

State of New Mexico

QUEMADO INDEPENDENT SCHOOLS



FOR YEAR ENDED JUNE 30, 2018

ANNUAL FINANCIAL REPORT

Quemado Independent School District will provide a challenging learning environment that encourages continuous improvement in a safe and supportive surrounding. Positive interaction between students and staff will promote compassion, thoughtfulness, self-discipline and motivation.

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

AUDIT REPORT

For The Year Ended June 30, 2018

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS
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STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS
Official Roster
Year Ended June 30, 2018

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Walt Summers	President
Ms. Eileen Dodds	Vice President
Ms. Carm Charez	Secretary
Mr. Nathan BoerVis	Member
Vacant	Member

School Officials

Mr. David Lackey	Superintendent
Ms. Anna Wastchak	Business Manager

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson
New Mexico State Auditor
and
Board of Education
Quemado Independent Schools
Quemado, New Mexico

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, Cafeteria, Title I, IDEA-B Entitlement, IDEA-B "Risk Pool", Improving Teacher Quality and Read2Lead Funds of the Quemado Independent Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Quemado Independent Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Quemado Independent Schools non-major governmental and fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2018 as listed in the table of contents. We did not audit the 2017 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the School District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School District, is based solely on the report of the other auditors. Also, we did not audit the 2017 Schedule of Employers Proportionate Share of the Net OPEB Liability of the State of New Mexico Retiree Health Care Authority (RHCA), the administrator of the cost sharing other post-employment benefits (OPEB) plan for the School District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School District, is based solely on the report of the other auditors.

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 Quemado Independent Schools, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Cafeteria, Title I, IDEA-B Entitlement, IDEA-B "Risk Pool", Improving Teacher Quality and Read2Lead Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Quemado Independent Schools, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 13 to the financial statements, effective July 1, 2017, the School District adopted Governmental Accounting Standards Board Statement (GASB) No 75 *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the MD&A 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the Schedules I and II and the notes to the Required Supplementary Information and also Schedules III and IV 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 considers 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 obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Quemado Independent Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification required by Section 2.2.2 NMAC, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification and the Schedule of Expenditures of Federal Awards is the responsibility of management and were derived from and relates 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 basis 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 Cash Receipts, Disbursements - All Funds by School District Classification and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018 on our consideration of the Quemado Independent Schools 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 Quemado Independent Schools internal control over financial reporting and compliance.



Albuquerque, New Mexico
October 30, 2018

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Net Position
 June 30, 2018

Statement 1
 Page 1 of 2

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 1,004,979
Accounts receivable	5,627
Due from grantor	135,233
Inventory	<u>2,545</u>
Total current assets	<u>1,148,384</u>
Non-current assets	
Land (non-depreciable)	90,814
Capital assets (depreciable)	11,932,196
Less accumulated depreciation	<u>(7,082,004)</u>
Total non-current assets	<u>4,941,006</u>
Total assets	<u>6,089,390</u>
 Deferred outflows of resources	
Deferred outflows of resources related to pension	2,111,943
Deferred outflows of resources related to OPEB	<u>31,371</u>
Total deferred outflows of resources	<u>2,143,314</u>
Total assets and deferred outflows of resources	<u>\$ 8,232,704</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Net Position
 June 30, 2018

Statement 1
 Page 2 of 2

LIABILITIES

Current liabilities	
Accounts payable	\$ 4,037
Accrued interest payable	10,400
Current portion of long-term liabilities	<u>190,000</u>
Total current liabilities	<u>204,437</u>
Long-term obligations:	
Net pension liability	5,950,151
OPEB liability	1,609,654
Compensated absences	28,143
Non-current portion of long-term liabilities	425,000
Bond premium	<u>14,862</u>
Total long-term liabilities	<u>8,027,810</u>
Total liabilities	<u>8,232,247</u>

Deferred inflows of resources

Deferred inflows of resources related to Net Pension Liability	92,484
Deferred inflows of resources related to OPEB liability	<u>366,353</u>
Total deferred inflows of resources	<u>458,837</u>

NET POSITION

Net investment in capital assets	4,326,006
Restricted for:	
Cafeteria fund (inventory)	2,545
Capital outlay	485,504
Debt service	207,638
State mandated reserves	1,621
Special grants	175,236
Unrestricted	<u>(5,656,930)</u>
Total net position	<u>(458,380)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,232,704</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Activities
 Year Ended June 30, 2018

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENSES:					
Governmental activities:					
Direct instruction	\$ 2,544,812	\$ 19,901	\$ 158,144	\$ 12,012	\$ (2,354,755)
Instructional support	1,614,836	6,802	727,301	-	(880,733)
Food services	175,691	6,891	84,715	-	(84,085)
Depreciation - unallocated	237,717	-	-	-	(237,717)
Interest on long-term obligations	17,957	-	-	-	(17,957)
Total governmental activities	4,591,013	33,594	970,160	12,012	(3,575,247)
General revenues:					
Taxes					
Property taxes, levied for general purposes					37,548
Property taxes, levied for capital projects					175,601
Property taxes, levied for debt service					200,676
Federal and State aid not restricted to specific purpose					
General - SEG					1,941,428
Forest Service					623,444
Interest and investment earnings					670
Sub-total, general revenues					2,979,367
Change in net position					(595,880)
Net position - beginning of year					2,070,710
Restatement					(1,933,210)
Net position - beginning of year - restated					137,500
Net position - end of year					\$ (458,380)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Balance Sheet - All Governmental Funds
 June 30, 2018

Statement 3

	General	Cafeteria	Title I	IDEA-B Entitlement	IDEA-B "Risk-Pool"	Improving Teacher Quality	Medicaid	Read2Lead	Capital Improvements SB-9 Local	Debt Service	Other Governmental	Total
ASSETS												
Cash on deposit	\$ 171,223	\$ 31,653	\$ -	\$ -	\$ -	\$ -	\$ 85,465	\$ -	\$ 483,141	\$ 204,881	\$ 28,616	\$ 1,004,979
Accounts receivable	507	-	-	-	-	-	-	-	2,363	2,757	-	5,627
Inventory, at cost	-	2,545	-	-	-	-	-	-	-	-	-	2,545
Due from grantor	-	-	20,419	22,590	22,518	19,833	-	29,329	-	-	20,544	135,233
Due from other funds	135,233	-	-	-	-	-	-	-	-	-	-	135,233
Total assets	\$ 306,963	\$ 34,198	\$ 20,419	\$ 22,590	\$ 22,518	\$ 19,833	\$ 85,465	\$ 29,329	\$ 485,504	\$ 207,638	\$ 49,160	\$ 1,283,617
LIABILITIES												
Rental deposits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	4,037	-	-	-	-	-	-	-	-	-	-	4,037
Due to other funds	-	-	20,419	22,590	22,518	19,833	-	29,329	-	-	20,544	135,233
Total liabilities	4,037	-	20,419	22,590	22,518	19,833	-	29,329	-	-	20,544	139,270
FUND BALANCE												
Nonspendable	-	2,545	-	-	-	-	-	-	-	-	-	2,545
Restricted	31,123	31,653	-	-	-	-	85,465	-	485,504	207,638	28,616	869,999
Committed	-	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	271,803	-	-	-	-	-	-	-	-	-	-	271,803
Total fund balance	302,926	34,198	-	-	-	-	85,465	-	485,504	207,638	28,616	1,144,347
Total liabilities and fund balance	\$ 306,963	\$ 34,198	\$ 20,419	\$ 22,590	\$ 22,518	\$ 19,833	\$ 85,465	\$ 29,329	\$ 485,504	\$ 207,638	\$ 49,160	\$ 1,283,617

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position
 June 30, 2018

Statement 4

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds		\$ 1,144,347
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	12,023,010	
Accumulated depreciation	<u>(7,082,004)</u>	
		4,941,006

Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds

Deferred outflows/inflows		2,019,459
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Deferred outflows and inflows or resources related to OPEB are applicable to future periods and therefore, are not reported in the funds

Deferred outflows/inflows		(334,982)
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Long-term and certain other liabilities, including bonds payable and net pension liability, 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:

Net pension liability		(5,950,151)
Net OPEB liability		(1,609,654)
Bonds Payable		(615,000)
Interest Payable		(10,400)
Compensated Absences		(28,143)
Bond issuance premium (net)		<u>(14,862)</u>

Total net position - governmental funds		<u><u>\$ (458,380)</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues, Expenditures and Changes in
 Fund Balances - All Governmental Funds
 Year Ended June 30, 2018

Statement 5

	General	Cafeteria	Title I	IDEA-B Entitlement	IDEA-B "Risk-Pool"	Improving Teacher Quality	Medicaid	Read2Lead	Capital Improvements SB-9 Local	Debt Service	Other Governmental	Total
REVENUES												
Taxes	\$ 37,548	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,601	\$ 200,676	\$ -	\$ 413,825
Charges for services	11,560	6,891	-	-	-	-	-	-	-	-	15,143	33,594
Local sources	37,381	-	-	-	-	-	-	-	-	-	120	37,501
State sources	2,309,852	-	-	-	-	-	-	99,528	-	-	20,984	2,430,364
Federal sources	623,444	77,626	87,491	33,477	22,518	21,202	140,872	-	-	-	49,824	1,056,454
Earnings from investments	206	25	-	-	-	-	50	-	297	72	20	670
Total revenues	3,019,991	84,542	87,491	33,477	22,518	21,202	140,922	99,528	175,898	200,748	86,091	3,972,408
EXPENDITURES												
Current:												
Direct instruction	1,450,765	-	46,565	19,375	22,518	-	-	20,053	-	-	56,321	1,615,597
Instructional support	1,363,750	-	40,926	14,102	-	21,202	891	79,475	72,592	2,268	7,618	1,602,824
Food services	19,070	94,966	-	-	-	-	54,566	-	-	-	7,089	175,691
Capital outlay	16,444	-	-	-	-	-	-	-	-	-	12,012	28,456
Debt service	-	-	-	-	-	-	-	-	-	185,000	-	185,000
Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	7,557	-	7,557
Total expenditures	2,850,029	94,966	87,491	33,477	22,518	21,202	55,457	99,528	72,592	194,825	83,040	3,615,125
Net change in fund balances	169,962	(10,424)	-	-	-	-	85,465	-	103,306	5,923	3,051	357,283
Fund balance beginning of year	132,964	44,622	-	-	-	-	-	-	382,198	201,715	25,565	787,064
Fund balance end of year	\$ 302,926	\$ 34,198	\$ -	\$ -	\$ -	\$ -	\$ 85,465	\$ -	\$ 485,504	\$ 207,638	\$ 28,616	\$ 1,144,347

