	<u>2,778</u>
Excess (Deficiency) of Revenues Over Expenditures	138,015	138,015	32,278	(105,737)
Cash Balance Beginning of Year	<u>(138,015)</u>	<u>(138,015)</u>	<u>(138,015)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (105,737)</u>	<u>\$ (105,737)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 32,278	
Net Change in Due from Grantor			<u>(32,278)</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
Santa Rosa Consolidated Schools
Special Revenue Fund-School Bus-27178
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 0	\$ 80,295	\$ 0	\$ (80,295)
Total Revenues	<u>0</u>	<u>80,295</u>	<u>0</u>	<u>(80,295)</u>
Expenditures				
Support Services				
Student Transportation				
Fixed Assets	0	80,295	80,295	0
Total Student Transportation	<u>0</u>	<u>80,295</u>	<u>80,295</u>	<u>0</u>
Total Support Services	<u>0</u>	<u>80,295</u>	<u>80,295</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>80,295</u>	<u>80,295</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(80,295)	(80,295)
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>\$ (80,295)</u>	<u>\$ (80,295)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (80,295)	
Net Change in Due from Grantor			<u>80,295</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
Santa Rosa Consolidated Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 62,611
Total Assets	<u>\$ 62,611</u>
Liabilities	
Deposits Held for Others	\$ 62,611
Total Liabilities	<u>\$ 62,611</u>

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

Summary of Significant Accounting Policies

The financial statements of the Santa Rosa Consolidated Schools (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 is the general operating fund of the District and 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 Funds - The Capital Projects Funds 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 all 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 accounting reflects the District's agency relationship with the student activity organizations.

Major Funds

The District reports the following major governmental funds:

General Fund (11000)(13000)(14000).The General Fund consist of three 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 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.

Special Revenue Fund

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.

Major Capital Projects Fund

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

Major Debt Service Fund

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

Measurement Focus and Basis of Accounting
Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

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

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

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

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

Revenue Recognition for Grants.

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

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

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) 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 SBFAU 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 SBFAU 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 SBFAU.
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 SBFAU.
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	3-15 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.

Short -Term Debt

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

Long-Term Liabilities

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

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed use 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 position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Outflows

The District reports deferred revenues on its Statement of Net Position and Fund Balance Sheet. Deferred outflows 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 deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred outflows 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.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation, which no more than 20 days will be paid to employees upon separation from the District's service. Twelve-month employees that are full time are entitled to fourteen days of paid vacation per year. Vacation days may not accrue from one year to the next without the prior approval of the superintendent, and is accrued when incurred in the government-wide financial statements.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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.

First National Bank

<u>Name of Account</u>	Balance Per Bank 6/30/17	Reconciled Balance	<u>Type</u>
Operational	\$ 1,161,672	\$ 814,107	Interest
Investment	402,695	402,695	Interest
Total Deposited	<u>1,564,367</u>	<u>\$ 1,216,802</u>	
Less: FDIC Coverage	(250,000)		
Uninsured Amount	1,314,367		
50% collateral requirement	657,184		
Pledged securities	<u>2,000,000</u>		
Over (Under) requirement	<u>\$ 1,342,817</u>		

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

The following securities are pledged at **First National Bank**:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLB Letter of Credit	83165AYQ1	\$ 500,000	12/25/2041	Dallas, TX
FHLB Letter of Credit	3577000248	1,500,000	05/15/2018	Dallas, TX
		<u>\$ 2,000,000</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in District's name	1,314,367
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,564,367</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017 none of the District's balance of \$1,211,628 was exposed to custodial risk.

B. Receivables

Following is a schedule of receivables as of June 30, 2017:

	<u>General Fund 11000</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service 41000</u>	<u>Total</u>
Property Taxes Available	\$ 929	\$ 4,654	\$ 10,299	\$ 15,882
Unavailable	4,668	23,118	57,810	85,596
	<u>\$ 5,597</u>	<u>\$ 27,772</u>	<u>\$ 68,109</u>	<u>\$ 101,478</u>

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	Title I 24101	School Bus 27178	Other Governmental Funds	Total
Due From Grantors:				
State	\$ 0	\$ 80,295	\$ 94,421	\$ 174,716
Federal Agencies	105,737	0	125,395	231,132
	<u>\$ 105,737</u>	<u>\$ 80,295</u>	<u>\$ 219,816</u>	<u>\$ 405,848</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Funds			
	Title I 24101	School Bus 27178	Other Governmental Funds	Totals
Operational Fund	\$ 105,737	\$ 80,295	\$ 218,135	\$ 404,167

