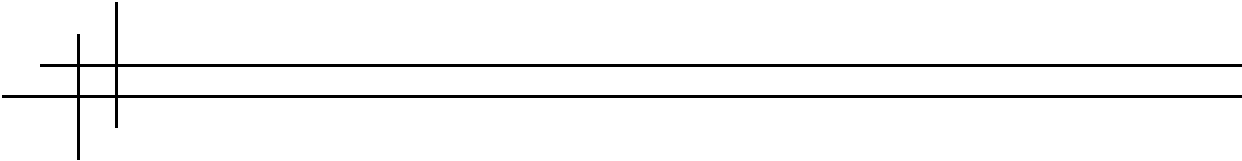


State of New Mexico
Santa Rosa Consolidated Schools

Annual Financial Report
June 30, 2018

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



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State of New Mexico
Santa Rosa Consolidated Schools
Official Roster
June 30, 2018

Board of Education

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

School Officials

Richard Perea	Superintendent
Sonia Tenorio	Business Manager

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Santa Rosa Consolidated Schools

Mr. Johnson and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of Santa Rosa Consolidated Schools (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan, Other Post Employment Benefits 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.

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

Other Information

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

The Schedule of Expenditures of Federal Awards and other schedules presented as other supplemental information related to non-major funds 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

De'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 4, 2018

Financial Section

State of New Mexico
Santa Rosa Consolidated Schools
Government-Wide Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 1,406,763
Taxes Receivable	122,740
Due from Grantor	313,650
Inventory	7,995
Total Current Assets	<u>1,851,148</u>
Noncurrent Assets	
Capital Assets	31,036,783
Less Accumulated Depreciation	(16,003,233)
Total Noncurrent Assets	<u>15,033,550</u>
Total Assets	<u>16,884,698</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	30,988
Changes of Assumptions	5,039,278
Changes in Proportion	433,931
Contributions Subsequent to Measurement Date	626,521
Deferred Outflows Related to Other Post Employment Benefits	
Contributions Subsequent to Measurement Date	90,145
Total Deferred Outflows of Resources	<u>6,220,863</u>
Liabilities	
Current Liabilities	
Accounts Payable	35,720
Accrued Interest	8,152
Compensated Absences	8,259
Current Portion Due of Long-Term Debt	400,000
Total Current Liabilities	<u>452,131</u>
Noncurrent Liabilities	
Bonds Payable	2,925,000
Pension Liability	17,262,550
Other Post Employment Benefits Liability	5,189,672
Total Noncurrent Liabilities	<u>25,377,222</u>
Total Liabilities	<u>25,829,353</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	265,946
Investment Experience	2,368
Changes in Proportion	316,585
Deferred Inflows Related to Other Post Employment Benefits	
Actuarial Experience	199,152
Investment Experience	74,657
Changes of Assumptions	907,348
Total Deferred Inflows of Resources	<u>1,766,056</u>
Net Position	
Invested in Net Capital Assets	11,708,550
Restricted for Capital Projects	410,545
Restricted for Debt Service	178,149
Unrestricted	(16,787,092)
Total Net Position	<u>\$ (4,489,848)</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, 2018

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	\$ 5,630,428	55,381	\$ 707,785	\$ 0	\$ (4,867,262)
Support Services					
Students	997,357	117,188	70,013	0	(810,156)
Instruction	178,903	0	12,097	0	(166,806)
General Administration	412,111	0	9,765	0	(402,346)
School Administration	803,377	0	5,545	0	(797,832)
Central Services	327,721	0	0	0	(327,721)
Operation of Plant	1,801,460	0	26,772	0	(1,774,688)
Student Transportation	633,866	0	433,981	0	(199,885)
Other	726	0	0	0	(726)
Food Services Operations	584,444	33,861	526,354	0	(24,229)
Interest Expense	82,519	0	0	0	(82,519)
Total Governmental Activities	\$ 11,452,912	\$ 206,430	\$ 1,792,312	\$ 0	(9,454,170)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					
116,839					
Property Taxes, Levied for Capital Projects					
226,473					
Property Taxes, Levied for Debt Service					
510,342					
Federal and State Aid Not Restricted to Specific Purpose					
General					
6,079,910					
Capital					
11,609					
Interest Income					
28,156					
Miscellaneous					
41,913					
Total General Revenues					
7,015,242					
Change in Net Position					
(2,438,928)					
Net Position - Beginning					
4,126,688					
Restatement (Note O)					
(6,177,608)					
Restated Beginning Net Position					
(2,050,920)					
Net Position - Ending					
\$ (4,489,848)					

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, 2018

	General		
	Operational 11000	Transportation 13000	Instructional Materials 14000
Assets			
Cash and Cash Equivalents	\$ 423,902	\$ 1,619	\$ 25,940
Receivables			
Taxes	6,984	0	0
Due From Grantor	0	0	0
Interfund Balance	305,491	0	0
Inventory	0	0	0
Total Assets	<u>\$ 736,377</u>	<u>\$ 1,619</u>	<u>\$ 25,940</u>
Liabilities			
Accounts Payable	\$ 25,397	\$ 871	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>25,397</u>	<u>871</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	4,475	0	0
Total Deferred Inflows of Resources	<u>4,475</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	706,505	748	25,940
Total Fund Balances	<u>706,505</u>	<u>748</u>	<u>25,940</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 736,377</u>	<u>\$ 1,619</u>	<u>\$ 25,940</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, 2018

	Special Revenue		
	Food Service 21000	Title I 24101	IDEA B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 238,630	\$ 0	\$ 0
Receivables			
Taxes	0	0	0
Due From Grantor	0	100,429	46,037
Interfund Balance	0	0	0
Inventory	7,995	0	0
Total Assets	<u>\$ 246,625</u>	<u>\$ 100,429</u>	<u>\$ 46,037</u>
Liabilities			
Accounts Payable	\$ 613	\$ 0	\$ 0
Interfund Balance	0	100,429	46,037
Total Liabilities	<u>613</u>	<u>100,429</u>	<u>46,037</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	7,995	0	0
Restricted for			
Special Revenue Funds	238,017	0	0
Capital Improvements	0	0	0
Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>246,012</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 246,625</u>	<u>\$ 100,429</u>	<u>\$ 46,037</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, 2018

	Special Revenue	Capital Projects	
	Pre-K Initiative 27149	Senate Bill Nine-Local 31701	Debt Service 41000
Assets			
Cash and Cash Equivalents	\$ 0	\$ 343,953	\$ 149,617
Receivables			
Taxes	0	34,817	80,939
Due From Grantor	51,279	0	0
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 51,279</u>	<u>\$ 378,770</u>	<u>\$ 230,556</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	51,279	0	0
Total Liabilities	<u>51,279</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	22,920	52,407
Total Deferred Inflows of Resources	<u>0</u>	<u>22,920</u>	<u>52,407</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for			
Special Revenue Funds	0	0	0
Capital Improvements	0	355,850	0
Debt Service	0	0	178,149
Unassigned	0	0	0
Total Fund Balances	<u>0</u>	<u>355,850</u>	<u>178,149</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 51,279</u>	<u>\$ 378,770</u>	<u>\$ 230,556</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, 2018

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash and Cash Equivalents	\$ 223,102	\$ 1,406,763
Receivables		
Taxes	0	122,740
Due From Grantor	115,905	313,650
Interfund Balance	0	305,491
Inventory	0	7,995
Total Assets	<u>\$ 339,007</u>	<u>\$ 2,156,639</u>
Liabilities		
Accounts Payable	\$ 8,839	\$ 35,720
Interfund Balance	107,746	305,491
Total Liabilities	<u>116,585</u>	<u>341,211</u>
Deferred Inflows of Resources		
Unavailable Revenue	0	79,802
Total Deferred Inflows of Resources	<u>0</u>	<u>79,802</u>
Fund Balances		
Nonspendable-Inventory	0	7,995
Restricted for		
Special Revenue Funds	167,727	405,744
Capital Improvements	54,695	410,545
Debt Service	0	178,149
Unassigned	0	733,193
Total Fund Balances	<u>222,422</u>	<u>1,735,626</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 339,007</u>	<u>\$ 2,156,639</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, 2018

Total Fund Balance - Governmental Funds \$ 1,735,626

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. 79,802

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

Capital Assets	\$ 31,036,783	
Accumulated Depreciation	<u>(16,003,233)</u>	15,033,550

Deferred Outflows and Inflows Related to Pensions and Other Post Employment Benefits (OPEB) 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	6,130,718	
Deferred Outflows Related to OPEB	90,145	
Deferred Inflows Related to Pensions	(584,899)	
Deferred Inflows Related to OPEB	<u>(1,181,157)</u>	4,454,807