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2018

Statement 6

Total net change in fund balances - governmental funds \$ 357,283

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

Delinquent property taxes (49,345)

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 assets and allocated over their estimated
 useful lives as annual depreciation expenses in the
 statement of activities. This is the amount by which
 depreciation exceeds capital outlays in the period

Depreciation expense	(237,717)
Capital outlays	<u>39,169</u>

Excess of depreciation expense over capital outlay (198,548)

Governmental funds report School district pension
 contributions as expenditures. However in the Statement
 of Activities, the cost of pension benefits earned net of employee
 contributions is reported as pension and OPEB expenses

Pension contributions	202,068
Pension expense	(1,025,225)
OPEB contributions	31,371
OPEB expense	(63,995)

The issuance of long-term debt (e.g. bonds) provides
 current financial resources to government funds
 while the repayment of the principal of long-term debt
 consumes the current financial resources of governmental
 funds

Proceeds of bond issue	-
Repayment of long-term debt	185,000
Interest	(10,400)
Compensated absences	(28,143)
Bond Premium	<u>4,054</u>

Change in net position of governmental activities \$ (595,880)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 38,216	\$ 38,216	\$ 37,927	\$ (289)
Charges for services	3,640	11,580	11,560	(20)
Local sources	35,866	37,226	37,381	155
State sources	2,777,171	2,507,445	2,309,258	(198,187)
Federal sources	-	623,444	623,444	-
Earnings from investments	222	222	206	(16)
Total revenues	<u>\$ 2,855,115</u>	<u>\$ 3,218,133</u>	<u>\$ 3,019,776</u>	<u>\$ (198,357)</u>
EXPENDITURES				
Direct instruction	\$ 1,589,004	\$ 1,495,699	\$ 1,456,909	\$ 38,790
Instructional support	1,371,817	1,833,597	1,372,315	461,282
Food services	22,200	22,200	19,070	3,130
Total expenditures	<u>\$ 2,983,021</u>	<u>\$ 3,351,496</u>	<u>\$ 2,848,294</u>	<u>\$ 503,202</u>
BUDGETED CASH BALANCE	<u>\$ 127,906</u>	<u>\$ 133,363</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Cafeteria Fund
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	5,640	5,640	6,891	1,251
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	76,980	76,980	77,626	646
Earnings from investments	20	20	25	5
Total revenues	<u>\$ 82,640</u>	<u>\$ 82,640</u>	<u>\$ 84,542</u>	<u>\$ 1,902</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	-	-	-	-
Food services	109,469	124,418	94,686	29,732
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 109,469</u>	<u>\$ 124,418</u>	<u>\$ 94,686</u>	<u>\$ 29,732</u>
BUDGETED CASH BALANCE	<u>\$ 26,829</u>	<u>\$ 41,778</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Title I
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	115,264	115,264	77,019	(38,245)
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 115,264</u>	<u>\$ 115,264</u>	<u>\$ 77,019</u>	<u>\$ (38,245)</u>
EXPENDITURES				
Direct instruction	\$ 74,334	\$ 74,334	\$ 46,577	\$ 27,757
Instructional support	40,930	40,930	40,926	4
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 115,264</u>	<u>\$ 115,264</u>	<u>\$ 87,503</u>	<u>\$ 27,761</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 IDEA-B Entitlement
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	75,046	79,067	17,646	(61,421)
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 75,046</u>	<u>\$ 79,067</u>	<u>\$ 17,646</u>	<u>\$ (61,421)</u>
EXPENDITURES				
Direct instruction	\$ 38,900	\$ 42,921	\$ 19,375	\$ 23,546
Instructional support	36,146	36,146	14,102	22,044
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 75,046</u>	<u>\$ 79,067</u>	<u>\$ 33,477</u>	<u>\$ 45,590</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 IDEA-B "Risk Pool"
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	46,400	-	(46,400)
Earnings from investments	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 46,400</u>	<u>\$ -</u>	<u>\$ (46,400)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 46,400	\$ 22,518	\$ 23,882
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ 46,400</u>	<u>\$ 22,518</u>	<u>\$ 23,882</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Improving Teacher Quality
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	13,192	28,881	1,369	27,512
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 13,192</u>	<u>\$ 28,881</u>	<u>\$ 1,369</u>	<u>\$ 27,512</u>
EXPENDITURES				
Direct instruction	\$ 13,192	\$ 28,881	\$ 21,202	\$ 7,679
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 13,192</u>	<u>\$ 28,881</u>	<u>\$ 21,202</u>	<u>\$ 7,679</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Medicaid
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	28,000	28,000	64,329	36,329
Earnings from investments	30	30	50	20
Total revenues	<u>\$ 28,030</u>	<u>\$ 28,030</u>	<u>\$ 64,379</u>	<u>\$ 36,349</u>
EXPENDITURES				
Direct instruction	\$ 16,197	\$ 17,397	\$ 891	\$ 16,506
Instructional support	82,555	87,176	54,566	32,610
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 98,752</u>	<u>\$ 104,573</u>	<u>\$ 55,457</u>	<u>\$ 49,116</u>
BUDGETED CASH BALANCE	<u>\$ 70,722</u>	<u>\$ 76,543</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Read2Lead
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	106,452	117,389	10,937
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 106,452</u>	<u>\$ 117,389</u>	<u>\$ 10,937</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 24,850	\$ 20,059	\$ 4,791
Instructional support	-	81,602	79,475	2,127
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ 106,452</u>	<u>\$ 99,534</u>	<u>\$ 6,918</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Fiduciary Net Position
 June 30, 2018

	Employee Retirement Plan	Agency Funds
ASSETS		
Cash	\$ -	\$ 58,737
Mutaul funds (investments at fair value)	<u>139,235</u>	<u>-</u>
Total Assets	<u>\$ 139,235</u>	<u>\$ 58,737</u>
LIABILITIES		
Deposits held for others	<u>\$ -</u>	<u>\$ 58,737</u>
Total Liabilities	<u>-</u>	<u>\$ 58,737</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u>139,235</u>	
Total Net Position	<u>\$ 139,235</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Statement of Changes
 in Fiduciary Net Position
 For the Year Ended June 30, 2018

	Employee Retirement Plan
ADDITIONS:	
Contributions; Plan Members	\$ 1,500
Investment earnings	13,019
Total additions	14,519
DEDUCTIONS:	
Administrative expenses	-
Withdrawals	-
Total deductions	-
Change in net position	14,519
Total net position, beginning of year	124,716
Total net position, end of year	\$ 139,235

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Quemado Independent Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

A. Reporting Entity

Quemado Independent Schools provides Kindergarten, elementary, middle and secondary educational services to school age residents of the School District.

The Quemado Independent Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

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 also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board 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.

B. Basis of Presentation

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.

Governmental Funds

Under the requirements of GASB 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

General Fund - the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Fund - Cafeteria Fund - This program provides financing for the School Hot Lunch Program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat., 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

Special Revenue Fund - Title I - The Title I project provides remedial instruction in the language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et Seq.

Special Revenue Fund - IDEA-B Entitlement - To account for resources for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority is the Individual With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

Special Revenue Fund - IDEA-B "Risk Pool" - To account for state set aside funds from Part B of the Individuals with disabilities education act as allowed by the federal DOE. Funds are to be used for costs associated with high need students with disabilities. Required by the New Mexico State Department of Education, Manual of Procedures for New Mexico School Districts, to be account for as a separate fund.

Notes to Financial Statements (continued)

Special Revenue Fund - Improving Teacher Quality - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

Special Revenue Fund - Medicaid - 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.

Special Revenue Fund - Read2Lead - To account for resources received to provide funds to support a reading K-3 Formative Assessment System providing regional and district reading coaches, supports for intervention, and professional administrators. Financing and authority is a special legislative appropriation, Laws of 2014, Chapter 63, Section 4, Item 1 (other Education), Early Reading Initiative.

Capital Projects Fund - Local Capital Improvements SB-9 - To account for resources received through local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities.

Debt Service Fund - To account for resources for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

Agency Funds - account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School Activity Fund - accounts for assets held by the District as an agent for the individual schools and school organizations.

The District also reports additional Governmental funds as non-major. They include:

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

Capital Project Funds - these funds are used to account for the acquisition of capital assets or construction of major capital project.

C. 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 Net Assets at the fund financial statement level.

Notes to Financial Statements (continued)

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 and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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 60 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.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

REVENUES

Ad valorem taxes (property 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. Total delinquent property taxes are not available from the County Treasurers for the current year.

Entitlements 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.

Sales and use taxes (which include oil/gas taxes and equipment taxes) are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available.

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 not accrued.

OTHER FINANCING SOURCES (USES)

Transfers between funds 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.

Fiduciary Funds

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Notes to Financial Statements (continued)

D. Budgets and Budgetary Accounting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school 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 State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure 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 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.

Notes to Financial Statements (continued)

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 Quemado Independent Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & 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.

2. **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 the last five years 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.

Notes to Financial Statements (continued)

(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 investments.

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool.

3. Accounts Receivable

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 507	\$ 5,120	\$ -	\$ 5,627
Intergovernmental	-	114,689	23,036	137,725
	<u>\$ 507</u>	<u>\$ 119,809</u>	<u>\$ 23,036</u>	<u>\$ 143,352</u>

4. Accounts Payable and Accrued Expenses

Accounts payable are recorded in the various funds. There was \$4,037 payable to various vendors at the end of the year.

5. Inventories

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. The Commodities shown in the Cafeteria Fund total \$24,355.