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

D. Capital Assets

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

	Balance 6/30/16	Increases	Decreases	Balance 6/30/17
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 878,554	\$ 0	\$ 0	\$ 878,554
Total Capital Assets not being Depreciated	<u>878,554</u>	<u>0</u>	<u>0</u>	<u>878,554</u>
Capital Assets, being Depreciated				
Buildings & Improvements	26,631,442	8,299	0	26,639,741
Equipment, Vehicles, Software & Library Books	3,413,927	137,119	0	3,551,046
Total Capital Assets, being Depreciated	<u>30,045,369</u>	<u>145,418</u>	<u>0</u>	<u>30,190,787</u>
Total Capital Assets	<u>30,923,923</u>	<u>145,418</u>	<u>0</u>	<u>31,069,341</u>
Less Accumulated Depreciation				
Buildings & Improvements	12,139,750	682,906	0	12,822,656
Equipment, Vehicles, Software & Library Books	2,379,557	140,201	0	2,519,758
Total Accumulated Depreciation	<u>14,519,307</u>	<u>823,107</u>	<u>0</u>	<u>15,342,414</u>
Capital Assets, net	<u>\$ 16,404,616</u>	<u>\$ (677,689)</u>	<u>\$ 0</u>	<u>\$ 15,726,927</u>

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Depreciation expense was charged to governmental activities as follows:

Instruction	\$	177,059
Support Services		
Students		5,082
Instruction		4,155
General Administration		3,037
School Administration		9,355
Central Services		22,107
Operation & Maintenance of Plant		502,897
Student Transportation		94,347
Food Services Operations		5,068
Total Depreciation Expenses	\$	<u><u>823,107</u></u>

E. Commitments

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

F. Long-Term Debt and Other Liabilities

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

	Balance 6/30/16	Additions	Reductions	Balance 6/30/17	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 4,100,000	\$ 0	\$ 375,000	\$ 3,725,000	\$ 400,000
Total Bonds	<u>4,100,000</u>	<u>0</u>	<u>375,000</u>	<u>3,725,000</u>	<u>400,000</u>
Long-Term Liabilities	<u>\$ 4,100,000</u>	<u>\$ 0</u>	<u>\$ 375,000</u>	<u>\$ 3,725,000</u>	<u>\$ 400,000</u>

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.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2012	5/15/12	4,500,000	1.0%-2.5%	\$ 3,225,000
2013	6/15/13	700,000	2.2%-2.6%	500,000
				<u>\$ 3,725,000</u>

The annual requirements to amortize the General Obligation Bonds Issue as of June 30, 2017, including interest payments are as follows:

	Principal	Interest	Total
2018	\$ 400,000	\$ 83,394	\$ 483,394
2019	400,000	75,294	475,294
2020	450,000	67,194	517,194
2021	475,000	58,044	533,044
2022	475,000	48,044	523,044
2023-2025	1,525,000	76,119	1,601,119
Total	<u>\$ 3,725,000</u>	<u>\$ 408,089</u>	<u>\$ 4,133,089</u>

G. Retirement Plan
Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

- *The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- *The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- *The member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

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

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

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 the employee and employer contributions were \$1,074,402.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$10,537,018 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was 0.14642%, which was a decrease of 0.01053% from their proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$903,198. At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,713	100,220
Net difference between projected and actual earnings on pension plan investments	628,972	0
Changes of assumptions	214,491	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	122,541	495,449
District's contributions subsequent to the measurement	614,601	0
Total	<u>\$ 1,626,318</u>	<u>595,669</u>

\$614,601 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2018	\$ 93,460
2019	9,120
2020	160,088
2021	153,381
Total	<u>\$ 416,049</u>

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

Inflation	3.00%
Salary Increases	Composed of 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-Living Increases	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).
Contribution Accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Districts' proportionate share of the net pension liability	\$ <u>13,956,036</u>	\$ <u>10,537,018</u>	\$ <u>7,700,199</u>

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

H. Retiree Health Care

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$98,323, \$73,425, and \$99,885 respectively, which equal the required contributions for each year.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

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

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

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

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

J. 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.

K. 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:

- 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.

L. Joint Powers Agreements

The District is part of a joint powers agreement with the Northeast Regional Center Cooperative (NEREC). A regional cooperative center that operates as an agency for school districts and provides cooperative services as its primary service.

The purpose of the agreement is to provide supplementary special education services to local education agencies utilizing federal PL 94-142 funds.

The agreement 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 in Las Vegas, New Mexico.

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. Subsequent Events

Subsequent events were evaluated through October 20, 2017, which is the date the financial statements were available to be issued.

O. Restatement

Fund Balance and Net Position was restated for Transportation-13000 \$(2,246) and Instructional Materials-14000 \$(4,934) for the amount returned to PED due to a state-wide budget reduction. Senate Bill Nine-Local-31701 was restated for \$32,226 for a state grant that should have been accrued on the previous years audit. The total restatement was \$25,046.