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

Accrued Interest	(8,152)	
Compensated Absences	(8,259)	
Bond Payable	(3,325,000)	
Pension Liability	(17,262,550)	
Other Post Employment Benefits Liability	<u>(5,189,672)</u>	<u>(25,793,633)</u>

Total Net Position - Governmental Activities \$ (4,489,848)

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, 2018

	General		
	Operational 11000	Transportation 13000	Instructional Materials 14000
Revenues			
Property Taxes	\$ 51,039	\$ 0	\$ 0
Fees	11,859	0	0
State and Local Grants	6,079,910	433,981	20,414
Federal Grants	0	0	0
Interest Income	13,350	0	0
Miscellaneous	41,692	0	0
Total Revenues	<u>6,197,850</u>	<u>433,981</u>	<u>20,414</u>
Expenditures			
Current			
Instruction	3,272,501	0	42,325
Support Services			
Students	597,907	0	0
Instruction	125,624	0	0
General Administration	269,668	0	0
School Administration	560,688	0	0
Central Services	228,699	0	0
Operation of Plant	989,703	0	0
Student Transportation	9,009	434,252	0
Other	726	0	0
Food Service Operations	9,271	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>6,063,796</u>	<u>434,252</u>	<u>42,325</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>134,054</u>	<u>(271)</u>	<u>(21,911)</u>
Fund Balances at Beginning of Year	572,451	2,200	47,851
Restatement	0	(1,181)	0
Restated Beginning Fund Balances	<u>572,451</u>	<u>1,019</u>	<u>47,851</u>
Fund Balance End of Year	<u>\$ 706,505</u>	<u>\$ 748</u>	<u>\$ 25,940</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, 2018

	Special Revenue		
	Food Service 21000	Title I 24101	IDEA B Entitlement 24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	33,861	0	0
State and Local Grants	0	0	0
Federal Grants	497,717	170,782	246,515
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>531,578</u>	<u>170,782</u>	<u>246,515</u>
Expenditures			
Current			
Instruction	0	165,791	174,181
Support Services			
Students	0	0	70,013
Instruction	0	0	0
General Administration	0	4,991	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	2,321
Other	0	0	0
Food Service Operations	457,673	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>457,673</u>	<u>170,782</u>	<u>246,515</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>73,905</u>	<u>0</u>	<u>0</u>
Fund Balances at Beginning of Year	172,107	0	0
Restatement	0	0	0
Restated Beginning Fund Balances	<u>172,107</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 246,012</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
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2018

	Special		
	Revenue	Capital Projects	
	Pre-K Initiative 27149	Senate Bill Nine-Local 31701	Debt Service 41000
Revenues			
Property Taxes	\$ 0	\$ 226,671	\$ 515,745
Fees	0	0	0
State and Local Grants	113,752	0	0
Federal Grants	0	0	0
Interest Income	0	0	13,350
Miscellaneous	0	0	0
Total Revenues	<u>113,752</u>	<u>226,671</u>	<u>529,095</u>
Expenditures			
Current			
Instruction	107,107	46,813	0
Support Services			
Students	0	11,332	0
Instruction	0	0	0
General Administration	1,100	2,194	4,609
School Administration	5,545	0	0
Central Services	0	0	0
Operation of Plant	0	113,207	0
Student Transportation	0	0	0
Other	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	81,602	0
Debt Service			
Principal	0	0	400,000
Interest	0	0	83,394
Total Expenditures	<u>113,752</u>	<u>255,148</u>	<u>488,003</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(28,477)</u>	<u>41,092</u>
Fund Balances at Beginning of Year	0	384,327	137,057
Restatement	0	0	0
Restated Beginning Fund Balances	<u>0</u>	<u>384,327</u>	<u>137,057</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 355,850</u>	<u>\$ 178,149</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, 2018

	Other Governmental Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ 65,993	\$ 859,448
Fees	160,710	206,430
State and Local Grants	160,519	6,808,576
Federal Grants	160,241	1,075,255
Interest Income	1,456	28,156
Miscellaneous	221	41,913
Total Revenues	<u>549,140</u>	<u>9,019,778</u>
Expenditures		
Current		
Instruction	295,985	4,104,703
Support Services		
Students	83,713	762,965
Instruction	12,159	137,783
General Administration	54,677	337,239
School Administration	1,106	567,339
Central Services	1,935	230,634
Operation of Plant	75,788	1,178,698
Student Transportation	0	445,582
Other	0	726
Food Service Operations	28,637	495,581
Capital Outlay	11,286	92,888
Debt Service		
Principal	0	400,000
Interest	0	83,394
Total Expenditures	<u>565,286</u>	<u>8,837,532</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,146)</u>	<u>182,246</u>
Fund Balances at Beginning of Year	238,568	1,554,561
Restatement	0	(1,181)
Restated Beginning Fund Balances	<u>238,568</u>	<u>1,553,380</u>
Fund Balance End of Year	<u>\$ 222,422</u>	<u>\$ 1,735,626</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, 2018

Excess (Deficiency) of Revenues Over Expenditures \$ 182,246

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, 2017	\$ (85,596)	
Property Taxes Receivable, June 30, 2018	<u>79,802</u>	(5,794)

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	(774,342)	
Capital Outlays	<u>92,888</u>	(681,454)

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

400,000

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

Accrued Interest, June 30, 2017	9,027	
Accrued Interest, June 30, 2018	<u>(8,152)</u>	875

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

Compensated Absences, June 30, 2017	0	
Compensated Absences, June 30, 2018	<u>(8,259)</u>	(8,259)

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

Pension Contributions	626,521	
Other Post Employment Benefits Contributions	90,145	
Pension Expense	(2,836,883)	
Other Post Employment Benefits Expenses	<u>(206,325)</u>	<u>(2,326,542)</u>

Changes in Net Position of Governmental Activities \$ (2,438,928)