6. Capital Assets

Capital assets are recorded at historical cost 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. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. 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. The District does not capitalize interest in regards to its 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:

Land improvements	15 years
Buildings	40 years
Building improvements	15 years
Furniture , fixtures & equipment	10 years
Auto/Vehicle	10 years
Heavy equipment/buses	10 years

GASB Statement 34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

7. Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation. Upon termination, resignation, retirement, or death, a twelve-month employee is entitled to be paid for their accrued unused annual leave up to 20 days. The Superintendent is entitled to be paid up to 30 days.

8. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Notes to Financial Statements (continued)

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District ordinances).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the School District Board. Those committed amounts cannot be used for any other purpose unless the School District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board or a School District official delegated that authority by the School District Board or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

9. Restricted Net Position

The governmental activities financial statements utilize a net assets presentation. Net positions are categorized as follows:

Net Investment in Capital Assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net position that have third party limitations on their use.

Unrestricted net position - This category reflects net position of the District not restricted for any project or other purposes.

The School District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

10. Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The School District has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change

in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. 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 School District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

12. Interfund Transactions

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

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

13. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements (continued)

14. **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. 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.

15. **Post Employment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

First State Bank	Operational	\$ 1,325,015
First State Bank	Activity	<u>64,064</u>
Total		<u>\$ 1,389,079</u>
Total amount on deposit		\$ 1,389,079
Outstanding checks		(325,982)
Deposits in transit		300
Petty Cash		<u>320</u>
Total per financial statements		<u>\$ 1,063,717</u>

At June 30, 2018, the carrying amount of the School Districts deposits was \$1,063,717 and the bank balance was \$1,389,079. Of this balance \$250,000 was covered by federal depository insurance and \$1,139,079 was covered by collateral. The remaining \$0 is comprised of amounts in excess of those required to be collateralized under State law.

Notes to Financial Statements (continued)

Cash on deposit at June 30	\$ 1,389,079
Less F.D.I.C.	<u>(250,000)</u>
Uninsured Funds	1,139,079
50% Collateral Requirement	569,539
Pledged Collateral	<u>1,300,000</u>
Excess of Pledged Collateral	<u>\$ 730,460</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, \$1,063,717 of the School's bank balance of \$1,389,079 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 0
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>1,139,079</u>
Total	<u>\$ 1,139,079</u>

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>First State Bank Socorro, NM</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB #3313X8EW8	8-15-24	\$ 900,000
FCSB #31331VKU9	4-16-25	<u>400,000</u>
		<u>\$ 1,300,000</u>

Notes to Financial Statements (continued)

As of June 30, the School District had the following cash and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking/Savings accounts	<u>\$ 1,389,079</u>	Less than 6 months

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, are as follows:

	Balance July 1, 2017	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance June 30, 2018
Governmental activities:					
Land	\$ 90,814	\$ -	\$ -	\$ -	\$ 90,814
Total not being depreciated	<u>90,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,814</u>
Construction in progress	21,239	-	-	(21,239)	-
Land improvements	786,957	-	-	-	786,957
Buildings and improvements	9,765,710	-	-	-	9,765,710
Furniture and equipment	757,271	16,444	(1,299)	41	772,457
Vehicles	<u>618,185</u>	<u>22,725</u>	<u>(33,838)</u>	<u>-</u>	<u>607,072</u>
Total	<u>11,949,362</u>	<u>39,169</u>	<u>(35,137)</u>	<u>(21,198)</u>	<u>11,932,196</u>
Less accumulated depreciation for:					
Land improvements	(734,093)	(8,578)	-	-	(742,671)
Buildings and improvements	(4,983,948)	(183,926)	-	-	(5,167,874)
Furniture and equipment	(674,943)	(14,790)	1,299	-	(688,434)
Vehicles	<u>(486,440)</u>	<u>(30,423)</u>	<u>33,838</u>	<u>-</u>	<u>(483,025)</u>
Total accumulated depreciation	<u>(6,879,424)</u>	<u>(237,717)</u>	<u>35,137</u>	<u>-</u>	<u>(7,082,004)</u>
Total capital assets being depreciated	<u>5,069,938</u>	<u>(198,548)</u>	<u>-</u>	<u>-</u>	<u>4,850,192</u>
Net capital assets	<u>\$ 5,160,752</u>	<u>\$ (198,548)</u>	<u>\$ -</u>	<u>\$ (21,198)</u>	<u>\$ 4,941,006</u>

The School District has no infrastructure as of June 30. Depreciation expense was charged to governmental activities as follows:

Unallocated	\$ (237,717)
Total depreciation	<u>\$ (237,717)</u>

The School District received a bus valued at \$22,725 donated by another school district.

Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Compensated Absences	\$ -	\$ 28,143	\$ -	\$ 28,143	\$ -
2012 GO Bonds	800,000	-	(185,000)	615,000	190,000
Total	\$ 800,000	\$ 28,143	\$ (185,000)	\$ 643,143	\$ 190,000

B. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The School District has pledged future property taxes to repay the outstanding bonds. Total annual principal and interest payments for all General Obligation Bonds are expected to require 100% of gross revenue in the Debt Service Fund. The annual requirements to retire general obligation bonds as of June 30, are as follows:

Date of issue - March 27, 2012
Original amount - \$1,420,000
Interest rate - 2.0%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 190,000	\$ 10,400	\$ 200,400
2020	210,000	6,400	216,400
2021	215,000	2,150	217,150
Total	\$ 615,000	\$ 18,950	\$ 633,950

Bond premiums are capitalized and amortized on straight line. Amortization activity for the year ended June 30, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Bond premium	\$ 40,537	\$ -	\$ -	\$ 40,537
Less accumulated amortization	(21,621)	(4,054)	-	(25,675)
Bond Premium, net	\$ 18,916	\$ (4,054)	\$ -	\$ 14,862

C. Operating Leases

The District did not have any operating leases during the fiscal year.

Notes to Financial Statements (continued)

D. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.

5. REFUNDING OF BONDED DEBT

On March 27, 2012, the District issued \$1,420,000 in GO Building Bonds with an interest rate of 2% to advance refund \$1,420,000 outstanding Series 2002 GO Building Bonds with interest rates from 4.70% to 6.25%. The net proceeds of \$1,427,995 were placed into escrow to redeem the 2002 Series Bonds on July 15, 2012 call date. The District chose to undertake this advance refunding in order to reduce the interest expense by taking advantage of lower interest rates.

Summary of savings comparison of prior debt service to refunding debt service:

<u>Date</u>	<u>Prior Debt Service</u>	<u>Date</u>	<u>Refunding Debt Service</u>	<u>Savings</u>	<u>Annual Savings</u>
7/15/2012	\$ 151,048	8/1/2012	\$ 132,835	\$ 18,213	
1/15/2013	37,995	2/1/2013	14,100	23,895	42,108
7/16/2013	157,995	8/1/2013	149,100	8,895	
1/15/2014	34,665	2/1/2014	12,750	21,915	30,810
7/16/2014	164,665	8/1/2014	152,750	11,915	
1/15/2015	31,025	2/1/2015	11,350	19,675	31,590
7/16/2015	181,025	8/1/2015	176,350	4,675	
1/15/2016	26,825	2/1/2016	9,700	17,125	21,800
7/16/2016	186,825	8/1/2016	179,700	7,125	
1/15/2017	22,665	2/1/2017	8,000	14,665	21,790
7/16/2017	202,665	8/1/2017	193,000	9,665	
1/15/2018	17,895	2/1/2018	6,150	11,745	21,410
7/16/2018	212,895	8/1/2018	196,150	16,745	
1/15/2019	12,630	2/1/2019	4,250	8,380	25,125
7/16/2019	232,630	8/1/2019	214,250	18,380	
1/15/2020	6,580	2/1/2020	2,150	4,430	22,810
7/15/2020	241,580		217,150	24,430	24,430
	<u>\$ 1,921,608</u>		<u>\$ 1,679,735</u>	<u>\$ 241,873</u>	<u>\$ 241,873</u>

Analysis of Savings

Total Dollar Principal & Interest Savings	\$ 241,873
Present Value Savings as a % of Principal	15%
Present Value of Future Savings	231,656
Good Faith Deposit	(18,000)
Net Present Value Savings	<u>\$ 213,656</u>

6. REVENUES

A. Property Tax Levies

The School District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, Debt Service and Local SB-9 Capital Improvement Fund. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after 30 days. Taxes on real property are liens on the property on January 1 of the year for which the taxes are imposed.

B. State Equalization Guarantee

Each school district in the State of New Mexico receives a "state equalization guarantee distribution" which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined" (in Chapter 22, Section 8-25, NMSA 1978) "is at least equal to the school district's program cost."

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$1,941,428 state equalization guarantee distributions during the year ended June 30, 2018.

C. Transportation Distribution

Money in the transportation distribution of the public school fund shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocation education programs are being offered, pursuant to Section 22-16-4.1 (NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$363,771 in transportation distribution during the year ended June 30, 2018.

D. SB-9 State Match

The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District received \$12,012 in state SB-9 matching during the year ended June 30, 2018.

E. Public School Capital Outlay

Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner.

4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

During the year ended June 30, 2018, the District received \$0 in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, 2018, the District received \$4,653 in instructional materials allocation.

G. Federal Grants

The District receives revenues from various Federal departments (both direct and indirect) which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Department of Education). The various budgets are approved by the Local School Board and the New Mexico Department of Education. The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

Notes to Financial Statements (continued)

7. CASH OVERDRAFTS

The cash overdrafts shown in some federal, state and local projects in the special revenue fund represent expenditures made by the District which will be reimbursed by the grantor. Receivables from the grantor are presented to off-set these overdrafts.

