

QUEMADO INDEPENDENT SCHOOLS

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

JUNE 30, 2017

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

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STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

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STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

OFFICIAL ROSTER

JUNE 30, 2017

BOARD OF EDUCATION

Denny Carver	President
Walt Summers	Vice President
Polly Pierson	Secretary
Carm Chavez	Member
Eileen Dodds	Member

SCHOOL OFFICIALS

David Lackey	Superintendent
Anna Wastchak	Business Manager

Woodard Cowen & Co.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
The Board of Education
Quemado Independent Schools
Quemado, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Quemado Independent Schools (District) as of and for the year ended June 30, 2017, 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 Quemado Independent Schools non-major governmental, fiduciary funds and the budgetary comparisons for the major SB-9 local and debt service funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Portales: 305 S. Avenue B or PO Box 445, Portales NM 88130 – Phone 575-356-8564 Fax 575-356-2453
Clovis: 116 E. Grand Avenue or PO Box 1874, Clovis NM 88101 – Phone 575-762-3811 Fax 575-762-3866

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 Quemado Independent Schools, as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparison statements for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund and the fiduciary funds of Quemado Independent Schools, as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons statements for the major SB-9 local and debt service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Quemado Independent Schools have omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the omission of the Management Discussion and Analysis.

Accounting principles generally accepted in the United States of America require that the *Schedule of Proportionate Share of the Net Pension Liability* on page 64, the *Schedule of Contributions* on page 65, with the notes to the required supplementary information on page 66 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 this required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during 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 Quemado Independent School's financial statements, the combining and individual fund financial statements and budgetary comparisons. The schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of changes in assets and liabilities – agency funds and the schedules listed as "other supplemental information" in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules listed as "other supplemental information" in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of Quemado Independent School's internal control over financial reporting and 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 Quemado Independent School's internal control over financial reporting and compliance.

Woodard, Cowen & Co

Clovis, New Mexico
October 20, 2017

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT A

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 783,952
Property taxes receivable	58,748
Due from other governments	76,340
Inventories	2,842
Total current assets	<u>921,882</u>
Non-current assets:	
Capital assets, net	5,160,752
Total non-current assets	<u>5,160,752</u>
Total assets	<u>6,082,634</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	619,719
Total deferred outflows	<u>619,719</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	2,337
Accrued interest payable	6,593
Current portion of long term debt	185,000
Total current liabilities	<u>193,930</u>
Non-current liabilities:	
Non-current portion of long term debt	615,000
Net pension liability	3,688,892
Bond premium, net	18,916
Total non-current liabilities	<u>4,322,808</u>
Total liabilities	<u>4,516,738</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenue	76,543
Deferred inflows related to pensions	38,362
Total deferred inflows	<u>114,905</u>
<u>NET POSITION</u>	
Net investment in capital assets	4,360,752
Restricted:	
Debt Service	226,365
Capital Projects	402,179
Unrestricted	<u>(2,918,586)</u>
Total net position	<u>\$ 2,070,710</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

EXHIBIT B

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue & Changes in Net Position
					Primary Governmental Activities
Primary government:					
Governmental activities:					
Instruction	\$ 1,820,289	\$ 9,563	\$ 94,859	\$ -	\$ (1,715,867)
Support Services	-	-	-	-	-
Support Services Students	154,592	-	51,616	-	(102,976)
Support Services Instruction	159,957	-	120,396	-	(39,561)
Support Services General Administration	374,871	-	-	-	(374,871)
Support Services School Administration	158,828	-	5,859	-	(152,969)
Central Services	116,332	-	-	-	(116,332)
Operation and Maintenance of Plant	470,047	600	70,360	-	(399,087)
Student Transportation	353,003	-	323,692	-	(29,311)
Other Support Services	209	-	-	-	(209)
Food Services Operations	158,493	-	77,091	-	(81,402)
Bond Interest Paid	12,486	-	-	-	(12,486)
Amortization - Unallocated	-	12,238	360,525	-	372,763
Total governmental activities	\$ 3,779,107	\$ 22,401	\$ 1,104,398	\$ -	(2,652,308)
General revenues:					
Property Taxes:					
					42,369
					224,336
					178,292
					1,944,995
					-
					711
					43,508
					<u>2,434,209</u>
					(218,099)
					2,302,886
					(14,077)
					<u>2,288,809</u>
					<u>\$ 2,070,710</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2017