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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 47,290	\$ 47,290	\$ 49,459	\$ 2,169
Interest Income	12,159	12,159	13,350	1,191
Fees	6,000	6,000	11,859	5,859
State Grant	5,994,358	6,079,729	6,079,910	181
Miscellaneous	5,459	5,459	41,692	36,233
Total Revenues	<u>6,065,266</u>	<u>6,150,637</u>	<u>6,196,270</u>	<u>45,633</u>
Expenditures				
Instruction				
Personnel Services	2,509,246	2,490,725	2,321,861	168,864
Employee Benefits	985,729	984,605	830,122	154,483
Professional & Tech Services	5,395	5,395	4,711	684
Purchased Property Services	1,000	472	0	472
Other Purchased Services	0	3,528	1,128	2,400
Supplies	61,000	130,389	114,342	16,047
Supply Assets	600	3,005	2,679	326
Total Instruction	<u>3,562,970</u>	<u>3,618,119</u>	<u>3,274,843</u>	<u>343,276</u>
Support Services				
Students				
Personnel Services	368,444	345,693	337,974	7,719
Employee Benefits	125,610	131,755	121,861	9,894
Professional & Tech Services	141,310	156,067	137,602	18,465
Other Purchased Services	500	500	166	334
Supplies	1,500	383	304	79
Supply Assets	200	200	0	200
Total Students	<u>637,564</u>	<u>634,598</u>	<u>597,907</u>	<u>36,691</u>
Instruction				
Personnel Services	56,917	73,966	73,804	162
Employee Benefits	42,276	47,652	45,994	1,658
Supplies	7,450	6,613	5,825	788
Supply Assets	500	500	0	500
Total Instruction	<u>107,143</u>	<u>128,731</u>	<u>125,623</u>	<u>3,108</u>
General Administration				
Personnel Services	134,601	132,322	126,322	6,000
Employee Benefits	52,940	53,882	47,791	6,091
Professional & Tech Services	46,512	78,750	73,791	4,959
Purchased Property Services	0	2,708	0	2,708
Other Purchased Services	23,700	18,647	11,020	7,627
Supplies	10,800	15,524	11,806	3,718
Supply Assets	2,000	4,028	3,761	267
Total General Administration	<u>\$ 270,553</u>	<u>\$ 305,861</u>	<u>\$ 274,491</u>	<u>\$ 31,370</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 429,713	\$ 422,230	\$ 413,772	\$ 8,458
Employee Benefits	148,883	146,223	136,470	9,753
Professional & Tech Services	5,485	6,362	5,900	462
Purchased Property Services	2,000	19,700	0	19,700
Other Purchased Services	600	1,289	755	534
Supplies	5,200	3,764	3,695	69
Supply Assets	2,000	1,000	0	1,000
Total School Administration	<u>593,881</u>	<u>600,568</u>	<u>560,592</u>	<u>39,976</u>
Central Services				
Personnel Services	145,324	153,244	148,627	4,618
Employee Benefits	65,067	65,241	62,816	2,425
Professional & Tech Services	9,235	21,189	13,113	8,076
Purchased Property Services	1,090	3,022	2,522	500
Other Purchased Services	2,000	817	468	349
Supplies	450	2,770	1,154	1,616
Supply Assets	0	0	0	0
Total Central Services	<u>223,166</u>	<u>246,283</u>	<u>228,699</u>	<u>17,584</u>
Operation of Plant				
Personnel Services	281,559	286,484	259,726	26,758
Employee Benefits	125,607	105,678	90,946	14,732
Professional & Tech Services	280	1,080	700	380
Purchased Property Services	391,250	444,185	299,385	144,800
Other Purchased Services	255,048	272,097	269,931	2,166
Supplies	37,294	72,613	62,685	9,928
Supply Assets	0	2,285	2,285	0
Total Operation of Plant	<u>1,091,038</u>	<u>1,184,422</u>	<u>985,658</u>	<u>198,764</u>
Student Transportation				
Purchased Property Services	2,600	9,956	9,009	947
Total Student Transportation	<u>2,600</u>	<u>9,956</u>	<u>9,009</u>	<u>947</u>
Other Support Service				
Other Support Services	13,372	13,372	726	12,646
Total Other Support Service	<u>13,372</u>	<u>13,372</u>	<u>726</u>	<u>12,646</u>
Total Support Services	\$ <u>2,939,317</u>	\$ <u>3,123,791</u>	\$ <u>2,782,705</u>	\$ <u>341,086</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Food Service				
Purchased Property Services	\$ 9,150	\$ 9,961	\$ 9,063	\$ 898
Other Purchased Services	2,000	1,689	567	1,122
Supplies	750	750	0	750
Total Food Service	<u>11,900</u>	<u>12,400</u>	<u>9,630</u>	<u>2,770</u>
Total Expenditures	<u>6,514,187</u>	<u>6,754,310</u>	<u>6,067,178</u>	<u>687,132</u>
Excess (Deficiency) of Revenues Over Expenditures	(448,921)	(603,673)	129,092	732,765
Cash Balance Beginning of Year	<u>600,301</u>	<u>600,301</u>	<u>600,301</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 151,380</u>	<u>\$ (3,372)</u>	<u>\$ 729,393</u>	<u>\$ 732,765</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 129,092	
Net Change in Taxes Receivable			1,387	
Net Change in Accounts Payable			3,382	
Net Change in Unavailable Revenue			193	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 134,054</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 433,981	433,981	\$ 433,981	\$ 0
Total Revenues	<u>433,981</u>	<u>433,981</u>	<u>433,981</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	213,639	212,203	212,200	3
Employee Benefits	125,887	104,276	104,218	58
Professional & Tech Services	2,800	3,217	3,216	1
Purchased Property Services	16,175	24,314	24,310	4
Other Purchased Services	29,980	27,017	27,016	1
Supplies	45,500	58,234	57,863	371
Supply Assets	0	4,720	4,718	2
Total Student Transportation	<u>433,981</u>	<u>433,981</u>	<u>433,541</u>	<u>440</u>
Total Support Services	<u>433,981</u>	<u>433,981</u>	<u>433,541</u>	<u>440</u>
Total Expenditures	<u>433,981</u>	<u>433,981</u>	<u>433,541</u>	<u>440</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>440</u>	<u>440</u>
Cash Balance Beginning of Year	2,360	2,360	2,360	0
Return to PED	0	0	(1,181)	(1,181)
Cash Balance End of Year	<u>\$ 2,360</u>	<u>\$ 2,360</u>	<u>\$ 1,619</u>	<u>\$ (741)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 440	
Net Change in Accounts Payable			(711)	
Return to PED			(1,181)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,452)</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 17,915	\$ 17,915	\$ 20,414	\$ 2,499
Total Revenues	<u>17,915</u>	<u>17,915</u>	<u>20,414</u>	<u>2,499</u>
Expenditures				
Instruction				
Supplies	43,610	65,765	42,325	23,440
Total Instruction	<u>43,610</u>	<u>65,765</u>	<u>42,325</u>	<u>23,440</u>
Total Expenditures	<u>43,610</u>	<u>65,765</u>	<u>42,325</u>	<u>23,440</u>
Excess (Deficiency) of Revenues Over Expenditures	(25,695)	(47,850)	(21,911)	25,939
Cash Balance Beginning of Year	<u>47,851</u>	<u>47,851</u>	<u>47,851</u>	<u>0</u>
Cash Balance End of Year	\$ <u>22,156</u>	\$ <u>1</u>	\$ <u>25,940</u>	\$ <u>25,939</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ <u>(21,911)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(21,911)</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-Food Service-21000
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 15,900	\$ 15,900	\$ 33,861	\$ 17,961
Federal Grants	359,721	359,721	464,922	105,201
Total Revenues	<u>375,621</u>	<u>375,621</u>	<u>498,783</u>	<u>123,162</u>
Expenditures				
Food Services Operations				
Personnel Services	160,404	179,416	162,611	16,805
Employee Benefits	74,553	66,456	57,873	8,583
Professional & Tech Services	0	200	199	1
Other Purchased Services	10,325	10,125	8,986	1,139
Supplies	239,645	269,549	187,770	81,779
Supply Assets	9,096	9,096	1,936	7,160
Total Food Service Operations	<u>494,023</u>	<u>534,842</u>	<u>419,375</u>	<u>115,467</u>
Total Expenditures	<u>494,023</u>	<u>534,842</u>	<u>419,375</u>	<u>115,467</u>
Excess (Deficiency) of Revenues Over Expenditures	(118,402)	(159,221)	79,408	238,629
Cash Balance Beginning of Year	<u>159,222</u>	<u>159,222</u>	<u>159,222</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 40,820</u>	<u>\$ 1</u>	<u>\$ 238,630</u>	<u>\$ 238,629</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 79,408	
Net Change in Inventory			(4,890)	
Net Change in Accounts Payable			(613)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 73,905</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 316,826	\$ 293,581	\$ 176,090	\$ (117,491)
Total Revenues	<u>316,826</u>	<u>293,581</u>	<u>176,090</u>	<u>(117,491)</u>
Expenditures				
Instruction				
Personnel Services	99,378	104,526	104,523	3
Employee Benefits	46,772	45,106	44,306	800
Professional & Tech Services	200	1,525	1,525	0
Other Purchased Services	1,000	0	0	0
Supplies	56,527	29,475	15,437	14,038
Total Instruction	<u>203,877</u>	<u>180,632</u>	<u>165,791</u>	<u>14,841</u>
Support Services				
General Administration				
Professional & Tech Services	7,212	7,212	4,991	2,221
Total General Administration	<u>7,212</u>	<u>7,212</u>	<u>4,991</u>	<u>2,221</u>
Total Support Services	<u>7,212</u>	<u>7,212</u>	<u>4,991</u>	<u>2,221</u>
Total Expenditures	<u>211,089</u>	<u>187,844</u>	<u>170,782</u>	<u>17,062</u>
Excess (Deficiency) of Revenues Over Expenditures	105,737	105,737	5,308	(100,429)
Cash Balance Beginning of Year	<u>(105,737)</u>	<u>(105,737)</u>	<u>(105,737)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (100,429)</u>	<u>\$ (100,429)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 5,308	
Net Change in Due from Grantor			<u>(5,308)</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-IDEA B Entitlement-24106
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 40,747	\$ 367,590	\$ 242,906	\$ (124,684)
Total Revenues	<u>40,747</u>	<u>367,590</u>	<u>242,906</u>	<u>(124,684)</u>
Expenditures				
Instruction				
Personnel Services	0	84,029	84,027	2
Employee Benefits	0	29,655	29,315	340
Professional & Tech Services	0	0	0	0
Other Purchased Services	0	1,681	1,681	0
Supplies	0	61,606	60,839	767
Supply Assets	0	73,753	0	73,753
Total Instruction	<u>0</u>	<u>250,724</u>	<u>175,862</u>	<u>74,862</u>
Support Services				
Students				
Personnel Services	0	53,814	53,813	1
Employee Benefits	0	13,168	12,859	309
Professional & Tech Services	0	4,865	1,459	3,406
Other Purchased Services	0	169	103	66
Supplies	0	1,779	1,779	0
Supply Assets	0	0	0	0
Total Students	<u>0</u>	<u>73,795</u>	<u>70,013</u>	<u>3,782</u>
Student Transportation				
Personnel Services	0	1,878	1,878	0
Employee Benefits	0	446	443	3
Total Student Transportation	<u>0</u>	<u>2,324</u>	<u>2,321</u>	<u>3</u>
Total Support Services	<u>0</u>	<u>76,119</u>	<u>72,334</u>	<u>3,785</u>
Total Expenditures	<u>0</u>	<u>326,843</u>	<u>248,196</u>	<u>78,647</u>
Excess (Deficiency) of Revenues Over Expenditures	40,747	40,747	(5,290)	(46,037)
Cash Balance Beginning of Year	<u>(40,747)</u>	<u>(40,747)</u>	<u>(40,747)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (46,037)</u>	<u>\$ (46,037)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (5,290)	
Net Change in Due from Grantor			1,681	
Net Change in Accounts Payable			3,609	
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-Pre-K Initiative-27149
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 153,752	\$ 153,752	\$ 100,801	\$ (52,951)
Total Revenues	<u>153,752</u>	<u>153,752</u>	<u>100,801</u>	<u>(52,951)</u>
Expenditures				
Instruction				
Personnel Services	48,894	55,448	54,615	833
Employee Benefits	34,307	16,214	15,700	514
Professional & Tech Services	1,000	2,200	2,186	14
Other Purchased Services	2,000	238	0	238
Supplies	8,000	14,381	14,381	0
Supply Assets	9,500	6,459	6,458	1
Fixed Assets	5,008	13,769	13,766	3
Total Instruction	<u>108,709</u>	<u>108,709</u>	<u>107,106</u>	<u>1,603</u>
Support Services				
General Administration				
Professional & Tech Services	1,154	1,154	1,100	54
Total General Administration	<u>1,154</u>	<u>1,154</u>	<u>1,100</u>	<u>54</u>
School Administration				
Personnel Services	4,500	4,500	4,500	0
Employee Benefits	1,060	1,060	1,045	15
Total School Administration	<u>5,560</u>	<u>5,560</u>	<u>5,545</u>	<u>15</u>
Total Support Services	<u>6,714</u>	<u>6,714</u>	<u>6,645</u>	<u>69</u>
Total Expenditures	<u>115,423</u>	<u>115,423</u>	<u>113,751</u>	<u>1,672</u>
Excess (Deficiency) of Revenues Over Expenditures	38,329	38,329	(12,950)	(51,279)
Cash Balance Beginning of Year	<u>(38,329)</u>	<u>(38,329)</u>	<u>(38,329)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (51,279)</u>	<u>\$ (51,279)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (12,950)	
Net Change in Due from Grantor			<u>12,950</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, 2018