8. CENTRAL REGION EDUCATIONAL COOPERATIVE

Quemado Independent Schools is a member of Central Region Educational Cooperative, which was established by the New Mexico State Board of Education. This REC operates as an agency for school districts and provides cooperative services as its primary service. The REC administers several federal award programs for municipal schools. Central Region Educational Cooperative issues a separate, publicly available audited financial report that includes expenditures of federal awards and supplementary information. That report may be obtained by writing Central Region Educational Cooperative, P.O. Box 37440, Albuquerque, New Mexico 87176.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Cafeteria</u>	<u>Title I</u>	<u>IDEA-B Entitlement</u>
Revenues per modified accrual basis	\$ 3,019,991	\$ 84,542	\$ 87,491	\$ 33,477
Receivables	(215)	-	-	-
Due from grantor	-	-	(10,472)	(15,831)
Revenues per budgetary basis	<u>\$ 3,019,776</u>	<u>\$ 84,542</u>	<u>\$ 77,019</u>	<u>\$ 17,646</u>
Expenditures per modified accrual basis	\$ 2,850,029	\$ 94,966	\$ 87,491	\$ 33,477
Accounts payable	(1,735)	-	12	-
Inventory	-	(280)	-	-
Expenditures per budgetary basis	<u>\$ 2,848,294</u>	<u>\$ 94,686</u>	<u>\$ 87,503</u>	<u>\$ 33,477</u>
	<u>IDEA-B "Risk Pool"</u>	<u>Improving Teacher Quality</u>	<u>Medicaid</u>	<u>Read2Lead</u>
Revenues per modified accrual basis	\$ -	\$ 21,202	\$ 140,922	\$ 99,528
Receivables	-	-	-	-
Due from grantor/ Deferred revenues	22,518	(19,833)	(76,543)	17,861
Revenues per budgetary basis	<u>\$ 22,518</u>	<u>\$ 1,369</u>	<u>\$ 64,379</u>	<u>\$ 117,389</u>
Expenditures per modified accrual basis	\$ 22,518	\$ 21,202	\$ 55,457	\$ 99,528
Accounts payable	-	-	-	6
Inventory	-	-	-	-
Expenditures per budgetary basis	<u>\$ 22,518</u>	<u>\$ 21,202</u>	<u>\$ 55,457</u>	<u>\$ 99,534</u>

10. INSURANCE COVERAGE

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

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

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school carries insurance for all risks listed above.

12. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD

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 Website at: https://www.nmerb.org/Annual_reports.html.

The Plan is a cost-sharing, multi-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.

Benefits provided. 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 or 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit; or
- 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 Straight Life benefit. 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 to their benefit each July 1 following the later of 1) the year a member retires, or 2) the year the 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%.

Notes to Financial Statements (continued)

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 and 2017 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%

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 School District paid employee and employer contributions of \$364,049 and \$370,114 which equals the amount of the required contributions for the fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the School District reported a liability of \$5,950,151 for its 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 employer's portion was established as of the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on a projection of the School 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 School District's proportion was 0.05354%, which was an increase of 0.00228% from its proportion measured as of June 30, 2016.

Notes to Financial Statements (continued)

For the year ended June 30, 2018, the School District recognized pension expense of \$1,025,225. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,681	\$ 91,668
Changes of assumptions	1,736,966	-
Net difference between projected and actual earnings on pension plan investments	-	816
Changes in proportion and differences between contributions and proportionate share of contributions	162,228	-
Employer contributions subsequent to the measurement date	<u>202,068</u>	<u>-</u>
Total	<u>\$2,111,943</u>	<u>\$ 92,484</u>

\$202,068 reported as deferred outflows of resources related to pensions resulting from School 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:

Year ended June 30:

2018	\$ 712,890
2019	722,358
2020	431,138
2021	(48,995)
2022	0
Thereafter	0

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

Notes to Financial Statements (continued)

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 of Expected Remaining Service Lives				
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service life in years	3.35	3.77	3.92	3.88
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>			
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.			
Cost-of-living increases	1.9% per year, compounded annually.			
Payroll growth	3.00% per year (with no allowance for membership growth).			

Notes to Financial Statements (continued)

Contribution accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several assumption changes, which included a decrease in the inflation assumption from 3.00% to 2.5%. 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	<u>1%</u>	
Total	<u>100%</u>	<u>7.75%</u>

Notes to Financial Statements (continued)

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 School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.90%) or one percentage point higher (6.90%) than the current rate:

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
School District's proportionate share of the net pension liability	\$ 7,745,617	\$ 5,950,151	\$ 4,482,504

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 website at: https://www.nmerb.org/Annual_reports.html

13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

General Information about the OPEB

Plan Description - Employees of the School District are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA 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 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.

Notes to Financial Statements (continued)

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

Benefits provided. 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 covered by benefit terms - At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

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

Contributions - Employer and employee contributions to the Fund 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 Fund. Contributions to the Fund from the School District were \$81,328 for the year ended June 30, 2018.

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

At June 30, 2018, the School District reported a liability of \$1,609,654 for its 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 that date. The School District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the School District's proportion was 0.03552%.

Notes to Financial Statements (continued)

For the year ended June 30, 2018, the School District recognized OPEB expense of \$63,995. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of 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	\$ -	\$ 61,770
Changes of assumptions	-	281,427
Differences between actual and projected earnings on OPEB plan investments	-	23,156
Contributions made after the measurement date	<u>31,371</u>	<u>-</u>
Total	<u>\$ 31,371</u>	<u>\$ 366,353</u>

Deferred outflows of resources totaling \$31,371 represent School District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (77,889)
2020	(77,889)
2021	(77,889)
2022	(77,889)
2023	<u>(54,797)</u>
Total	<u>\$ (366,353)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets

Notes to Financial Statements (continued)

Actuarial assumptions:

Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
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

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:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
US core fixed income	4.1%
US equity - large cap	9.1
Non US - emerging markets	12.2
Non US - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
US equity - small/mid cap	9.1

Discount rate. The discount rate used to measure the Fund's 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.

Notes to Financial Statements (continued)

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the current discount rate:

<u>1% Decrease</u> <u>(2.81%)</u>	<u>Current Discount</u> <u>(3.81%)</u>	<u>1% Increase</u> <u>(4.81%)</u>
\$ 1,952,481	\$ 1,609,650	\$ 1,340,669

The following presents the net OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend</u> <u>Rates</u>	<u>1% Increase</u>
\$ 1,369,118	\$ 1,609,650	\$ 1,797,206

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018, the School District reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

14. BUDGETED ACTIVITY FUNDS

The Student Activity Funds, while budgeted under Non-Instructional Support in the financial statements, are considered for reporting purposes as Agency Funds. These monies are retained by the District in a fiduciary capacity. Monies are received from student groups and are expended for purposes determined by the students within guidelines established by the School District. The changes in those balances follow:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS				
Cash	\$ 52,359	\$ 73,431	\$ (67,053)	\$ 58,737
Total assets	<u>\$ 52,359</u>	<u>\$ 73,431</u>	<u>\$ (67,053)</u>	<u>\$ 58,737</u>
LIABILITIES				
Elementary School	\$ 4,024	\$ 5,043	\$ (4,709)	\$ 4,358
High School	<u>48,335</u>	<u>68,388</u>	<u>(62,344)</u>	<u>54,379</u>
Total liabilities	<u>\$ 52,359</u>	<u>\$ 73,431</u>	<u>\$ (67,053)</u>	<u>\$ 58,737</u>

15. 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.

16. SUBSEQUENT EVENTS

A review of subsequent events through October 30, 2018, the date the financial statements were available to be issued, indicated nothing of audit significance.

17. RESTATEMENT OF NET POSITION

The School District had a prior period adjustment of \$1,912,012 of which was required for the implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of \$1,942,505 and a beginning deferred outflow of resources of \$30,493.

There was also a prior period adjustment of \$(21,198) in capital assets.

18. FUND BALANCE CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the governmental funds. The constraints placed on fund balances for the major governmental funds and all other governmental funds are presented here.

Fund Balances	General Fund	Local			Debt Service	Non-Major Governmental Fund	Totals
		Cafeteria	Medicaid	Capital Improvements SB-9			
Nonspendable:							
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	2,545	-	-	-	-	2,545
Total nonspendable	-	2,545	-	-	-	-	2,545
Restricted for:							
Teacherae	19,059	-	-	-	-	-	19,059
Transportation services	5,085	-	-	-	-	-	5,085
Instructional materials	5,358	-	-	-	-	-	5,358
Capital improvements	-	-	485,504	-	-	-	485,504
Debt service payments	-	-	-	207,638	-	-	207,638
Athletic services	-	-	-	-	13,388	-	13,388
Special grants	-	-	85,465	-	-	-	85,465
Cafeteria services	-	31,653	-	-	-	-	31,653
Non-instructional	-	-	-	-	15,228	-	15,228
State mandated cash reserve	1,621	-	-	-	-	-	1,621
Total restricted	31,123	31,653	85,465	207,638	28,616	-	869,999
Committed to:							
Other purposes	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	-	-
Unassigned:	271,803	-	-	-	-	-	271,803
Total Fund Balances	\$ 302,926	\$ 34,198	\$ 85,465	\$ 465,504	\$ 207,638	\$ 28,616	\$ 1,144,347

**SUPPLEMENTARY INFORMATION
NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Non-Major Governmental Funds
 Combining Balance Sheet - By Fund Type
 June 30, 2018

Statement A-1

	Special Revenue Funds	Capital Project Funds	Total
ASSETS			
Cash on deposit	\$ 28,616	\$ -	\$ 28,616
Due from grantor	20,544	-	20,544
Total assets	\$ 49,160	\$ -	\$ 49,160
LIABILITIES			
Cash overdraft	\$ 20,544	\$ -	\$ 20,544
Total liabilities	20,544	-	20,544
FUND BALANCE			
Restricted	28,616	-	28,616
Total fund balance	28,616	-	28,616
Total liabilities and fund balance	\$ 49,160	\$ -	\$ 49,160

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Non-Major Governmental Funds
 Combining Statement of Revenues, Expenditures and Changes in
 Fund Balances - By Fund Type
 Year Ended June 30, 2018

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	15,143	-	15,143
Local sources	120	-	120
State sources	8,972	12,012	20,984
Federal sources	49,824	-	49,824
Earnings from investments	20	-	20
	<u>74,079</u>	<u>12,012</u>	<u>86,091</u>
EXPENDITURES			
Current:			
Direct instruction	56,321	-	56,321
Instructional support	7,618	-	7,618
Food services	7,089	-	7,089
Capital outlay	-	12,012	12,012
	<u>71,028</u>	<u>12,012</u>	<u>83,040</u>
Net change in fund balances	3,051	-	3,051
Fund balance beginning of year	<u>25,565</u>	<u>-</u>	<u>25,565</u>
Fund balance end of year	<u>\$ 28,616</u>	<u>\$ -</u>	<u>\$ 28,616</u>

The accompanying notes are an integral part of these financial statements.