P. Subsequent Pronouncements

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

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

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

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

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

**Supplemental Information Related to
Major Funds**

State of New Mexico

Santa Rosa Consolidated Schools

Capital Projects Fund-Senate Bill Nine-Local-31701

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 202,456	\$ 202,546	\$ 210,181	\$ 7,635
Total Revenues	<u>202,456</u>	<u>202,546</u>	<u>210,181</u>	<u>7,635</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	1,400	2,200	2,102	98
Total General Administration	<u>1,400</u>	<u>2,200</u>	<u>2,102</u>	<u>98</u>
Total Support Services	<u>1,400</u>	<u>2,200</u>	<u>2,102</u>	<u>98</u>
Capital Outlay				
Maintenance	339,966	339,966	132,857	207,109
Supplies	193,146	191,244	55,489	135,755
Fixed Assets	57,000	40,000	56,824	(16,824)
Supply Assets	23,000	41,902	14,490	27,412
Total Capital Outlay	<u>613,112</u>	<u>613,112</u>	<u>259,660</u>	<u>353,452</u>
Total Expenditures	<u>614,512</u>	<u>615,312</u>	<u>261,762</u>	<u>353,550</u>
Excess (Deficiency) of Revenues Over Expenditures	(412,056)	(412,766)	(51,581)	361,185
Cash Balance Beginning of Year	<u>433,318</u>	<u>433,318</u>	<u>433,318</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 21,262</u>	<u>\$ 20,552</u>	<u>\$ 381,737</u>	<u>\$ 361,185</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (51,581)	
Net Change in Taxes Receivable			275	
Net Change in Accounts Payable			(297)	
Net Change in Unavailable Revenue			(2,631)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (54,234)</u>	

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

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 576,000	\$ 576,000	\$ 471,500	\$ (104,500)
Interest Income	8,539	8,539	16,384	7,845
Total Revenues	<u>584,539</u>	<u>584,539</u>	<u>487,884</u>	<u>(96,655)</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	5,760	5,760	4,715	1,045
Total General Administration	<u>5,760</u>	<u>5,760</u>	<u>4,715</u>	<u>1,045</u>
Total Support Service	<u>5,760</u>	<u>5,760</u>	<u>4,715</u>	<u>1,045</u>
Debt Service				
Principal	375,000	375,000	375,000	0
Interest	90,994	90,994	90,994	0
Total Debt Service	<u>465,994</u>	<u>465,994</u>	<u>465,994</u>	<u>0</u>
Total Expenditures	<u>471,754</u>	<u>471,754</u>	<u>470,709</u>	<u>1,045</u>
Excess (Deficiency) of Revenues Over Expenditures	112,785	112,785	17,175	(95,610)
Cash Balance Beginning of Year	<u>109,583</u>	<u>109,583</u>	<u>109,583</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 222,368</u>	<u>\$ 222,368</u>	<u>\$ 126,758</u>	<u>\$ (95,610)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 17,175	
Net Change in Taxes Receivable			675	
Net Change in Unavailable Revenue			6,487	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 24,337</u>	

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

**Supplemental Information Related to
Nonmajor Funds**

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

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

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

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

Fresh Fruit & Vegetables (24118). To account for a Federal grant to provide a variety of free fresh fruits and vegetables to children to help create a healthier school environment. Funding is authorized by the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Act, signed in November 2005, Public Law 109-97.

IDEA B Results Plan (24132). The New Mexico Real Results Plan (NMRRP) is part of New Mexico's State Systemic Improvement Plan, required by the U.S. Department of Education, Office of Special Education Programs. New Mexico's plan supports PED's waiver under the Elementary and Secondary Education Act and the A - F School Grading System. This plan and all its resources specifically target students with disabilities enrolled in Title I schools. PL 108-446 PT B Individuals with Disabilities Education Act.

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 & Low Income (24160). To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Title I School Improvement (24162). To help schools improve the teaching and learning of children failing, or most at-risk of failing and to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

Medicaid (25153). To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

State of New Mexico

Santa Rosa Consolidated Schools

June 30, 2017

Dual Credit Instructional Materials (27103). To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

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. The fund was created by the authority of state grant provisions.

Pre-K Initiative (27149). To account for revenues and expenditures from a state grant provided for the running of the Pre K program. The fund was created by state grant provisions.

Breakfast for Elementary (27155). To account for revenues and expenditures from a state grant provided for breakfast for elementary students. The fund was created by state grant provisions.

Hard to Staff (27195). To account for funds provided by the New Mexico Public Education Department to assist with the recruitment and retention of teachers in "hard to staff" content areas. The fund was created by the authority of state grant provisions.

Wind Farm Projects (29134). To account for revenue from the wind farm in lieu of property taxes. The fund was created by definition.

Bond Building (31100). The revenues are derived from a bond debt levy. Expenditures are restricted to capital improvements.

Special State Capital Outlay (31400). To account for a grant received from the state for capital improvements.