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>83,029</u>
Total Assets	\$ <u><u>83,029</u></u>
Liabilities	
Deposits Held for Others	\$ <u>83,029</u>
Total Liabilities	\$ <u><u>83,029</u></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

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.

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

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

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.

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 providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

Budgets for the General, Special Revenue, Capital Projects and Debt Service 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.

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

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

Restricted Net Position

For the government-wide statement of net position, net 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 of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has pension-related deferred outflows of resources items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. Deferred Inflows consist of three types. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized. Outstanding property taxes that are received after 30 days of the year end are shown as Unearned Revenue on the balance sheet. The third type of deferred inflows of resources relate to pension and other post employment benefits.

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.

<u>Name of Account</u>	Balance Per Bank 6/30/18	Reconciled Balance	Type
Operational Checking	\$ 1,400,830	\$ 1,085,641	Interest
Investment Checking	404,151	404,151	Interest
Total Deposited	<u>1,804,981</u>	<u>\$ 1,489,792</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	1,554,981		
50% collateral requirement	777,491		
Pledged securities	<u>2,266,627</u>		
Over (Under) requirement	<u>\$ 1,489,137</u>		

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

State of New Mexico
Santa Rosa Consolidated Schools
Notes to the Financial Statements
June 30, 2018

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>
FHLMC Pool #E09015	31294UAQ6	\$ 402,817	12/01/2027	FNB NM
FHLMC Pool #G18527	3128MMSR5	610,912	10/01/2029	Clayton, NM
FNMA Pool #MA1959	31418BE93	295,190	07/01/1934	
FNMA Pool #MA2531	31418BY59	710,716	02/01/1936	
Red River NM	756874BG7	246,992	08/15/1936	
		<u>\$ 2,266,627</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	1,554,981
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 1,804,981</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, 2018 none of the District's balance of \$1,804,981 was exposed to custodial risk.

B. Receivables

Following is a schedule of receivables as of June 30, 2018:

	<u>General Fund 11000</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service 41000</u>	<u>Total</u>
Property Taxes Available	\$ 2,509	\$ 11,897	\$ 28,532	\$ 42,938
Unavailable	4,475	22,920	52,407	79,802
	<u>\$ 6,984</u>	<u>\$ 34,817</u>	<u>\$ 80,939</u>	<u>\$ 122,740</u>

	<u>Title I 24101</u>	<u>IDEA B Entitlement 24106</u>	<u>Pre-K Initiative 27149</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Due From Grantors:					
State	\$ 0	\$ 0	\$ 51,279	\$ 44,208	\$ 95,487
Federal Agencies	100,429	46,037	0	71,697	218,163
	<u>\$ 100,429</u>	<u>\$ 46,037</u>	<u>\$ 51,279</u>	<u>\$ 115,905</u>	<u>\$ 313,650</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>				
	<u>Title I 24101</u>	<u>IDEA B Entitlement 24106</u>	<u>Pre-K Initiative 27149</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Operational Fund	\$ 100,429	\$ 46,037	\$ 51,279	\$ 107,746	\$ 305,491

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, 2018, is as follows:

	Balance 6/30/17	Increases	Adjustments	Balance 6/30/18
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	26,639,742	19,369	(1,915,432)	24,743,679
Equipment, Vehicles, Software & Library Books	<u>3,551,046</u>	<u>73,519</u>	<u>1,789,985</u>	<u>5,414,550</u>
Total Capital Assets, being Depreciated	<u>30,190,787</u>	<u>92,888</u>	<u>(125,447)</u>	<u>30,158,229</u>
Total Capital Assets	<u>\$ 31,069,341</u>	<u>\$ 92,888</u>	<u>\$ (125,447)</u>	<u>\$ 31,036,783</u>
Less Accumulated Depreciation				
Buildings & Improvements	\$ 12,822,657	\$ 590,648	\$ (154,809)	\$ 13,258,496
Equipment, Vehicles, Software & Library Books	<u>2,519,758</u>	<u>183,693</u>	<u>41,286</u>	<u>2,744,737</u>
Total Accumulated Depreciation	<u>15,342,414</u>	<u>774,341</u>	<u>41,286</u>	<u>16,003,233</u>
Capital Assets, net	<u>\$ 15,726,927</u>	<u>\$ (681,453)</u>	<u>\$ (166,733)</u>	<u>\$ 15,033,550</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 150,636
Support Services	
Students	6,172
Instruction	3,062
General Administration	1,518
School Administration	20,498
Central Services	20,498
Operation & Maintenance of Plant	488,922
Student Transportation	77,968
Food Services Operations	5,068
Total Depreciation Expenses	<u>\$ 774,342</u>

E. Commitments

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

F. Long-Term Debt and Other Liabilities

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

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 3,725,000	\$ 0	\$ 400,000	\$ 3,325,000	\$ 400,000
Total Bonds	<u>3,725,000</u>	<u>0</u>	<u>400,000</u>	<u>3,325,000</u>	<u>400,000</u>
Other Liabilities					
Compensated Absences	0	11,563	3,304	8,259	8,259
Total Other Liabilities	<u>0</u>	<u>11,563</u>	<u>3,304</u>	<u>8,259</u>	<u>8,259</u>
Long-Term Liabilities	<u>\$ 3,725,000</u>	<u>\$ 0</u>	<u>\$ 400,000</u>	<u>\$ 3,325,000</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%	\$ 2,875,000
2013	6/15/13	700,000	2.2%-2.6%	450,000
				<u>\$ 3,325,000</u>

The annual requirements to amortize the General Obligation Bonds Issue as of June 30, 2018, including interest payments are as follows:

	Principal	Interest	Total
2019	\$ 400,000	\$ 75,294	\$ 475,294
2020	400,000	67,194	467,194
2021	450,000	58,044	508,044
2022	475,000	48,044	523,044
2023	500,000	37,394	537,394
2024-2025	1,025,000	38,725	1,063,725
Total	<u>\$ 3,250,000</u>	<u>\$ 324,695</u>	<u>\$ 3,574,695</u>

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

These members must meet one of the following requirements:

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

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

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

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

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

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

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member's Rate</u>	<u>Employer's Rate</u>	<u>Combined Rate</u>
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$1,093,222 and \$1,074,402, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$17,262,550 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.15533%, which was a decrease of 0.00162% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,836,883. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,988	\$ 265,946
Net difference between projected and actual earnings on pension plan investments	0	2,368
Changes of assumptions	5,039,278	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	433,931	316,585
District's contributions subsequent to the measurement date	626,521	0
Total	<u>\$ 6,130,718</u>	<u>\$ 584,899</u>

\$626,521 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2019	\$ 1,812,777
2020	1,970,631
2021	1,278,033
2022	(142,144)
Total	<u>\$ 4,919,297</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.