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by the State Department of Education.

REAP (RURAL EDUCATIONAL ACHIEVEMENT PROGRAM) - To account for monies received to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning. Authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by Public Law 107-110.

IDEA-B - RESULTS PLAN - To account for resources received to support the individual school site's Education Plan for Student Success, or areas in need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by U.S. Department of Education of Special Education Programs. Authority is from the Public Education Department.

FRESH FRUIT & VEGETABLES - To account for resources to purchase New Mexico grown fresh fruits and vegetables for use in school nutrition programs. Authority is from the Public Education Department.

IDEA-B COMPETITIVE - P.L. 94-142 - INDIVIDUALS WITH DISABILITIES EDUCATION ACT - to account for a federal grant restricted to operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public laws 91-230, 93-142, 98-199, 99-457, 100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

BREAKFAST FOR ELEMENTARY STUDENTS - To account for grant funds received to fund the Elementary Breakfast Program. Financing and authority are 6.12.9 fo the New Mexico Administrative Code (NMAC).

GO BOND STUDENT LIBRARY - This fund is used to account for the revenue and expenditures to acquire supplementary library books, equipment, and library resources for public schools and juvenile detention libraries statewide.

DUAL CREDIT INSTRUCTIONAL MATERIALS - To account for resources received from House Bill 2, 2009, to be used for dual credit instructional materials through a course approved by Higher Education Department and through a college/university for which the district has an approved agreement.

NON-INSTRUCTIONAL STUDENT SUPPORT - To account for the monies received as fees associated with class projects and/or lab classes.

ATHLETICS FUND - This fund provides financing for school athletic activities. Fund is provided by fees from patrons. Fund is authorized by 6-20-2 NMAC.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2018

Statement B-1
 Page 1 of 2

	REAP	Result Driven Accountability	Fresh Fruits & Vegetables	IDEA-B Competitive	Breakfast for Elementary Students
ASSETS					
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	-	4,223	2,270	7,453	57
Total assets	<u>\$ -</u>	<u>\$ 4,223</u>	<u>\$ 2,270</u>	<u>\$ 7,453</u>	<u>\$ 57</u>
LIABILITIES					
Cash overdraft	\$ -	\$ 4,223	\$ 2,270	\$ 7,453	\$ 57
Total liabilities	<u>-</u>	<u>4,223</u>	<u>2,270</u>	<u>7,453</u>	<u>57</u>
FUND BALANCES					
Restricted	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 4,223</u>	<u>\$ 2,270</u>	<u>\$ 7,453</u>	<u>\$ 57</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2018

Statement B-1
 Page 2 of 2

	GO Bond Student Library	Dual Credit Instructional Materials	Non- Instructional	Athletics	Total
ASSETS					
Cash on deposit	\$ -	\$ -	\$ 15,228	\$ 13,388	\$ 28,616
Due from grantor	<u>6,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,544</u>
Total assets	<u>\$ 6,541</u>	<u>\$ -</u>	<u>\$ 15,228</u>	<u>\$ 13,388</u>	<u>\$ 49,160</u>
LIABILITIES					
Cash overdraft	<u>\$ 6,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,544</u>
Total liabilities	<u>6,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,544</u>
FUND BALANCES					
Restricted	<u>-</u>	<u>-</u>	<u>15,228</u>	<u>13,388</u>	<u>28,616</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>15,228</u>	<u>13,388</u>	<u>28,616</u>
Total liabilities and fund balance	<u>\$ 6,541</u>	<u>\$ -</u>	<u>\$ 15,228</u>	<u>\$ 13,388</u>	<u>\$ 49,160</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Non-Major Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2018

Statement B-2
 Page 1 of 2

	REAP	Results Driven Accountability	Fresh Fruits & Vegetables	IDEA-B Competitive	Breakfast for Elementary Students
REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	-	-	-	-	2,400
Federal sources	9,844	27,838	4,689	7,453	-
Earnings from Investments	-	-	-	-	-
Total revenues	<u>9,844</u>	<u>27,838</u>	<u>4,689</u>	<u>7,453</u>	<u>2,400</u>
EXPENDITURES					
Direct instruction	8,767	27,838	-	7,453	-
Instructional support	1,077	-	-	-	-
Food Services	-	-	4,689	-	2,400
Total expenditures	<u>9,844</u>	<u>27,838</u>	<u>4,689</u>	<u>7,453</u>	<u>2,400</u>
Net change in fund balance	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Non-Major Special Revenue Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Year Ended June 30, 2018

Statement B-2
 Page 2 of 2

	GO Bond Student Library	Dual Credit Instructional Materials	Non- Instructional	Athletics	Total
REVENUES					
Charges for services	\$ -	\$ -	\$ 4,077	\$ 11,066	\$ 15,143
Local sources	-	-	120	-	120
State sources	6,541	31	-	-	8,972
Federal sources	-	-	-	-	49,824
Earnings from Investments	-	-	11	9	20
Total revenues	<u>6,541</u>	<u>31</u>	<u>4,208</u>	<u>11,075</u>	<u>74,079</u>
EXPENDITURES					
Direct instruction	-	31	2,113	10,119	56,321
Instructional support	6,541	-	-	-	7,618
Food Services	-	-	-	-	7,089
Total expenditures	<u>6,541</u>	<u>31</u>	<u>2,113</u>	<u>10,119</u>	<u>71,028</u>
Net change in fund balance	-	-	2,095	956	3,051
Fund balance at beginning of year	-	-	13,133	12,432	25,565
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,228</u>	<u>\$ 13,388</u>	<u>\$ 28,616</u>

The accompanying notes are an integral part of these financial statements.

NON-MAJOR CAPITAL PROJECTS FUND

CAPITAL IMPROVEMENTS - SB-9 - To account for monies received under NMSA 1978 22-25-9, a State match distribution that was imposed as a tax under the Public School Capital Improvements Act for the purpose of building, remodeling and equipping classroom facilities.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Non-Major Capital Projects Fund
 Balance Sheet
 June 30, 2018

Statement C-1

	Capital Improvements SB-9
	<u> </u>
ASSETS	
Cash on deposit	\$ -
Due from grantor	<u>-</u>
Total assets	<u><u>\$ -</u></u>
LIABILITIES	
Cash overdraft	<u>\$ -</u>
Total liabilities	<u>-</u>
FUND BALANCE	
Restricted	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balance	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Non-Major Capital Projects Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2018

Statement C-2

	Capital Improvements SB-9
REVENUES	
Taxes	\$ -
State sources	12,012
Earnings from investments	-
Total revenues	12,012
EXPENDITURES	
Instructional support	-
Capital outlay	12,012
Total expenditures	12,012
Net change in fund balance	-
Fund balance at beginning of year	-
Fund balance at end of year	\$ -

The accompanying notes are an integral part of these financial statements.

GENERAL FUND

OPERATIONAL FUND - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

TEACHERAGE FUND - To account for resources received from the rental of School owned facilities.

TRANSPORTATION FUND - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

INSTRUCTIONAL MATERIALS FUND - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Combining Balance Sheet
 General Fund
 June 30, 2018

Statement D-1

	Operational	Teacherage	Transporation	Instructional Materials	Total
ASSETS					
Cash on deposit	\$ 276,954	\$ 19,059	\$ 5,085	\$ 5,358	\$ 306,456
Accounts receivable, collectible	507	-	-	-	507
Total assets	\$ 277,461	\$ 19,059	\$ 5,085	\$ 5,358	\$ 306,963
LIABILITIES					
Accounts payable	\$ 4,037	\$ -	\$ -	\$ -	\$ 4,037
Total liabilities	4,037	-	-	-	4,037
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	1,621	19,059	5,085	5,358	31,123
Unassigned	271,803	-	-	-	271,803
Total fund balance	273,424	19,059	5,085	5,358	302,926
Total liabilities and fund balance	\$ 277,461	\$ 19,059	\$ 5,085	\$ 5,358	\$ 306,963