State of New Mexico
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 159,222	\$ 4,313	\$ 0
Receivables			
Due From Grantor	0	0	42,428
Inventory	12,886	0	0
Total Assets	\$ 172,108	\$ 4,313	\$ 42,428
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	0	1,681
Interfund Balance	0	0	40,747
Total Liabilities	0	0	42,428
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	12,886	0	0
Restricted for:			
Special Revenue	159,222	4,313	0
Capital Projects	0	0	0
Total Fund Balances	172,108	4,313	0
Total Liabilities and Fund Balances	\$ 172,108	\$ 4,313	\$ 42,428

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

State of New Mexico
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	IDEA Preschool 24109	Fresh Fruit & Vegetables 24118	IDEA B Results Plan 24132
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	2,218	4,497	47,838
Inventory	0	0	0
Total Assets	<u>\$ 2,218</u>	<u>\$ 4,497</u>	<u>\$ 47,838</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Interfund Balance	2,218	4,497	47,838
Total Liabilities	<u>2,218</u>	<u>4,497</u>	<u>47,838</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 Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Projects	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 2,218</u>	<u>\$ 4,497</u>	<u>\$ 47,838</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	Teacher/ Principal Training 24154	Rural & Low Income 24160	Title I School Improvement 24162
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	15,968	12,446	0
Inventory	0	0	0
Total Assets	\$ 15,968	\$ 12,446	\$ 0
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Interfund Balance	15,968	12,446	0
Total Liabilities	15,968	12,446	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Projects	0	0	0
Total Fund Balances	0	0	0
Total Liabilities and Fund Balances	\$ 15,968	\$ 12,446	\$ 0

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

State of New Mexico
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	Medicaid 25153	Duel Credit Instructional Materials 27103	GO Student Library 27107
Assets			
Cash and Cash Equivalents	\$ 97,465	\$ 0	\$ 0
Receivables			
Due From Grantor	0	521	16,681
Inventory	0	0	0
Total Assets	<u>\$ 97,465</u>	<u>\$ 521</u>	<u>\$ 16,681</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Interfund Balance	0	521	16,681
Total Liabilities	<u>0</u>	<u>521</u>	<u>16,681</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 Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	97,465	0	0
Capital Projects	0	0	0
Total Fund Balances	<u>97,465</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 97,465</u>	<u>\$ 521</u>	<u>\$ 16,681</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	Pre-K Initiative 27149	Breakfast for Elementary 27155	Hard to Staff 27195
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	38,329	1,265	2,948
Inventory	0	0	0
Total Assets	<u>\$ 38,329</u>	<u>\$ 1,265</u>	<u>\$ 2,948</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Interfund Balance	38,329	1,265	2,948
Total Liabilities	<u>38,329</u>	<u>1,265</u>	<u>2,948</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 Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Projects	0	0	0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 38,329</u>	<u>\$ 1,265</u>	<u>\$ 2,948</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Fund	Capital Projects Funds	
	Wind Farm Projects 29134	Bond Building 31100	Special Capital Outlay State 31400
Assets			
Cash and Cash Equivalents	\$ 78,374	\$ 59,976	\$ 0
Receivables			
Due From Grantor	0	0	34,677
Inventory	0	0	0
Total Assets	<u>\$ 78,374</u>	<u>\$ 59,976</u>	<u>\$ 34,677</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	1,561	0
Interfund Balance	0	0	34,677
Total Liabilities	<u>0</u>	<u>1,561</u>	<u>34,677</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 Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	78,374	0	0
Capital Projects	0	58,415	0
Total Fund Balances	<u>78,374</u>	<u>58,415</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 78,374</u>	<u>\$ 59,976</u>	<u>\$ 34,677</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	<u>Total</u>
Assets	
Cash and Cash Equivalents	\$ 399,350
Receivables	
Due From Grantor	219,816
Inventory	12,886
Total Assets	<u>\$ 632,052</u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	3,242
Interfund Balance	218,135
Total Liabilities	<u>221,377</u>
Deferred Inflows of Resources	
Unavailable Revenue	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>
Fund Balances	
Nonspendable-Inventory	12,886
Restricted for:	
Special Revenue	339,374
Capital Projects	58,415
Total Fund Balances	<u>410,675</u>
Total Liabilities and Fund Balances	<u>\$ 632,052</u>

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

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

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	IDEA B Entitlement 24106
Revenues			
Fees	21,219	45,143	0
State & Local Grants	0	0	0
Federal Grants	446,102	0	157,080
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>467,321</u>	<u>45,143</u>	<u>157,080</u>
Expenditures			
Current			
Instruction	0	47,045	95,975
Support Services			
Students	0	0	59,659
Instruction	0	0	0
General Administration	0	0	1,446
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	414,358	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>414,358</u>	<u>47,045</u>	<u>157,080</u>
Excess (Deficiency) of Revenues Over Expenditures	52,963	(1,902)	0
Fund Balances at Beginning of Year	<u>119,145</u>	<u>6,215</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 172,108</u>	<u>\$ 4,313</u>	<u>\$ 0</u>