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Investment Rate of Return 7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.

Average Expected Remaining Service Lives	Fiscal year Service Life in Years	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
		3.35	3.77	3.92	3.88

Mortality Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.

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.

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.

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.

Retirement Age Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.

Cost-of-living Increases 1.90% per year, compounded annually.

Payroll Growth 3.00% per year (with no allowance for membership growth).

Contribution Accumulation The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.

Disability Incidence Approved rates are applied to eligible members with at least 10 years of service.

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

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

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

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

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

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

Sensitivity of the Net Pension Liability. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	<u>1% Decrease (4.9%)</u>	<u>Current Discount Rate (5.9%)</u>	<u>1% Increase (6.9%)</u>
The Districts' proportionate share of the net pension liability	\$ <u>22,471,547</u>	\$ <u>17,262,550</u>	\$ <u>13,004,619</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. Other Post Employment Benefits (OPEB)
Retiree Health Care Plan**

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

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

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

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

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

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

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

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

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

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

Benefits Provided

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

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

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

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

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

Retired Before 2020 or in Public Safety Pension Plan

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

Retired After 2019 and Not in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

Actuarial Valuation

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

Valuation Date	6/30/17
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return

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

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

Discount Rate

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

Sensitivity of the Net OPEB Liability

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

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability \$	<u>6,294,991</u> \$	<u>5,189,672</u> \$	<u>4,322,450</u>

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

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
The Districts' proportionate share of the net OPEB liability \$	4,414,173 \$	5,189,672 \$	5,794,369

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

At June 30, 2018, the District reported a liability of \$5,189,672 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.11452%, which was an increase of 0% from their proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$205,325. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	199,152
Net difference between projected and actual earnings on OPEB investments	0	74,657
Changes in assumptions	0	907,348
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	90,145	0
	<u>\$ 90,145</u>	<u>\$ 1,181,157</u>

\$90,145 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (251,122)
2020	(251,122)
2021	(251,122)
2022	(251,122)
2023	(176,669)
Total	<u>\$ (1,181,157)</u>

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

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

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

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

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

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

J. 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 on the New Mexico State Auditor's web site.

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 4, 2018, which is the date the financial statements were available to be issued.

O. Restatement

The fund balance was restated \$(1,181) in the Transportation Fund (13000) for the money returned to PED. The net position was restated \$(6,177,608). \$(1,181) was from the fund balance restatement, \$(6,164,504) was the OPEB Liability and \$(11,923) was from capital assets.

Required Supplemental Information

State of New Mexico
Santa Rosa Consolidated Schools
Schedules of Required Supplementary Information for Pension Plan

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015	2016	2017	2018
		2014	2015	2016	2017
District's proportion of the net pension liability		0.15673%	0.15695%	0.15695%	0.15533%
District's proportionate share of the net pension liability	\$	8,942,583	\$ 10,166,069	\$ 10,537,018	\$ 17,262,550
District's covered-employee payroll	\$	4,461,726	\$ 4,181,720	\$ 4,421,590	\$ 4,507,343
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		200.43%	243.11%	238.31%	382.99%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%	52.95%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 620,180	\$ 581,259	\$ 614,601	\$ 626,521
Contributions in relation to the contractually required	620,180	581,259	614,601	626,521
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 4,461,726	\$ 4,181,720	\$ 4,421,590	\$ 4,507,343
Contributions as a percentage of covered-employee	13.90%	13.90%	13.90%	13.90%

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

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

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

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

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

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

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

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

Santa Rosa Consolidated Schools

Schedules of Required Supplementary Information and Notes for Other Post Employment Benefits

Schedule of the District's Proportionate Share of the Net Other Post Employment Benefits (OPEB) Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017
District's proportion of the net OPEB liability		0.11452%
District's proportionate share of the net OPEB liability		\$ 5,189,672
District's covered-employee payroll		\$ 4,507,343
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		115.14%
Plan fiduciary net OPEB as a percentage of the total OPEB liability		11.34%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30, 2018
Contractually required contribution	\$ 90,145
Contributions in relation to the contractually required contribution	90,145
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	4,507,343
Contributions as a percentage of covered-employee payroll	2.00%

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

Notes to Required Supplementary Information

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

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

**Supplemental Information Related to
Nonmajor Funds**

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

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

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).

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.

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

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.

School Bus (27178). To account for funds provided by New Mexico Public Education Department to purchase school buses.

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.

Senate Bill Nine (31700). The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

State of New Mexico
Santa Rosa Consolidated Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue Funds		
	Athletics 22000	IDEA Preschool 24109	Fresh Fruit & Vegetables 24118
Assets			
Cash and Cash Equivalents	\$ 3,553	\$ 0	\$ 0
Receivables			
Due From Grantor	0	1,335	7,155
Total Assets	\$ 3,553	\$ 1,335	\$ 7,155
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	0	0
Interfund Balance	0	1,335	7,155
Total Liabilities	0	1,335	7,155
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted for			
Special Revenue	3,553	0	0
Capital Projects	0	0	0
Total Fund Balances	3,553	0	0
Total Liabilities and Fund Balances	\$ 3,553	\$ 1,335	\$ 7,155

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, 2018

	Special Revenue Funds		
	IDEA B Results Plan 24132	Teacher Principal Training 24154	Rural & Low Income 24160
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	41,435	8,209	8,679
Total Assets	\$ 41,435	\$ 8,209	\$ 8,679
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	0	0
Interfund Balance	41,435	8,209	8,679
Total Liabilities	41,435	8,209	8,679
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Total Fund Balances	0	0	0
Total Liabilities and Fund Balances	\$ 41,435	\$ 8,209	\$ 8,679

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, 2018

	Special Revenue Funds		
	Title I School Improvement 24162	Medicaid 25153	Duel Credit Instructional Materials 27103
Assets			
Cash and Cash Equivalents	\$ 0	\$ 131,620	\$ 0
Receivables			
Due From Grantor	4,884	0	752
Total Assets	\$ 4,884	\$ 131,620	\$ 752
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	0	\$ 680	\$ 0
Interfund Balance	4,884	0	752
Total Liabilities	4,884	680	752
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted for			
Special Revenue	0	130,940	0
Capital Projects	0	0	0
Total Fund Balances	0	130,940	0
Total Liabilities and Fund Balances	\$ 4,884	\$ 131,620	\$ 752

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, 2018

	Special Revenue Funds		
	GO Student Library 27107	NM Reads to Lead 27114	Breakfast for Elementary 27155
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	12,097	15,582	1,283
Total Assets	\$ 12,097	\$ 15,582	\$ 1,283
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	12,097	15,582	1,283
Total Liabilities	12,097	15,582	1,283
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted for			
Special Revenue	0	0	0
Capital Projects	0	0	0
Total Fund Balances	0	0	0
Total Liabilities and Fund Balances	\$ 12,097	\$ 15,582	\$ 1,283

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, 2018

	Special Revenue Funds		
	School Bus 27178	Hard to Staff 27195	Wind Farm Projects 29134
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 33,234
Receivables			
Due From Grantor	0	0	0
Total Assets	\$ 0	\$ 0	\$ 33,234
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted for			
Special Revenue	0	0	33,234
Capital Projects	0	0	0
Total Fund Balances	0	0	33,234
Total Liabilities and Fund Balances	\$ 0	\$ 0	\$ 33,234

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, 2018

	Capital Projects Funds		
	Bond Building 31100	Special Capital Outlay State 31400	Senate Bill Nine-State 31700
Assets			
Cash and Cash Equivalents	\$ 54,695	\$ 0	\$ 0
Receivables			
Due From Grantor	0	0	14,494
Total Assets	\$ 54,695	\$ 0	\$ 14,494
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 8,159
Interfund Balance	0	0	6,335
Total Liabilities	0	0	14,494
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted for			
Special Revenue	0	0	0
Capital Projects	54,695	0	0
Total Fund Balances	54,695	0	0
Total Liabilities and Fund Balances	\$ 54,695	\$ 0	\$ 14,494

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, 2018

	<u>Total</u>
Assets	
Cash and Cash Equivalents	\$ 223,102
Receivables	
Due From Grantor	115,905
Total Assets	<u>\$ 339,007</u>
Liabilities and Fund Balances	
Liabilities	
Accounts Payable	\$ 8,839
Interfund Balance	107,746
Total Liabilities	<u>116,585</u>
Deferred Inflows of Resources	
Unavailable Revenue	0
Total Deferred Inflows of Resources	0
Fund Balances	
Restricted for	
Special Revenue	167,727
Capital Projects	54,695
Total Fund Balances	<u>222,422</u>
Total Liabilities and Fund Balances	<u>\$ 339,007</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, 2018