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2018

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Total</u>
REVENUES					
Property taxes	\$ 37,548	\$ -	\$ -	\$ -	\$ 37,548
Charges for services	8,835	2,725	-	-	11,560
Local sources	37,381	-	-	-	37,381
State sources	1,941,428	-	363,771	4,653	2,309,852
Federal sources	623,444	-	-	-	623,444
Earnings from investments	185	16	-	5	206
	<u>2,648,821</u>	<u>2,741</u>	<u>363,771</u>	<u>4,658</u>	<u>3,019,991</u>
Total revenues					
EXPENDITURES					
Direct instruction	1,446,396	-	-	4,369	1,450,765
Instructional support	997,560	6,594	359,596	-	1,363,750
Food service	19,070	-	-	-	19,070
Capital outlay	16,444	-	-	-	16,444
	<u>2,479,470</u>	<u>6,594</u>	<u>359,596</u>	<u>4,369</u>	<u>2,850,029</u>
Total expenditures					
Net change in fund balance	169,351	(3,853)	4,175	289	169,962
Fund balance at beginning of year	104,073	22,912	910	5,069	132,964
	<u>104,073</u>	<u>22,912</u>	<u>910</u>	<u>5,069</u>	<u>132,964</u>
Fund balance at end of year	<u>\$ 273,424</u>	<u>\$ 19,059</u>	<u>\$ 5,085</u>	<u>\$ 5,358</u>	<u>\$ 302,926</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 General Fund - Operational Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 38,216	\$ 38,216	\$ 37,927	\$ (289)
Charges for services	1,240	9,180	8,835	(345)
Local sources	35,866	37,226	37,381	155
State sources	2,409,671	2,138,562	1,941,428	(197,134)
Federal sources	-	623,444	623,444	-
Earnings from investments	200	200	185	(15)
Total revenues	<u>\$ 2,485,193</u>	<u>\$ 2,846,828</u>	<u>\$ 2,649,200</u>	<u>\$ (197,628)</u>
EXPENDITURES				
Direct instruction	\$ 1,585,236	\$ 1,485,973	\$ 1,452,540	\$ 33,433
Instructional support	984,230	1,444,036	1,006,117	437,919
Food services	22,200	22,200	19,070	3,130
Total expenditures	<u>\$ 2,591,666</u>	<u>\$ 2,952,209</u>	<u>\$ 2,477,727</u>	<u>\$ 474,482</u>
BUDGETED CASH BALANCE	<u>\$ 106,473</u>	<u>\$ 105,381</u>		
REVENUES				
Budgetary basis			\$ 2,649,200	
(Decrease) in receivables			(379)	
Modified accrual basis			<u>\$ 2,648,821</u>	
EXPENDITURES				
Budgetary basis			\$ 2,477,727	
Increase in accounts payable			1,743	
Modified accrual basis			<u>\$ 2,479,470</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 General Fund - Teacherage Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	2,400	2,400	2,725	325
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	18	18	16	(2)
Total revenues	<u>\$ 2,418</u>	<u>\$ 2,418</u>	<u>\$ 2,741</u>	<u>\$ 323</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	23,851	25,331	6,594	18,737
Food services	-	-	-	-
Total expenditures	<u>\$ 23,851</u>	<u>\$ 25,331</u>	<u>\$ 6,594</u>	<u>\$ 18,737</u>
BUDGETED CASH BALANCE	<u>\$ 21,433</u>	<u>\$ 22,913</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 General Fund - Transportation Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	363,736	364,230	363,177	(1,053)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 363,736</u>	<u>\$ 364,230</u>	<u>\$ 363,177</u>	<u>\$ (1,053)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	363,736	364,230	359,604	4,626
Food service	-	-	-	-
Total expenditures	<u>\$ 363,736</u>	<u>\$ 364,230</u>	<u>\$ 359,604</u>	<u>\$ 4,626</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 General Fund - Instructional Materials Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	3,764	4,653	4,653	-
Federal sources	-	-	-	-
Earnings from investments	-	4	5	1
Total revenues	<u>\$ 3,764</u>	<u>\$ 4,657</u>	<u>\$ 4,658</u>	<u>\$ 1</u>
EXPENDITURES				
Direct instruction	\$ 3,768	\$ 9,726	\$ 4,369	\$ 5,357
Instructional support	-	-	-	-
Food services	-	-	-	-
Total expenditures	<u>\$ 3,768</u>	<u>\$ 9,726</u>	<u>\$ 4,369</u>	<u>\$ 5,357</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 5,069</u>		

The accompanying notes are an integral part of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Schedule of Proportionate Share of the Net Pension Liability
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

Fiscal Year Measurement Date	2018 2017	2017 2016	2016 2015	2015 2014
Quemado Independent Schools proportion of net pension liability (asset)	0.05354%	0.05126%	0.05049%	0.04854%
Quemado Independent Schools proportionate share of the net pension liability (asset)	\$ 5,950,151	\$ 3,688,892	\$ 3,270,372	\$ 2,769,553
Quemado Independent Schools covered-employee payroll	\$ 1,568,033	\$ 1,460,831	\$ 1,378,539	\$ 1,338,042
Quemado Independent Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	261.08%	249.92%	237.23%	206.99%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

*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 Quemado Independent Schools is not available prior to the fiscal 2015, the year the statement's requirement became effective.

See Independent Auditor's Report
 See notes to required supplementary information

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Schedule of Contributions
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 202,068	\$ 211,933	\$ 203,055	\$ 199,430
Contributions in relation to the contractually required contribution	<u>202,068</u>	<u>211,933</u>	<u>203,055</u>	<u>199,430</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*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 Quemado Independent Schools is not available prior to the fiscal 2015, the year the statement's requirement became effective.

See Independent Auditor's Report
 See notes to required supplementary information

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS
Notes to Required Supplementary Information
Year Ended June 30, 2018

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, 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 a number of 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%.

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Schedule of Proportionate Share of the Net OPEB Liability
 Retiree Health Care Authority (RHCA) OPEB Plan
 Last 10 Fiscal Years*

	<u>2018*</u>
Quemado Independent School District's proportion of net OPEB liability (asset)	0.03552%
Quemado Independent School District's proportionate share of the net OPEB liability (asset)	\$ 1,609,654
Quemado Independent School District's covered-employee payroll	\$ 1,568,549
Quemado Independent School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	102.62%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for available years.

See Independent Auditor's Report

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Schedule of Contributions
 Retiree Health Care Authority (RHCA) OPEB Plan
 Last 10 Fiscal Years*

	2018*
Contractually required contributions	\$ 31,371
Contributions in relation to the contractually required contribution	31,371
Contribution deficiency (excess)	\$ -
Quemado Independent School District's covered-employee payroll	\$ 1,568,549
Contribution as a percentage of covered-employee payroll	2.00%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for available years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2018

Changes of assumptions: RHCA conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2017, RHCA implemented the following changes in assumptions for fiscal years 2017 and 2016.

- 1) Fiscal year 2017 valuation assumptions that changed based on this study:
 - a. Lower Investment return from 7.75% to 7.25%
 - b. Lower Inflation rate from 3.00% to 2.50%
 - c. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
 - a. Population growth per year at 0.00%
 - b. 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.

See also the Note IV (c) Actuarial Assumptions of the financial statement note disclosure on the OPEB Plan.

See Independent Auditor's Report

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Schedule of Cash Receipts and
 Disbursements - All Funds by
 School District Classification
 Year Ended June 30, 2018

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>	<u>Non- Instructional</u>
Cash Balance, June 30, 2017	\$ 105,481	\$ 22,912	\$ 918	\$ 5,069	\$ 41,797	\$ 12,432	\$ 13,133
Cash Receipts, 2017-2018	2,649,200	2,741	363,771	4,658	84,542	11,075	4,208
Cash Disbursements, 2017-2018	<u>(2,477,727)</u>	<u>(6,594)</u>	<u>(359,604)</u>	<u>(4,369)</u>	<u>(94,686)</u>	<u>(10,119)</u>	<u>(2,113)</u>
Cash Balance, June 30, 2018	<u>\$ 276,954</u>	<u>\$ 19,059</u>	<u>\$ 5,085</u>	<u>\$ 5,358</u>	<u>\$ 31,653</u>	<u>\$ 13,388</u>	<u>\$ 15,228</u>
	<u>Agency (Activities)</u>	<u>Local</u>	<u>State</u>	<u>Federal Projects</u>	<u>Capital Improvement SB-9</u>	<u>Local Capital Improvement SB-9</u>	<u>Debt Service</u>
Cash Balance, June 30, 2017	\$ 52,359	\$ -	\$ (52,057)	\$ 52,278	\$ -	\$ 378,448	\$ 203,540
Cash Receipts, 2017-2018	73,431	-	124,636	203,862	12,012	177,285	202,760
Cash Disbursements, 2017-2018	<u>(67,053)</u>	<u>-</u>	<u>(108,506)</u>	<u>(269,981)</u>	<u>(12,012)</u>	<u>(72,592)</u>	<u>(201,419)</u>
Cash Balance, June 30, 2018	<u>\$ 58,737</u>	<u>\$ -</u>	<u>\$ (35,927)</u>	<u>\$ (13,841)</u>	<u>\$ -</u>	<u>\$ 483,141</u>	<u>\$ 204,881</u>

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

<u>Source and Program</u>	<u>Federal Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
REAP	84.358	25233	\$ 9,844
Passed through State of NM			
Department of Education:			
Impact Aid Title I (Chapter 1) Basic	84.010	24101	87,503
IDEA-B Entitlement	84.027	24106	33,477
IDEA-B Preschool Risk Pool	84.027	24120	22,518
IDEA-B Results Plan	84.027	24132	27,838
IDEA-B Competitive	84.027	24108	7,453
Improving Teacher Quality	84.367	24154	<u>21,202</u>
Sub-total			<u>209,835</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
National School Lunch Program	10.555	21000	42,350
School Breakfast Program	10.553	21000	30,666
Fresh Fruits & Vegetables	10.582	24118	4,689
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	4,610
Passed through State of NM			
Department of Finance and Administration:			
*Forest Reserve	10.665	11000	<u>623,444</u>
Sub-total			<u>705,759</u>
Total Expenditures of Federal Awards			<u>\$ 915,594</u>

*Treated as a Major Program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Subrecipients

The District did not provide any federal awards to subrecipients during the year.

3. Non Cash Federal Assistance

The District receives USDA commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2018 was \$4,610 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.550. Commodities are recorded as revenues and expenditures in the Food Service Fund.

Schedule VII - Continued

4. Indirect Cost Rate

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon the rate established by the State of New Mexico, and the District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance applied to overall expenditures. The District's indirect cost rate for the year was 0%.

5. Matching Costs

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

6. Insurance

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

7. Loan or Loan Guarantee

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

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 915,594
Total expenditures funded by other sources	<u>2,699,531</u>
Total expenditures	<u>\$ 3,615,125</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2018

Section I - Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness in internal control identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to financial statements notes? | No |

Federal Awards:

- | | | | | | | | |
|--|------------------------|------------------------|--------|--|--------|----------------|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | None Noted | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted | | | | | | |
| 2. Type of auditor's report issued on compliance for major programs | Unmodified | | | | | | |
| 3. Any audit findings disclosed that are required in accordance with 2 CFR-200.5169(a)? | No | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table border="0" style="margin-left: 20px;"> <tr> <td style="text-align: center;"><u>CFDA</u></td> <td style="text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">Number</td> <td></td> </tr> <tr> <td style="text-align: center;">10.672</td> <td style="text-align: center;">Forest Reserve</td> </tr> </table> | <u>CFDA</u> | <u>Federal Program</u> | Number | | 10.672 | Forest Reserve | |
| <u>CFDA</u> | <u>Federal Program</u> | | | | | | |
| Number | | | | | | | |
| 10.672 | Forest Reserve | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

**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
New Mexico State Auditor
and
Board of Education
Quemado Independent Schools
Quemado, New Mexico

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, and the aggregate remaining fund information, the budgetary comparisons of the General, Cafeteria, Title I, IDEA-B Entitlement, IDEA-B "Risk Pool", Improving Teacher Quality and Read2Lead Funds of the Quemado Independent Schools, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Quemado Independent Schools basic financial statements, and the combining and individual funds and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Quemado Independent Schools internal control over financial reporting as a basis for designing our auditing 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 Quemado Independent Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Quemado Independent Schools 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 significant deficiencies or material weaknesses 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 a material weakness.