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

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

	Special Revenue Funds		
	IDEA Preschool 24109	Fresh Fruit & Vegetables 24118	IDEA B Results Plan 24132
Revenues			
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	8,258	13,330	59,637
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>8,258</u>	<u>13,330</u>	<u>59,637</u>
Expenditures			
Current			
Instruction	8,258	0	59,637
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	13,330	0
Capital Outlay	0	0	0
Total Expenditures	<u>8,258</u>	<u>13,330</u>	<u>59,637</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
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Funds		
	Teacher/ Principal Training 24154	Rural & Low Income 24160	Title I School Improvement 24162
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	0
Federal Grants	34,816	15,655	17,887
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>34,816</u>	<u>15,655</u>	<u>17,887</u>
Expenditures			
Current			
Instruction	33,469	15,026	17,887
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	1,347	629	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>34,816</u>	<u>15,655</u>	<u>17,887</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
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Funds		
	Medicaid 25153	Duel Credit Instructional Materials 27103	GO Student Library 27107
Revenues			
Fees	\$ 118,186	\$ 0	\$ 0
State & Local Grants	0	3,475	16,681
Federal Grants	0	0	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>118,186</u>	<u>3,475</u>	<u>16,681</u>
Expenditures			
Current			
Instruction	0	3,475	0
Support Services			
Students	51,693	0	0
Instruction	0	0	16,681
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>51,693</u>	<u>3,475</u>	<u>16,681</u>
Excess (Deficiency) of Revenues Over Expenditures	66,493	0	0
Fund Balances at Beginning of Year	<u>30,972</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 97,465</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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

	Special Revenue Funds		
	Pre-K Initiative 27149	Breakfast for Elementary 27155	Hard to Staff 27195
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	115,315	13,863	9,113
Federal Grants	0	0	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>115,315</u>	<u>13,863</u>	<u>9,113</u>
Expenditures			
Current			
Instruction	108,605	0	9,113
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	1,150	0	0
School Administration	5,560	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service Operations	0	13,863	0
Capital Outlay	0	0	0
Total Expenditures	<u>115,315</u>	<u>13,863</u>	<u>9,113</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
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special		
	Revenue Fund	Capital Projects Funds	
	Wind Farm Projects 29134	Bond Building 31100	Special Capital Outlay State 31400
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	34,677
Federal Grants	0	0	0
Interest Income	0	1,004	0
Miscellaneous	132,443	74,920	0
Total Revenues	<u>132,443</u>	<u>75,924</u>	<u>34,677</u>
Expenditures			
Current			
Instruction	3,993	38,356	34,677
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	48,431	0	0
School Administration	17,741	0	0
Central Services	14,957	0	0
Operation of Plant	16,054	0	0
Student Transportation	2,116	0	0
Food Service Operations	0	0	0
Capital Outlay	8,299	0	0
Total Expenditures	<u>111,591</u>	<u>38,356</u>	<u>34,677</u>
Excess (Deficiency) of Revenues Over Expenditures	20,852	37,568	0
Fund Balances at Beginning of Year	<u>57,522</u>	<u>20,847</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 78,374</u>	<u>\$ 58,415</u>	<u>\$ 0</u>

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

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

	<u>Total</u>
Revenues	
Fees	\$ 184,548
State & Local Grants	193,124
Federal Grants	752,765
Interest Income	1,004
Miscellaneous	<u>207,363</u>
Total Revenues	<u>1,338,804</u>
Expenditures	
Current	
Instruction	475,516
Support Services	
Students	111,352
Instruction	16,681
General Administration	53,003
School Administration	23,301
Central Services	14,957
Operation of Plant	16,054
Student Transportation	2,116
Food Service Operations	441,551
Capital Outlay	<u>8,299</u>
Total Expenditures	<u>1,162,830</u>
Excess (Deficiency) of Revenues Over Expenditures	175,974
Fund Balances at Beginning of Year	<u>234,701</u>
Fund Balance End of Year	<u>\$ 410,675</u>

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

Required Supplemental Information

Santa Rosa Consolidated Schools

Schedules of Required Supplementary Information and Notes for Pension Plan

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

Last 10 Fiscal Years*

	Fiscal	2015	2016	2017
	Year Measurement Date	2014	2015	2016
District's proportion of the net pension liability		0.15673%	0.15695%	0.15695%
District's proportionate share of the net pension liability	\$	8,942,583	10,166,069	10,537,018
District's covered-employee payroll	\$	4,461,726	4,181,720	4,421,590
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		200.43%	243.11%	238.31%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,		
	2015	2016	2017
Contractually required contribution	\$ 620,180	\$ 581,259	\$ 614,601
Contributions in relation to the contractually required	620,180	581,259	614,601
Contribution deficiency (excess)	\$ 0	\$ 0	0
District's covered-employee payroll	\$ 4,461,726	\$ 4,181,720	4,421,590
Contributions as a percentage of covered-employee	13.90%	13.90%	13.90%