	Special Revenue Funds		
	Athletics 22000	IDEA Preschool 24109	Fresh Fruit & Vegetables 24118
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	43,522	0	0
State and Local Grants	0	0	0
Federal Grants	0	4,708	14,707
Interest Income	0	0	0
Miscellaneous	221	0	0
Total Revenues	<u>43,743</u>	<u>4,708</u>	<u>14,707</u>
Expenditures			
Current			
Instruction	44,503	4,708	0
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
Food Service Operations	0	0	14,707
Capital Outlay	0	0	0
Total Expenditures	<u>44,503</u>	<u>4,708</u>	<u>14,707</u>
Excess (Deficiency) of Revenues Over Expenditures	(760)	0	0
Fund Balances at Beginning of Year	<u>4,313</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 3,553</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, 2018

	Special Revenue Funds		
	IDEA B Results Plan 24132	Teacher Principal Training 24154	Rural & Low Income 24160
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	68,985	11,479	8,679
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>68,985</u>	<u>11,479</u>	<u>8,679</u>
Expenditures			
Current			
Instruction	68,985	11,211	8,383
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	268	296
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>68,985</u>	<u>11,479</u>	<u>8,679</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, 2018

	Special Revenue Funds		
	Title I School Improvement	Medicaid	Duel Credit Instructional Materials
	24162	25153	27103
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	117,188	0
State and Local Grants	0	0	2,954
Federal Grants	51,683	0	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>51,683</u>	<u>117,188</u>	<u>2,954</u>
Expenditures			
Current			
Instruction	51,683	0	2,954
Support Services			
Students	0	83,713	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
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>51,683</u>	<u>83,713</u>	<u>2,954</u>
Excess (Deficiency) of Revenues Over Expenditures	0	33,475	0
Fund Balances at Beginning of Year	<u>0</u>	<u>97,465</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 130,940</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, 2018

	Special Revenue Funds		
	GO Student Library 27107	NM Reads to Lead 27114	Breakfast for Elementary 27155
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	12,097	81,389	13,930
Federal Grants	0	0	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>12,097</u>	<u>81,389</u>	<u>13,930</u>
Expenditures			
Current			
Instruction	0	80,600	0
Support Services			
Students	0	0	0
Instruction	12,097	0	0
General Administration	0	789	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Food Service Operations	0	0	13,930
Capital Outlay	0	0	0
Total Expenditures	<u>12,097</u>	<u>81,389</u>	<u>13,930</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, 2018

	Special Revenue Funds		
	School Bus 27178	Hard to Staff 27195	Wind Farm Projects 29134
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 65,993
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	0	0	0
Interest Income	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>65,993</u>
Expenditures			
Current			
Instruction	0	0	8,347
Support Services			
Students	0	0	0
Instruction	0	0	62
General Administration	0	0	53,324
School Administration	0	0	1,106
Central Services	0	0	1,935
Operation of Plant	0	0	46,359
Food Service Operations	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>111,133</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(45,140)
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>78,374</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 33,234</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, 2018

	Capital Projects Funds		
	Bond Building 31100	Special Capital Outlay State 31400	Senate Bill Nine-State 31700
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	323	49,826
Federal Grants	0	0	0
Interest Income	1,456	0	0
Miscellaneous	0	0	0
Total Revenues	1,456	323	49,826
Expenditures			
Current			
Instruction	2,520	323	11,768
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	2,657	0	26,772
Food Service Operations	0	0	0
Capital Outlay	0	0	11,286
Total Expenditures	5,177	323	49,826
Excess (Deficiency) of Revenues Over Expenditures	(3,721)	0	0
Fund Balances at Beginning of Year	58,416	0	0
Fund Balance End of Year	\$ 54,695	\$ 0	\$ 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 Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2018

	<u>Total</u>
Revenues	
Property Taxes	\$ 65,993
Fees	160,710
State and Local Grants	160,519
Federal Grants	160,241
Interest Income	1,456
Miscellaneous	221
Total Revenues	<u>549,140</u>
Expenditures	
Current	
Instruction	295,985
Support Services	
Students	83,713
Instruction	12,159
General Administration	54,677
School Administration	1,106
Central Services	1,935
Operation of Plant	75,788
Food Service Operations	28,637
Capital Outlay	11,286
Total Expenditures	<u>565,286</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,146)
Fund Balances at Beginning of Year	<u>238,568</u>
Fund Balance End of Year	<u>\$ 222,422</u>

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

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

State of New Mexico
Santa Rosa Consolidated Schools
Agency Funds - Activity
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2018

	Balance 6/30/17	Receipts	Expenditures	Balance 6/30/18
Elementary				
General Account	\$ 8,342	\$ 19,532	\$ 14,054	\$ 13,820
National Honor Society	412	1,146	1,084	475
Total Elementary	<u>8,754</u>	<u>20,678</u>	<u>15,137</u>	<u>14,295</u>
Anton Chico				
General Fund	4,123	8,137	8,359	3,901
Athletics	397	365	553	209
Student Council	1,340	6,280	5,334	2,286
MESA	931	9,759	8,130	2,560
Total Anton Chico	<u>6,791</u>	<u>24,541</u>	<u>22,376</u>	<u>8,956</u>
Middle School				
General Fund	4,450	17,584	12,408	9,626
MS Athletics	911	540	965	486
Student Council	1,027	9,775	10,111	691
Honor Society	604	370	96	878
Mesa	2,252	1,173	1,573	1,852
Yearbook	1,225	996	2,221	(0)
Total Middle School	<u>10,469</u>	<u>30,438</u>	<u>27,374</u>	<u>13,533</u>
High School				
General Fund	2,813	16,732	13,408	6,137
HS Athletics	6,225	41,215	42,875	4,564
Student Council	186	10,923	8,288	2,821
EL Leon	2,660	3,482	4,740	1,402
National Honor Society	1,506	939	2,104	341
Mesa	2,697	2,502	1,720	3,479
Shop	459	35	0	494
BPA	2,060	20,420	22,444	35
FFA	450	3,930	2,623	1,757
Ben Baca Learning Center	124	0	0	124
Class of 2016	1,393	0	0	1,393
Class of 2017	1,573	0	445	1,128
Class of 2018	611	1,015	453	1,173
Class of 2019	1,100	2,060	1,037	2,123
Class of 2020	660	409	0	1,069
Class of 2021	0	590	50	540
Board of Education Scholarship	737	5,831	1,247	5,321
Rudolfo Anaya Scholarship	2,250	2,000	1,000	3,250
Aragonne Wind Scholarship	2,694	0	0	2,694
Flores Scholarship	400	0	0	400
GEO Scholarship	6,000	6,000	6,000	6,000
Total High School	<u>36,597</u>	<u>118,083</u>	<u>108,435</u>	<u>46,246</u>
Total Activities	<u>\$ 62,611</u>	<u>\$ 193,740</u>	<u>\$ 173,322</u>	<u>\$ 83,029</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, 2018

		Beginning Cash <u>6/30/17</u>	Revenue	Expenditures	Ending Cash <u>6/30/18</u>
Operational	11000 \$	600,301 \$	6,196,270 \$	6,067,178 \$	729,393
Transportation	13000	2,362	433,981	434,723.00	1,620
Instructional Materials	14000	47,851	20,414	42,325	25,940
Food Service	21000	159,222	498,782	419,374	238,630
Athletics	22000	4,313	43,743	44,503	3,553
Federal Flowthrough	24000	(229,451)	590,507	579,219	(218,163)
Federal Direct	25000	97,466	117,188	83,034	131,620
State Flowthrough	27000	(140,039)	283,168	224,122	(80,993)
Local/State	29000	78,373	65,993	111,133	33,233
Bond Building	31100	59,974	1,456	6,737	54,693
Special CO State	31400	(34,677)	35,000	323	0
Senate Bill Nine-State	31700	0	35,333	41,668	(6,335)
Senate Bill Nine-Local	31701	381,737	219,428	257,212	343,953
Debt Service	41000	126,759	510,863	488,003	149,619
Activities	23000	62,611	193,740	173,322	83,029
Total		<u>\$ 1,216,802</u>	<u>\$ 9,245,866</u>	<u>\$ 8,972,876</u>	<u>\$ 1,489,792</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, 2018

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	\$ 168,197
National School Lunch Program	10.555	21000	270,897
Pass-through Children, Youth, and Families Department			
National School Lunch Program	10.555	21000	25,827
Pass-through State Department of Human Services:			
Commodity Supplemental Food Program	10.565	21000	(1) 32,796
Total Child Nutrition Cluster			<u>497,717</u>
Pass-through State Public Education Department:			
Fresh Fruit and Vegetables	10.582	24118	<u>14,707</u>
Total U. S. Department of Agriculture			<u>512,424</u>
<u>U. S. Department of Education</u>			
Pass-through State Public Education Department:			
Special Education Cluster			
IDEA B Entitlement	84.027	24106	246,515
IDEA B Results Plan	84.027	24132	68,985
IDEA Preschool	84.173	24109	4,708
			<u>320,208</u>
Pass-through State Public Education Department:			
Title I	84.010	24101	170,782
Title I School Improvement	84.010	24162	51,683
Teacher/Principal Training and Recruiting	84.367	24154	11,479
Rural & Low Income	84.358	24160	8,679
Total U. S. Department of Education			<u>562,831</u>
Total Federal Assistance			<u>\$ 1,075,255</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, 2018

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. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Santa Rosa Consolidated Schools

Mr. Johnson and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Santa Rosa Consolidated Schools (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and 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 4, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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, 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006.