We did identify certain deficiencies in the accompanying Status of Comments and Responses that we consider to be Significant Deficiencies; Rent not Received (2018-005) and Comp Time Approvals (2018-010).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Quemado Independent Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying Status of Comments and Responses as Deposits (2016-002), Gate Receipts (2017-001), Board Meeting Minutes Not Signed (2018-001), Petty Cash Amounts (2018-002), Security Deposits for Teacherages (2018-003), Teacherage Rental Agreements (2018-004), Voided Receipts (2018-006), Receipts Changed (2018-007), Safe Located at School District (2018-008), Annual Leave Policy (2018-009), Payroll Paid Without Time Sheets (2018-011), Contract Addendums Missing (2018-012) and Required Support for Disbursements (2018-013).

Responses to the Findings

Quemado Independent Schools responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. The District's responses were not subject 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Quemado Independent Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
October 30, 2018

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
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CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Mr. Wayne Johnson
New Mexico State Auditor
The Office of Management and Budget
and Board of Education
Quemado Independent Schools
Quemado, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Quemado Independent Schools compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Quemado Independent Schools major federal programs for the year ended June 30, 2018. Quemado Independent Schools 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Quemado Independent Schools major federal programs based on our audit of the types of compliance requirements referred to above. 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 of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those Standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Quemado Independent Schools 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 Quemado Independent Schools compliance.

Opinion on Each Major Federal Program

In our opinion, Quemado Independent Schools, 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 Quemado Independent Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Quemado Independent Schools 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 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 Quemado Independent Schools 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 a 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Price & Associates, LLP

Albuquerque, New Mexico
October 30, 2018

STATUS OF COMMENTS AND RESPONSES

Prior Year Audit Findings:

1. Purchase Orders (2015-001) - Resolved.
2. Deposits (2016-002) - Repeated. - Other Non-Compliance
3. Gate Receipts (2017-001) - Repeated. - Finding that does not rise to the level of a Significant Deficiency

Current Year Audit Findings:

1. Board Meeting Minutes Not Signed - (2018-001) - Other Non-Compliance
2. Petty Cash Amounts - (2018-002) - Other Non-Compliance
3. Security Deposits for Teacherages - (2018-003) - Finding that does not rise to the level of a Significant Deficiency
4. Teacherage Rental Agreements - (2018-004) - Finding that does not rise to the level of a Significant Deficiency
5. Rent Not Received - (2018-005) - Finding that does not rise to the level of a Significant Deficiency
6. Voided Receipts - (2018-006) - Other Non-Compliance
7. Receipts Changed - (2018-007) - Finding that does not rise to the level of a Significant Deficiency
8. Safe Located at School District - (2018-008) - Finding that does not rise to the level of a Significant Deficiency
9. Annual Leave Policy - (2018-009) - Other Non-Compliance
10. Comp Time Approvals - (2018-010) - Significant Deficiency
11. Payroll Paid Without Time Sheets - (2018-011) - Other Non-Compliance
12. Contract Addendums Missing - (2018-012) - Other Non-Compliance
13. Required Support for Disbursements - (2018-013) - Other Non-Compliance

Deposits - Other Non-Compliance
(2016-002)

CONDITION Four out of ten deposits totaling \$284 were not delivered to the secretary in Quemado by Datil school within 24 hour deposit rule as the district policy requires. The District has had little progress with the prior year corrective action plan.

CRITERIA Although the District has a waiver on the 24 hour deposit rule as outlined in Chapter 22 Article 8 NMSA 1978, the funds are required to be secured until the deposit can be made to the bank. District policy requires the funds to be delivered to the Quemado school Secretary within 24 hours of receipt, in order for the funds to be properly secured. The Secretary is then supposed to have the funds turned into the business office within 24 hours in order to meet deposit requirements. The District is required under the waiver to have the deposit made to the bank each week.

CAUSE Disregard by staff of District policies and state statutes applying to cash receipts and deposit requirements.

EFFECT The District violated the deposit requirements under the statute the District's policies, therefore assets of the district were not secured properly.

RECOMMENDATION The District should restrain all staff regarding procedures for receipt of funds and importance of depositing the funds timely to the bank. Training with respect to fundraising receipts should be provided annually at the beginning of the school year.

RESPONSE Quemado ISD #2 School Board will revise its policy to include proper wording to include Datil in our procedure and policy regarding the 24 hour deposit rule. Money received for fundraising or lunch payments is to be turned over to the office in Datil within 24 hours. Any money received in the office in Datil must

be sent over to Quemado on Thursday or Monday. There are now Quemado employees in Datil on both of those days and will be able to take the receipted money back to Quemado at this time so that it can be deposited as per Quemado's procedure. Any money received after noon on Thursday will be deposited on the following Monday, any money received Monday after noon must be deposited by Thursday morning. All money received must be receipted at either Datil or Quemado front desk or business office within 24 hours of receiving it or the next business day if money is received on the weekend. The Business Manager will be responsible for ensuring these procedures continue. The revised policy was approved on January 15, 2019.

Gate Receipts - Finding that does not
rise to the level of a Significant Deficiency
(2017-001)

CONDITION	There is only one person who collects athletic gate receipts and counts the cash and gives it to the administrator at the end of each game. The District has had little progress with the prior year corrective action plan.
CRITERIA	Good internal control over cash receipts requires that more than one person be involved in the process of collecting, counting and reconciling the fees received. The funds should then be receipted by the school administrator when they receive them.
CAUSE	Rural school districts have limited personnel and volunteers to help with collecting gate receipts and have not made it a priority to make sure there are always two people collecting and counting cash receipts.
EFFECT	The risk of loss of District assets is increased when internal controls are not implemented.
RECOMMENDATION	The District should ensure that two people are always involved in the collection and control of gate receipts for athletic events. Also, the District should consider selling tickets to help with counts of attendees and reconciliation with funds collected.
RESPONSE	There will be two people at the gate for every sporting event. QISD will use numbered tickets at these events and the number of tickets sold will match the amount of money turned in at the end of the event. Both people at the gate will sign off on the Proof of Revenue sheet at the end of the event and turn the money over to the on hand administrator. As per the deposit policy, these monies will be counted, receipted, signed for by the school secretary and turned over to the business office for deposit. The Administrative Secretary and Athletic Director will be responsible for this procedure being completed. The procedure was implemented on February 18, 2019.

Board Meeting Minutes Not Signed - Other Non-Compliance
(2018-001)

CONDITION	Board Minutes reviewed were not properly signed as approved.
CRITERIA	According to the Open Meetings Act Article 15, Section 10-15-1G "Minutes shall not become official until approved by the policy making body". This is done by formal approval in a subsequent Board Meeting and having a signed copy available for review.
CAUSE	The School District is not ensuring this procedure is completed.
EFFECT	Written approved minutes of the Board are not available as required by the Open Meetings Act.
RECOMMENDATION	The Board should ensure that all future Board Minutes be prepared, approved, signed and available for review.
RESPONSE	The Business Manager will ensure that all school board minutes are properly approved at the next board meeting and ensure that correct signatures are maintained. A Board Minute notebook will be kept with the member notebooks and at the end of each meeting the Business Manager or whomever took the minutes at the current meeting will ensure that the prior month's minutes are signed and added to the notebook. This notebook will be maintained for the fiscal year and then added to the archive notebook in the business office; a new notebook will be started at this time. This procedure was implemented October, 2018.

Petty Cash Amounts - Other Non-Compliance
(2018-002)

CONDITION The petty cash amount for Athletics is also used for Activity fundraisers. This amount being used is continually changing without any deposits back to cash or new checks written to replenish the amount. It went from \$320 at the beginning of the year to \$200 at the end. Also, this balance is not being redeposited at the end of the year.

CRITERIA The PSAP Supplement 7-Cash Controls states "The school district should ensure that established amounts are maintained." Also, "All change funds should be deposited to the bank when not needed such as over school breaks or at the end of the school year."

CAUSE Management of the School District are not ensuring these monies are safeguarded and redeposited at the end of the year.

EFFECT Cash belonging to the School District is not being safeguarded.

RECOMMENDATION Management should issue a check at the beginning of the School year for one amount. At the end of the fiscal year this cash should be redeposited before end of school.

RESPONSE At the end of each school year the gate box and Booster Club concession box cash on hand will be deposited back into the school and reconciled to bank records. At the beginning of each school year a requisition will be submitted to pull the funds out again from school athletics and Booster Club to maintain both gate and concession boxes. The amount in each box will be recorded consistently on the Proof of Revenue for each event they are used. The amount of the original withdrawal will be maintained, recorded and reconciled at the end of each event. Gate cash on hand and Booster Club concession cash on hand will be kept separately and not co-mingled for any purpose. In the event of another activity fund raiser that requires change to start, the Booster Club has the authority to loan out their concession cash on hand money for this purpose

with a written agreement signed by both parties and all money will be reconciled at the end of the event. Cash on hand money from the Booster Club will be returned and validated. Money raised will be receipted in accordance to school policy and procedures. The Administrative Secretary is responsible for the implementation of the procedure. It was implemented November, 2018.

Security Deposits for Teacherages - Finding that
does not rise to the level of a Significant Deficiency
(2018-003)

CONDITION	Management of the School District does not require a security deposit for each Teacherage rented.
CRITERIA	To properly Safeguard the Teacherage as an asset a security deposit would help pay for damages to the property. Also, security deposits could be used for any rent owed.
CAUSE	Management has not ensured that a Security deposit be charged.
EFFECT	Management is not properly safeguarding its assets. Rent could be lost.
RECOMMENDATION	Management should include a security deposit for all future rentals (Teacherages).
RESPONSE	The QISD School Board will adopt a policy stating in the rental agreement for the Teacherage what the security deposit will be, what this deposit will cover and if it will be refundable. The Superintendent will ensure that the rental agreement is following the board adopted policy when the rental agreement is signed. The Superintendent is responsible for implementing this procedure. This procedure will be implemented after the April 16, 2019 Board meeting.