	<u>GENERAL</u>	<u>MEDICAID TITLE XIX</u>
ASSETS		
Cash and cash equivalents	\$ 58,059	\$ 76,543
Accounts Receivable		
Property Taxes Receivable	5,597	-
Federal	-	-
State	-	-
Inventories	-	-
Due from Other Funds	76,322	-
TOTAL ASSETS	<u>\$ 139,978</u>	<u>\$ 76,543</u>
LIABILITIES AND OTHER CREDITS		
Accounts Payable	\$ 2,301	\$ -
Due to Other Funds	-	-
Accrued interest Payable	-	-
TOTAL LIABILITIES	<u>2,301</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	-	76,543
Unavailable Revenue - Property Taxes	4,712	-
TOTAL DEFERRED INFLOWS	<u>4,712</u>	<u>76,543</u>
FUND BALANCE		
Nonspendable	-	-
Restricted	28,892	-
Committed	-	-
Assigned	-	-
Unassigned	104,073	-
TOTAL FUND BALANCE	<u>132,965</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 139,978</u>	<u>\$ 76,543</u>

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

EXHIBIT C

<u>NM READS TO LEAD K-3</u>	<u>SB-9 LOCAL</u>	<u>DEBT SERVICE</u>	<u>NON MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -	\$ 378,447	\$ 203,539	\$ 67,364	\$ 783,952
-	23,732	29,419	-	58,748
-	-	-	24,277	24,277
47,190	-	-	4,873	52,063
-	-	-	2,842	2,842
-	-	-	-	76,322
<u>\$ 47,190</u>	<u>\$ 402,179</u>	<u>\$ 232,958</u>	<u>\$ 99,356</u>	<u>\$ 998,204</u>
\$ 6	\$ -	\$ -	\$ 30	\$ 2,337
47,184	-	-	29,138	76,322
-	-	6,593	-	6,593
<u>47,190</u>	<u>-</u>	<u>6,593</u>	<u>29,168</u>	<u>85,252</u>
-	-	-	-	76,543
-	19,982	24,650	-	49,344
-	<u>19,982</u>	<u>24,650</u>	<u>-</u>	<u>125,887</u>
-	-	-	2,842	2,842
-	382,197	201,715	67,346	680,150
-	-	-	-	-
-	-	-	-	-
-	-	-	-	104,073
-	<u>382,197</u>	<u>201,715</u>	<u>70,188</u>	<u>787,065</u>
<u>\$ 47,190</u>	<u>\$ 402,179</u>	<u>\$ 232,958</u>	<u>\$ 99,356</u>	<u>\$ 998,204</u>

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

EXHIBIT D

RECONCILIATION OF THE BALANCE SHEET
ALL GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position is different because:

Fund Balances - total governmental funds	\$ 787,065
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	5,160,752
Deferred outflows related to pensions not reported in the funds	619,719
Net pension liability not reported in the funds	(3,688,892)
Deferred inflows related to pensions not reported in the funds	(38,362)
Delinquent property taxes	49,344
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Bonds Payable	(800,000)
Issuance Premium, net	<u>(18,916)</u>
Net position of governmental activities	<u>\$ 2,070,710</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE— GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	GENERAL	MEDICAID TITLE XIX
REVENUE		
Federal Programs	\$ 24,104	\$ -
State Programs	660,808	42,388
Local Programs	42,939	-
State Equalization	1,944,995	-
Service Revenues	4,101	-
Taxes	37,657	-
Interest	288	40
Other revenue sources	538	-
TOTAL REVENUES	<u>2,715,430</u>	<u>42,428</u>
EXPENDITURES		
Current		
Instruction	1,485,644	2,151
Support Services	-	-
Support Services Students	99,564	40,277
Support Services Instruction	39,561	-
Support Services General Administration	196,620	-
Support Services School Administration	152,843	-
Central Services	116,332	-
Operation and Maintenance of Plant	377,013	-
Student Transportation	340,369	-
Other Support Services	209	-
Food Services Operations	40,392	-
Capital Outlay	-	-
Debt Service		
Principal	-	-
Interest and Fiscal Charge	-	-
TOTAL EXPENDITURES	<u>2,848,547</u>	<u>42,428</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(133,117)	-
Other Financing Sources (Uses)		
Transfers In/ Transfers (Out)	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(133,117)	-
FUND BALANCE		
June 30, 2015	278,330	-
Restatements	(12,248)	-
June 30, 2015 as restated	<u>266,082</u>	<u>-</u>
FUND BALANCE June 30, 2016	<u>\$ 132,965</u>	<u>\$ -</u>