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, 2018-001, 2018-002, 2018-003, 2018-004, 2018-005, 2018-006.

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'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 4, 2018

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. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Santa Rosa Consolidated Schools

Mr. Johnson 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, 2018. 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, 2018.

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 4, 2018

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:

<u>CFDA Numbers)</u>	<u>Name of Federal Program of Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
	National School Lunch Program

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
 None

Current Year Audit Findings
 None

Financial Statements Findings

Prior Year Audit Findings	Status
2015-003 Personnel Files	Repeated & Modified
2016-001 Expenditures	Repeated & Modified
2016-003 Receipt Books	Repeated & Modified

Current Year Audit Findings

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

Out of 20 personnel files reviewed we noted:

- (a) One was a background check from a previous employer and one only had finger prints in the file with no results.
- (b) One of the I-9s used a foreign document for a list B item (this document was not an approved item on the form for list A, B or C). All 20 I-9's that were reviewed were a form generated by the District's software program that completed Section 1 for the employee. According to M-274 if the employee does not complete Section 1 themselves; they are to mark the box that states a preparer(s) and/or translator(s) assisted the employee in completing Section 1. However, all I-9s had the box marked that they had not used a preparer or translator.
- (c) W-4s - The District used their software program to enter Sections 1 and 2 on a W-4. The last name was only partially visible because the software had a limited number of characters.
- (d) Three certified employees' personnel files contained copies of transcripts (not official).

Management has not made progress resolving this finding.

Criteria

- (a) (d) Criteria - NM Statute 22-10(A)-5B Local school boards and regional education cooperatives shall develop policies and procedures to require background checks on an applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school.
- (b) Handbook for Employers M-274 the employee must be physically present with the document examiner. Examine one selection from List A or a combination of one selection from List B and one selection from List C. If an employee presents a List a document, do not ask or require the employee to present List B or List C documents. If an employee presents List B and List C documents, do not ask or require the employee to present a List a document. NMAC 6.20.2.18 states the local board shall establish written policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, direct deposit authorizations, pay or position change notices and ERA plan application.
- (c) As per the IRS the name on the W-4/W-2 must match the name filed with the Social Security Administration.

2015-003 Personnel Files-Compliance and Internal Control-Significant Deficiency (cont)

Cause

(a) Employee at question did have a valid background check; however, background check was forwarded to A.P.S. not SRCS. Employee checked a incorrect location site on Cogent 3-M. Second background check in question had only (1) stamp. We were unaware of the second required stamp. Since then, District and employee has a new background check.

(b) H.R. Coordinator was not clear with the I-9 language pertaining to the documentation submission of a valid driver's license. Since then, District is clear with the I-9 submission documentation. E-Verification is part of the H.R. processing where (3) days is the Verification timeline. District was unaware that a prepopulated form was invalid. District now requires that the form has been completed by the employee with a blank generated form to the employee.

(c) H. R. was not aware the last name was not printing in it's entirety.

(d) H.R. did not thoroughly review transcript files for embossed/official transcripts. Since then, H.R. has been trained and notified of the required embossed/official transcript requirement. Sweep of all the files have been conducted to determine if there are any unofficial transcripts so that employees can request official transcripts for our personal files.

Effect

(a) As a safety measure, people with serious criminal records may not be fit to have responsibility for the safety and well-being of children and it would not be known without a background check.

(b) 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.

(c) Not having the correct name and/or social could create conflicts with the IRS and the Social Security Administration data base.

Recommendation

(a) Access to personnel files should be limited to only those people responsible for the safety of those records. There should be a check out system tracking who has accessed the file determining who may have removed items from the file holding that personal accountable.

(b) Training and supervision is necessary to assure the I-9s are completed correctly.

(c) Have the employee complete the W-4 instead of relying on the software.

(d) Review all certified employees files to ensure official transcripts have been obtained.

Response

(a) We have reviewed and screened our background checks and corrected the fore mentioned findings. Human Resource has developed a checklist based on the Cogent 3-M, E-Verification and N.M.P.E.D. requirements. Per the 2015-2016 audit recommendations, District revamped all personnel files as per your request. As of November 2018, background checks for the questionable employees have been corrected. Though we did question one of the background checks. Background check was current with Cogent 3-M; however, location site was A.P.S. and not specified to S.R.C.S. Teacher did have a current teaching license.

(b) We have corrected the I-9 finding. Three Central Office employees have completed E-Verification with Homeland Security, thus eliminating the issue of I-9 discrepancies with social security numbers and driver licenses. I-9 forms are now printed blank. E-Verification will validate the I-9 within (3) days. I-9 discrepancy has been addressed.

(c) W-4 forms are now printed on blank forms. Employees will independently complete their forms. Moreover, E-Verification validation will assist our H.R Office in assuring that the W-4 is valid. This should suffice this finding. I will emphasize that we comply with Right to Privacy/Confidential protocols. Our H.R. office does have internal controls in reference to confidentiality.

2015-003 Personnel Files-Compliance and Internal Control-Significant Deficiency (cont)

(d) We have reviewed and screened all certified personnel transcripts. As of November 30, 2018, all certified personnel transcripts will be current with embossed/official transcripts. We have established a checklist identifying transcript requests along with ensuring that the employee has submitted embossed transcripts before first payroll delivery.

Responsible Party and Timeline

The Human Resource Department 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 reviewed in major funds totaling \$573,168.30, we noted the following:
Fund 11000 - Six expenditures totaling \$32,667.38 or 5.78% of the population reviewed had purchase orders dated after the invoice date (After-the-fact POs). Five expenditures totaling \$51,908.26 or 9.19% of the population were not paid within 30 days of the invoice date.
Fund 13000 - Two had after-the-fact POs totaling \$378.86 or .68% of the population
Fund 24101 - One expenditure totaling \$3,203.70 or 8.14% of the population reviewed had an after fact PO.
Fund 31701 -One expenditure totaling \$39,621.30 or 25% of the population reviewed had an after-the-fact PO.

Management has made progress resolving this finding.

Criteria

In accordance with 6.20.2.17 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.

Cause

Lack of procedure stems from the building levels particularly with sponsors and coaches.

Effect

Without proper documentation and following the procurement act, there are not adequate controls over expenditures. Results could be over spending.

Recommendation

Personnel should be trained in the procurement process and there should be consequences for failing to follow the process.

Response

We have created internal controls with each school along with a specified Memo detailing the procurement/P.O. protocol. District Business Manager/Superintendent/Principals will need to reprimand employees along with declining requisitions that are created after the fact. District employees and office staff are aware and have been properly advised of requisition and purchase order procedures. Policies and procedures are established as posted on the N.M.S.B.A. Policy Portal.

Responsible Party and Timeline

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) Some were issued to activities rather than individuals,
- (2) Deposits were not made within 24 hours of collection,
- (3) The original receipt was turned into central office rather than given to the individual paying the money.

Management has not made progress resolving this finding.

Criteria

NMAC 6.20.2.14(c) Cash Controls Standards Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference. 6.20.2.11 NMSA Internal Control Structure Standards. Internal controls and procedures should be in writing and followed allowing documentation for the responsible party. Also see NMPED Manual of Procedures PSAB Supplement 18 Student Activity & Athletics for a comprehensive discussion of internal controls.

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. Written procedures that include internal controls should be provided to all personnel.

Response

District does have protocols identified in memo form and is disseminated throughout the District. All secretaries have been advised and trained, again. Violation of protocol will result in administrative action with advisement and cautionary letters. We will once again reinforce the 24 hour deposit protocol and failure to comply will result in administrative disciplinary action. District will create in-service training pertaining to this matter by November 30, 2018.