Teacherage Rental Agreements - Finding that
does not rise to the level of a Significant Deficiency
(2018-004)

CONDITION	The School District did not have a rental agreement for the Teacherage located in Datil. Also, the Teacherage rental agreement for Quemado was not signed by the Superintendent.
CRITERIA	Rental agreements are needed to ensure all matters are agreed to by both parties. This includes dates for occupancy and rent due each month.
CAUSE	Management is not ensuring these agreements are obtained and a signed copy kept in the Business Office.
EFFECT	Rent could be lost. Disputes could ensure without any proper documentation to support agreements.
RECOMMENDATION	Signed rental agreements for all Teacherages should be obtained as soon as possible.
RESPONSE	The Superintendent will be responsible for ensuring that there is a rental agreement in place for all rentals of School property. The agreement will state what the rent is, what the security deposit will be and any other arrangements such as: electricity and propane. How these will be paid, who is responsible. This will be implemented after April 17, 2019.

Rent not Received - Significant Deficiency
(2018-005)

CONDITION	The School District did not receive rent for any Teacherages in the month of June, 2018. Also, one payment was missed for the month of April, 2018.
CRITERIA	All rent payments due should be received by the rentor in a timely basis.
CAUSE	Management is not ensuring these payments are received.
EFFECT	The School District did not receive all rent payments due to them.
RECOMMENDATION	A system needs to be set in place to ensure all rent payments are received each month.
RESPONSE	The Business Manager will ensure that all payments for the rental of the Teacherage property is collected when it is due. If the payments are taken out of an employee's paycheck, the Business Manager will ensure that the correct amount is deducted for the correct months. All parties in the business office will be notified in the event of a skipped payment for summer checks and when the regular payment will resume. This was implemented November, 2018.

Voided Receipts - Other Non-Compliance
(2018-006)

CONDITION	Numerous receipts tested shown as VOID did not have all copies attached.
CRITERIA	PSAB 7 Cash Controls states "If a receipt is voided, all copies shall be marked VOID and retained in the receipt books."
CAUSE	Management was not aware of this requirement.
EFFECT	The Public Education Manual of Procedures is not being followed.
RECOMMENDATION	Management should implement this procedure as soon as possible.
RESPONSE	There will be a training and written memorandum handed out as soon as possible explaining that if a receipt is voided out, all copies must be attached. The Superintendent will be responsible for ensuring the implementation of this procedure. This procedure was started October, 2018.

Receipts Changed - Finding that does not
rise to the level of a Significant Deficiency
(2018-007)

CONDITION	Receipts are continually being changed, as to amount and dates. Also, one receipt was received from the same person signing the receipt.
CRITERIA	Receipts should be supported by the amounts given and deposited. Dates should reflect the actual date receipted.
CAUSE	Management is not ensuring that these receipts be complete.
EFFECT	Monies could be lost or mismanaged.
RECOMMENDATION	Receipts should not be changed after being written.
RESPONSE	There will be a training and written memorandum going out as soon as possible explaining that changing a receipt is not acceptable. If there is a correction that needs to be made, the receipt must be voided and all copies attached voided. There will be segregation of duties when there is a receipt written. Someone other than the person turning money in must write the receipt. The same person turning money in cannot be the same person writing the receipt. At the beginning of every year at the in-service this paperwork will be gone over so that everyone understands. This paperwork will consist of written direction on how to properly fill out a receipt which will include wording about not changing dates, amounts or descriptions. If something is entered incorrectly, this receipt must be voided out. It will also include wording that the receipt must be filled out at the time money is turned in, there will be no back-dating of a receipt. Normal procedures will be followed as to deposits thereafter. The implementation of this procedure will begin March, 2019. The Business Manager will be responsible for the implementation.

Safe Located at School District - Finding that does not
rise to the level of a Significant Deficiency
(2018-008)

CONDITION	All employees have access to the safe. All employees know the combination to the safe. The safe is small enough that it can be picked up and taken away.
CRITERIA	To properly safeguard cash and other assets the safe access and combination are to be limited to a finite number of personnel. The safe should be constructed as to be "attached" to the building or large enough that it cannot be stolen.
CAUSE	Management has not taken steps to ensure access to the safe is limited.
EFFECT	Assets are not properly safeguarded.
RECOMMENDATION	Management should take steps to safeguard their assets properly.
RESPONSE	The current safe will not be used until it is properly secured in a hidden location. Only Administration will have the combination to this safe and it will only be accessed when necessary. The Superintendent is responsible and was started October, 2018.

Annual Leave Policy - Other Non-Compliance
(2018-009)

CONDITION	The District is not capping the leave accrual according to the district's leave policy. The Superintendent accumulated 4 additional days and the Business Manager accumulated 5 additional days more than the allotted accumulation cap.
CRITERIA	The District's vacation policy states that "Twelve-month employees may accumulate up to twenty five (25) days of vacation leave. The Superintendent may accumulate up to thirty (30) days of vacation leave."
CAUSE	The District did not input proper restraints to prevent employees from accumulating more leave than allowed.
EFFECT	Employees could take more leave than allowed by policy.
RECOMMENDATION	The District should input proper accumulation restraints in their accounting software on each vacation policy to prevent incorrect accumulation of leave.
RESPONSE	The Business Office will follow the board policy when it comes to annual leave accumulated amounts. The Business Manager will ensure that the correct accumulated amounts as well as the maximum cap is correctly entered into the school's accounting program. This procedure was implemented August, 2018.

Comp Time Approvals - Significant Deficiency
(2018-010)

CONDITION	Employees are accruing comp time before it is authorized by a Supervisor.
CRITERIA	PSAB 14 Payroll under Payroll and Human Resources Internal Controls states "Overtime is to be properly authorized." Also, government employees are to agree to the comp time <i>before</i> the hours are accrued (<i>not after</i>).
CAUSE	Management was not aware of this requirement.
EFFECT	Management is not complying with PSAB or Department of Labor regulations.
RECOMMENDATION	All comp time should be approved before any employee earns it. To do this the School District should prepare a comp time form and use it for all future situations.
RESPONSE	QISD school board will develop/update a policy with regards to comp time and usage of accumulated comp time. The business office along with the Superintendent will develop a comp time leave form that must be submitted and approved prior to earning any comp time, with the exception of certain circumstances regarding emergencies. The Superintendent will be responsible and it will be implemented after April 17, 2019.

Payroll Paid Without Time Sheets - Other Non-Compliance
(2018-011)

CONDITION	Employees are being paid without turning in their timesheets.
CRITERIA	PSAB 14 - Payroll under Payroll and Human Resources Internal Controls states "Time cards are to be completed...properly coded...and signed in ink."
CAUSE	Management is allowing these payments to be made without the proper documentation.
EFFECT	PSAB regulations are not being followed.
RECOMMENDATION	All future payroll payments <i>must</i> have the proper time sheets before payments can be made.
RESPONSE	The district is looking into a time clock management system that may eliminate the need for manual time sheets and do away with this issue. Until an acceptable system is found the business office will ensure that all time sheets are turned in for prior weeks before processing payroll. In the event a time sheet is not turned in, the employee will be issued a paper check and the check will be held in the business office until all paperwork is turned in with an explanation of why it is late and signed off by the Superintendent. The Business Manager and Superintendent will be responsible for the implementation of these procedures. Timesheet checks started in January, 2019. Time clock procedure will be started July, 2019.

Contract Addendums Missing - Other Non-Compliance
(2018-012)

CONDITION	<p>Seven out of seven employees were paid more than their original contract. A contract addendum was not present for the additional duties and pay. Contract addendums should include:</p> <ol style="list-style-type: none">1. A statement as to what original contract is being amended.2. That the increase in pay is subject to all applicable income taxes.3. What additional duties, hours/days will be needed to earn the additional pay.
CRITERIA	<p>All contracts should specifically identify rate of pay, hours, duties, income taxes, etc. to ensure both parties understand the additional requirements and method of payment.</p>
CAUSE	<p>Management was not aware of this procedure to ensure all amounts/duties were agreed to by both the employee and Management of the School District.</p>
EFFECT	<p>Payments to employees could be incorrect by amounts paid based on the contract used.</p>
RECOMMENDATION	<p>Management should prepare all contract addendums to ensure all required information is included, as soon as possible.</p>
RESPONSE	<p>The Business Manager will ensure that any money paid to an employee outside of their regular contract has either a contract adjustment or an addendum to their contract. These contract adjustments or addendums will state clearly what the additional requirements/duties are and what the method of payment is and be signed by both the Superintendent and employee. At the end of each fiscal year the business will compare each employee's payout amount against their contract (s) to ensure that all is in order and covered correctly. This procedure started in December, 2018.</p>

Required Support for Disbursements -
Other Non-Compliance
(2018-013)

CONDITION	One payment tested was made to a vendor without the proper documentation to support the disbursement totaling \$2,000. There was no invoice as documentation, only an email from the vendor.
CRITERIA	The Public Education Department requires adequate support and approval of all disbursements made. These items include: <ol style="list-style-type: none">1. Approved purchase orders,2. Approved requisitions,3. An invoice,4. Three quotes or sealed bids (if applicable),5. Evidence of signature of approvals and signatures of receipt.
CAUSE	Management of the District is not requiring all documentation be attached before purchases are made.
EFFECT	Public Education Department regulations have not been followed.
RECOMMENDATION	The District should implement policies to ensure that all Public Education Department regulations are followed.
RESPONSE	Business Manager will ensure that all paperwork is turned in and in order before any payments are made, a typed invoice is the only form of document that will be accepted. Training will be given to staff at the beginning of the year in-service and in again in January to coach staff on what paperwork is needed before a purchase order is issued. This procedure was implemented October, 2018.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2018 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the School District on October 30, 2018, to discuss the current audit report. In attendance were Ms. Anna Wastchak, Business Manager, Mr. Tim Hendricks, Board President, Ms. Carm Chavez, Secretary, Mr. David Lackey, Superintendent, Mr. Antonio Lucero and Ms. Pamela A. Rice, CPA, Contract Auditors.