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

Notes to Required Supplementary Information

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

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
Santa Rosa Consolidated Schools
Agency Funds - Activity
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2017

	Balance 6/30/16	Receipts	Expenditures	Balance 6/30/17
Elementary				
General Account	\$ 5,617	\$ 28,541	\$ 25,816	\$ 8,342
National Honor Society	428	678	694	412
Total Elementary	<u>6,045</u>	<u>29,219</u>	<u>26,510</u>	<u>8,754</u>
Anton Chico				
General Fund	5,151	4,034	5,062	4,123
Athletics	2,221	322	2,146	397
Student Council	2,065	4,040	4,765	1,340
MESA	894	7,736	7,699	931
Total Anton Chico	<u>10,331</u>	<u>16,132</u>	<u>19,672</u>	<u>6,791</u>
Middle School				
General Fund	6,795	1,873	4,218	4,450
MS Athletics	4,660	3,309	7,058	911
Student Council	181	11,195	10,349	1,027
Honor Society	530	190	116	604
Mesa	2,035	217	0	2,252
Yearbook	1,188	4,515	4,478	1,225
Total Middle School	<u>15,389</u>	<u>21,299</u>	<u>26,219</u>	<u>10,469</u>
High School				
General Fund	6,902	6,539	10,628	2,813
HS Athletics	16,021	58,775	68,571	6,225
Student Council	3,289	3,450	6,553	186
EL Leon	4,172	940	2,452	2,660
National Honor Society	2,176	1,175	1,845	1,506
Mesa	2,277	420	0	2,697
Shop	292	167	0	459
Library	0	0	0	0
BPA	15,512	14,318	27,770	2,060
FFA	1,395	11,214	12,159	450
Ben Baca Learning Center	124	0	0	124
Class of 2016	2,108	0	715	1,393
Class of 2017	2,070	725	1,222	1,573
Class of 2018	813	1,660	1,862	611
Class of 2019	430	670	0	1,100
Class of 2020	0	660	0	660
Board of Education Scholarship	1,237	0	500	737
Rudolfo Anaya Scholarship	4,250	0	2,000	2,250
Aragonne Wind Scholarship	2,694	0	0	2,694
Flores Scholarship	400	0	0	400
GEO Scholarship	6,000	8,000	8,000	6,000
Total High School	<u>72,161</u>	<u>108,713</u>	<u>144,277</u>	<u>36,597</u>
Total Activities	<u>\$ 103,926</u>	<u>\$ 175,363</u>	<u>\$ 216,678</u>	<u>\$ 62,611</u>

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

State of New Mexico
Santa Rosa Consolidated Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2017

		Beginning Cash <u>6/30/16</u>	Revenue	Expenditures	Ending Cash <u>6/30/17</u>
Operational	11000 \$	623,099 \$	6,098,476 \$	6,121,274 \$	600,301
Transportation	13000	4,492	367,659	369,789	2,362
Instructional Materials	14000	57,269	44,106	53,524	47,851
Food Service	21000	106,412	427,830	375,020	159,222
Athletics	22000	6,215	45,142	47,044	4,313
Federal Flowthrough	24000	(321,398)	639,768	547,821	(229,451)
Federal Direct	25000	31,253	118,186	51,973	97,466
State Flowthrough	27000	(124,387)	223,090	238,742	(140,039)
Local/State	29000	57,521	132,443	111,591	78,373
Bond Building	31100	20,845	75,924	36,795	59,974
Special CO State	31400	(174,997)	174,997	34,677	(34,677)
Senate Bill Nine-State	31700	(32,226)	32,226	0	0
Senate Bill Nine-Local	31701	433,318	210,181	261,762	381,737
Debt Service	41000	109,583	487,885	470,709	126,759
Activities	23000	103,926	175,363	216,678	62,611
Total		<u>\$ 900,925</u>	<u>\$ 9,253,276</u>	<u>\$ 8,937,399</u>	<u>\$ 1,216,802</u>