Responsible Party and Timeline

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

2018-001 Unbalanced Budget-Compliance and Internal Control-Significant Deficiency

Condition

The District did not have a sufficient beginning cash balance to balance the budget in the following funds:

Major Funds

Operational Fund 11000 \$(3,372)
Senate Bill Nine-State Fund 31701 \$(89,387)

Non-Major Funds

Athletics Fund 22000 \$(576)
Medicaid Fund 25153 \$(10,263)

Criteria

Section 2.2.2.10. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances budgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Cause

The District does not have a procedure in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

Effect

The District will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Recommendation

BARS should be issued shortly after audited cash balances are confirmed reducing budgeted expenditures if estimated cash balances were more the actual cash balances used to balance the budget.

Response

Unbalanced budget-compliance finding has been addressed. We had developed a spreadsheet that is completed after we receive the audited cash balances. Submission of B.A.R.'s will be submitted to N.M.P.E.D. on an as need basis.

Responsible Party and Timeline

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

2018-002 Paid Time Off-Compliance and Internal Control-Significant Deficiency

Condition

We noted the following:

(a) Holiday Pay - Multiple employees were allowed to use holiday time for days that were not indicated as a holiday on the District's calendar. Allowing employees time off without reducing their contracts is in effect paying the employee for services not rendered.

(b) Sick Leave - Multiple employees had negative sick leave balances as of 6/30/18. The District is in effect paying employees before the employee has rendered the service or giving the employee a payroll advance both of which are not allowed in the State of New Mexico.

Criteria

The New Mexico Criminal Code makes it a fourth-degree felony for a public official to pay public money for services that have not been rendered. "Paying or receiving public money for services not rendered consists of knowingly making or receiving payment or causing payment to be made from public funds where such payment purports to be for wages, salary or remuneration for personal services [services] which have not in fact been rendered." NMSA 1978, § 30-23-2.

Cause

(a) The Superintendent was feeling generous the day before a holiday began and allowed the employees to leave early. No one thought this was an issue or that the employees should have used personal or annual leave.

(b) Employees were allowed to take off more time than they had accrued.

Effect

(a) The District is over paying wages for time that is not worked.

(b) The District is at risk for not recovering money from employees that resign or terminate employment with negative balances.

Recommendation

(a) Employees should use personal or annual leave when they are not at work.

(b) Employees should not be allowed to have a negative leave balance.

Response

(a) Holiday time will no longer be granted unless it is specified by the District calendar and approved by administration.

(b) We have created a leave without pay account that documents the absence for the day. We will no longer show a negative balance. Payroll will ensure that all balances are accurate. Employees who do not have a leave balance will show leave without pay. With a "0" balance, employees will accrue positive time on their pay stubs with no negative balances.

Responsible Party and Timeline

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

2018-003 Compensatory Time in Lieu of Overtime-Compliance and Internal Control-Significant Deficiency Condition

The District has no tracking system in place for compensatory (comp) time in lieu of overtime pay for non-exempt employees. Of 11 non-exempt employees tested, we noted 3 had overtime totaling 6.2 hours. The employees did not receive over time pay and there was no documentation giving the employees comp time.

Criteria

Section 3(s)(1)(C) of the FLSA under certain prescribed conditions, employees of State or local government agencies may receive compensatory time off, at a rate of not less than one and one-half hours for each overtime hour worked, instead of cash overtime pay.

Cause

Non-exempt employees would submit a form when they worked greater than 8 hours per day. The employee would also submit a form requesting to use comp time. However, the District had no beginning or ending comp time balance to determine if the employee really earned it for hours worked greater than 40 hours in a work week or if they had comp time available to use when requested.

Effect

Because the District does not have a tracking system in place for earned and used compensatory time they are violating FLSA. The DOL can and will sue to protect the employees and recover lost wages. The fines and back-pay could be substantial and financially crippling to the District.

Recommendation

The District should make sure that they understand the FLSA overtime rules properly and purchase a clocking system that will correctly calculate comp time. A system to track comp time should be implemented immediately.

Response

We are in the process of correcting our tracking system with non-exempt employees. All administrators are verifying time sheets to ensure that comp time is accurately accrued. If (40) hours or more is identified, District will award the comp time for the employee. For the FY-2019-2020, District will be purchasing in new clocking system that automate our records, along with an hourly wage based on the clock-in and clock-out system. Memo has been disseminated to all employees that identifies accrued and used comp time. Comp time must be used within (45) days and comp time will not be allowed to be rolled-over for the new fiscal year. Comp time will be utilized prior to sick, annual, or personal leave for all non-exempt employees.

Responsible Party and Timeline

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

2018-004 ERB-Compliance and Internal Control-Significant Deficiency

Condition

Of 20 employees reviewed we noted that two employees' ERB amount was withheld at-the <\$20,000 when they should have been >\$20,000. Projected across total employee population, the under reported and withheld amount would be \$17,758.44 for the fiscal year.

Criteria

As per ERB effective rates for regular employees earning greater than \$20,000 is 10.70%. The rate withheld for employees earning less than \$20,000 is 7.90%. These rates are establish by state statutes.

Cause

One employee was originally employed as a bus drive with a contract less than the \$20,000, she decided to drive the athletic bus which cause her wages to be greater than \$20,000. Once her wages reached the \$20,000 the percentage should have been updated in the district's software. The other employee was hired 1/16/18 and the contract was \$10,120. If the employee had worked the full year the contract would have been for \$23,920 which is > \$20,000.

Effect

Benefits were underpaid and the employee did not received credit for the earnings at ERB.

Recommendation

Training, review and supervision would correct this issue.

Response

Our administration office will implement an on-going review to verify that all employees are adjusted to the correct ERB bracket. Payroll Officer and Business Manager will collectively review the individual employee YTD salary balance.

Responsible Party and Timeline

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

2018-005 NMPSIA-Compliance and Internal Control-Significant Deficiency

Condition

Out of 20 reviewed we noted 7 employee/employer percentages were incorrect, These incorrect percentages resulted in the District under withholding from employees. Projected over the population of all employees the estimated amount of cost to the District would be \$13,630.02.

Criteria

6.50.8.1 NMAC Subsection D of Section 22-29-7 NMSA 1978, directs the authority to promulgate necessary rules, regulations and procedures for the implementation of the New Mexico Public School Insurance Authority Act, Section 22-29-1 et seq. NMSA 1978.

Cause

The payroll process lacks adequate review or oversight allowing the mistakes documented above to occur.

Effect

These mistakes are costing the District money that could be used to educate the students.

Recommendation

The business manager and/or human resource department should enter all information for all employees. The payroll clerk should not have the ability to setup and enter employees for internal control purposes.

Response

Our administration office will implement an on-going review to verify that all employees are adjusted to the correct NMPSIA bracket. Payroll Clerk, Business Manager and H.R. will collectively review individual insurance premium brackets.

Responsible Party and Timeline

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

2018-006 Contracts and Pay-Compliance and Internal Control-Significant Deficiency

Condition

During our review of employee contracts we noted:

(a) One employee was-over paid by \$8,226.68.

(b) Two employees were paid a different number of installments than what their contract stated. For example, the contract stated 26 installments when the employee began working mid year and was paid in only 23 installments. For the two employees the estimated amount totaled \$11,878.82.

Criteria

The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations. The district was also in violation of Article IX Section 14 of the Constitution of the State of New Mexico.

Cause

(a) The employee began working mid year and the handwritten prorated contract amount was misread by the Payroll Clerk who was the person imputing the amount into the system.

(b) The contracts were not changed to reflect a correct number of installments when an employee begins working mid year.

Effect

These mistakes cost the District money that could be used to educate the students.

Recommendation

The Business Manager and/or Human Resource should enter all information for all employees. The payroll clerk should not have the ability to setup and enter employees for internal control purposes.

Response

Business Manager will ensure that the salary contract amount is verified accurately after being entered into the payroll system. Employees who are hired after the beginning of the SY or FY will be prorated; therefore, the Business Manager and H.R. will ensure that the contract is properly input into the Visions system, and notification to the Payroll Clerk will be apprised.

Responsible Party and Timeline

The Business Manager 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 4, 2018. Those present were Marcella Gerharch-Board President, Jennifer Muniz-Board Vice President, Julie Sanchez-Principal, Erica Padilla-Principal, Secretary, Kenneth Flores-Teacher, Michelle Lucero-Teacher, Erma Madrid-Teacher, Peter Tormos-Human Resource Coordinator, Debbie Ulibarri-Payroll, Megon Quintana-Secretary, Amanda Lucero-Secretary, Aristeo Salcido-Maintenance Supervisor, Danielle Esquibel-Director of Programs, Richard Perea-Superintendent, Sonia Tenorio-Business Manager and De'Aun Willoughby, CPA.