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

Federal Compliance

State of New Mexico
Santa Rosa Consolidated Schools
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
<u>U. S. Department of Agriculture</u>			
Pass-through State Public Education Department:			
School Breakfast Program	10.553	21000	\$ 134,030
National School Lunch Program	10.555	21000	264,014
Pass-through Children, Youth, and Families Department			
National School Lunch Program	10.555	21000	8,566
Pass-through State Department of Human Services:			
Commodity Supplemental Food Program	10.565	21000	(1) 39,492
Total Child Nutrition Cluster			<u>446,102</u>
Pass-through State Public Education Department:			
Fresh Fruit and Vegetables	10.582	24118	<u>13,330</u>
Total U. S. Department of Agriculture			<u>459,432</u>
<u>U. S. Department of Education</u>			
Pass-through State Public Education Department:			
Special Education Cluster			
IDEA B Entitlement	84.027	24106	157,080
IDEA B Results Plan	84.027	24132	59,637
IDEA Preschool	84.173	24109	8,258
			<u>224,975</u>
Pass-through State Public Education Department:			
Title I	84.010	24101	242,840
Title I School Improvement	84.010	24162	17,887
Teacher/Principal Training and Recruiting	84.367	24154	34,816
Rural & Low Income	84.358	24160	15,655
Total U. S. Department of Education			<u>536,173</u>
Total Federal Assistance			<u>\$ 995,605</u>

(1) Non-cash assistance

See accompanying notes to the Schedule of Expenditures of Federal Awards

State of New Mexico

Santa Rosa Consolidated Schools

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2017

Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards

The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards

Note 2: Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

Note 3: Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

Note 4: De Minimis Indirect Rate

The District did not elect to use the 10% de minimis indirect cost rate.

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

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Santa Rosa Consolidated Schools

Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Santa Rosa Consolidated Schools (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and the budgetary comparisons of the major capital project, and debt service fund of the District, presented as supplemental information, and have issued our report thereon dated October 20, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be significant deficiencies. 2015-003, 2016-001, 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003, 2016-001, 2016-003.

District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Questioned Cost. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 De'Ann Willoughby CPA PC

Clovis, New Mexico
October 20, 2017

Report on Compliance With Requirements
Applicable To Each Major Program and Internal Control
Over Compliance in Accordance With OMB Uniform Guidance

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Santa Rosa Consolidated Schools

Mr. Keller and Members of the Board

Compliance

We have audited Santa Rosa Consolidated Schools (District) compliance with the types of compliance requirements described in the *Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements in the *Uniform Guidance*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements. In planning and performing the compliance audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

De'Aun Willoughby CPA PC

Clovis, New Mexico
October 20, 2017

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting

* Material weaknesses identified? No

* Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

* Material weaknesses identified? No

* Significant deficiencies identified? No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance No

Identification of major programs:

CFDA Numbers)	Name of Federal Program of Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Audited qualified as low risk Auditee Yes

Federal Compliance Findings

Prior Year Audit Findings	Status
2015-011 Internal Control over Cafeteria Inventory	Resolved

Current Year Audit Findings
 None

Financial Statements Findings

Prior Year Audit Findings	Status
2015-001 Payroll	Resolved
2015-002 Time Sheets	Resolved
2015-003 Personnel Files	Repeated & Modified
2015-004 New Hire Reporting	Resolved
2015-009 Cash Appropriations in Excess of Available Cash Balance	Resolved
2016-001 Expenditures	Repeated & Modified
2016-002 RHCA	Resolved
2016-003 Receipt Books	Repeated & Modified
2016-004 Certified Chief Procurement Officers	Resolved

Current Year Audit Findings

2015-003 Personnel Files-Compliance and Internal Control-Significant Deficiency Condition

Out of 20 personnel files tested we noted:
 One was missing an I-9 and 4 were missing background checks.

Management has not made progress resolving this finding.

Criteria

U.S. Citizenship and Immigration Services I-9 instructions and M-274 Handbook for employers. Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. New Mexico Statutes Section 22-10A-5: Background checks D. An applicant for employment who has been initially licensed within twenty-four months of applying for employment with a local school board, regional education cooperative or a charter school shall not be required to submit to another background check if the department has copies of the applicant's federal bureau of investigation records on file. An applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school shall provide two fingerprint cards or the equivalent electronic fingerprints to the local school board, regional education cooperative or charter school to obtain the applicant's federal bureau of investigation record. The applicant, contractor or contractor's employee who has been offered employment by a regional education cooperative or at a public school may be required to pay for the cost of obtaining a background check. At the request of a local school board, regional education cooperative or charter school, the department is authorized to release copies of federal bureau of investigation records that are on file with the department and that are not more than twenty-four months old.

Cause

Lack of training and supervision caused errors in the completion of the I-9. It is not known why the background checks were missing.

Effect

The District is subject to penalties. The penalties can include \$250 to \$3,000 for improper completion of the I-9 form. Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9. Knowingly hiring or continuing to employ unauthorized workers fines range from \$250 up to \$11,000 per violation. As a safety measure, people with serious criminal records may not be fit to have responsibility for the safety and well being of children.

Recommendation

The Human Resource employee needs to read and understand both the I-9 Instructions and the M-274 Handbook for employers as well as additional training and supervision is necessary to assure the I-9s are completed correctly. All background checks should be reviewed and updated if necessary.

Response

District had addressed the 1 out of 20 I-9 discrepancies and 2 missing background checks from a District employment status of 121 employees. District has implemented the proper protocols and procedures that pertain to human resource documents. Missing I-9 and background checks are currently filed. Additional training has been provided to Human Resource Coordinator with regards to I-9 and background checks.

The Superintendent is responsible for this finding. This finding will be resolved within the next fiscal year.

2016-001 Expenditures-Compliance and Internal Control-Significant Deficiency Condition

Out of 97 expenditures sampled totaling \$573,168.30, we noted the following:

- Fund-11000 - Of the 36 expenditures sampled totaling \$180,960.47 we noted 1 expenditure totaling \$5,115.59 was paid from the wrong fund and three had after fact PO's totaling \$6,381.45.
- Fund 13000 - Of the 21 expenditures sampled totaling \$51,236.30 we noted 1 had an after fact PO totaling \$105.00.
- Fund 14000 - Of the 13 expenditures sampled totaling \$53,306.65 we noted 1 had an after fact PO totaling \$510.20.
- Fund 31700 - Of the 20 expenditures sampled totaling \$147,267.26 we noted 1 expenditure totaling \$20,363.40 had no quotes and 1 expenditure totaling \$2,710.12 had an after fact PO.

Management has made progress resolving this finding.**Criteria**

In accordance with 6.20.2.17 Purchasing, each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978. Per 13-1-158 NMSA 1978. Procurements less than \$60,000 (\$60,000 for professional services) are handled by the individual Agency in need and are based on three valid quotes (for values over \$20,000 and not exceeding \$60,000) or from the vendor offering the "best obtainable price" at or below \$20,000.

Cause

The District's personnel have not followed procedures in purchase items and services.

Effect

Making a purchase without first obtaining a purchase order could cause the District to over spend. Not being in compliance with these requirements places the District and the Board at risk for fraud or misuse of public funds.

Recommendation

Purchases should not be made without first obtaining a purchase order and quotes to assure the best price. There should be consequences for not following the procurement process.

Response

District has corrected the finding related to (11000) Operational (13000) Transportation and (14000) Instructional Materials. District employees and Office Staff are aware and have been properly advised of requisition and purchase order procedures. Additionally, District has addressed proper fund for use of E-Rate payment.

The Superintendent is responsible for this finding. This finding will be resolved within the next fiscal year.

2016-003 Receipt Books-Compliance and Internal Control-Significant Deficiency Condition

A general review of all receipts issued revealed the following:

- (1) none of the receipts were preprinted with the District's name,
- (2) some were issued to activities rather than individuals,
- (3) deposits were not made within 24 hours of collection,
- (4) the original receipt was turned into central office rather than given to the individual paying the money,
- (5) gate keepers were not completing the ticket reconciliation form,
- (6) the examination of cash form is not designed correctly,
- (7) one secretary was not signing and dating the form and one secretary was writing herself receipts.

Management has made progress resolving this finding.

Criteria

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

Cause

Some of the personnel were not aware of the requirements for receipting money, others have become lax in the process.

Effect

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

Recommendation

Procedures following NMAC 6.20.2.11 and NMAC 6.20.2.14 should be in writing and training of all staff should occur to resolve this finding.

Response

District has resolved and implemented audit corrections as such:

1. District has reviewed all receipt books and ensured that receipts are properly addressed with Santa Rosa Consolidated Schools name and address.
2. District has provided training with all secretarial staff with regards to issuance of receipts for activities. Secretaries and all pertinent personnel issuing receipts must list individual whom they receive monies from.
3. District has advised and reinforced 24 hour protocol in accordance with NMAC 6.20.2.11 and 6.20.2.14.
4. District has revised receipt book process and issuance. New receipt books have been created with triplicate sheets, with white sheet to individual turning in money, yellow to Central Office and pink stays with school secretary.
- 5 & 6. District has revised reconciliation form, new form was created with signatures identifying the exchange of monies.
7. All secretaries have been advised and trained to sign and date all forms. Additionally, secretaries have been advised not to write receipts to themselves, that receipts have to be written to the individual who is depositing the funds. Two signatures are required and advised.

The Superintendent is responsible for this finding. This finding will be resolved within the next fiscal year.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on October 20, 2017. Those present were Marcella Gerharch-Board President, Martin Madrid-Principal, April Marquez-Executive Secretary, Karl Agar-Teacher, Peter Tormos-Human Resource Coordinator, Priscilla Garcia-Food Service Director, Debbie Ulibarri-Payroll, Savana Salas-Secretary, Estela Thompson-Teacher, Richard Perea-Superintendent, Sonia Tenorio-Business Manager and De'Aun Willoughby, CPA.