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

EXHIBIT E

NM READS TO LEAD K-3	SB-9 LOCAL	DEBT SERVICE	NON MAJOR GOVERNMENTAL FUNDS	Total GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 199,995	\$ 224,099
98,225	-	-	78,878	880,299
-	-	-	-	42,939
-	-	-	-	1,944,995
-	-	-	18,300	22,401
-	158,310	199,686	-	395,653
-	254	87	42	711
-	-	-	29	567
<u>98,225</u>	<u>158,564</u>	<u>199,773</u>	<u>297,244</u>	<u>3,511,664</u>
19,921	-	-	76,897	1,584,613
-	-	-	-	-
-	-	-	11,379	151,220
78,304	-	-	42,092	159,957
-	1,578	1,989	-	200,187
-	-	-	5,859	158,702
-	-	-	-	116,332
-	-	-	70,360	447,373
-	-	-	-	340,369
-	-	-	-	209
-	-	-	77,091	117,483
-	115,634	-	-	115,634
-	-	170,000	-	170,000
-	-	16,540	-	16,540
<u>98,225</u>	<u>117,212</u>	<u>188,529</u>	<u>283,678</u>	<u>3,578,619</u>
-	41,352	11,244	13,566	(66,955)
-	340,845	-	(340,845)	-
<u>-</u>	<u>340,845</u>	<u>-</u>	<u>(340,845)</u>	<u>-</u>
-	382,197	11,244	(327,279)	(66,955)
-	-	190,471	399,296	868,097
-	-	-	(1,829)	(14,077)
<u>-</u>	<u>-</u>	<u>190,471</u>	<u>397,467</u>	<u>854,020</u>
<u>\$ -</u>	<u>\$ 382,197</u>	<u>\$ 201,715</u>	<u>\$ 70,188</u>	<u>\$ 787,065</u>

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

EXHIBIT F

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

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

Net change in fund balance - total governmental funds	\$ (66,955)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year	
Capital Outlay	21,239
Depreciation	(233,795)
Amortization of bond premium	4,054
Pension related expense	(161,986)
Change in delinquent property taxes	49,344
Bond Principal	170,000
Change in Net Position	<u>\$ (218,099)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT G

COMBINED STATEMENT OF REVENUE AND EXPENDITURES--BUDGET
 (NON-GAAP) AND ACTUAL--GENERAL FUND

Year Ended June 30, 2017

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ 24,104	\$ 24,104	\$ -
State Programs	2,728,861	2,601,656	2,605,803	4,147
Local Programs	86,088	86,142	85,386	(756)
TOTAL REVENUE	<u>2,814,949</u>	<u>2,711,902</u>	<u>\$ 2,715,293</u>	<u>\$ 3,391</u>
BUDGETED CASH BALANCE	<u>172,060</u>	<u>257,750</u>		
TOTAL REVENUE & CASH	<u>\$ 2,987,009</u>	<u>\$ 2,969,652</u>		
EXPENDITURES				
Current				
Instruction	\$ 1,518,854	\$ 1,498,173	\$ 1,488,599	\$ 9,574
Support Services	-	-	-	-
Support Services Students	152,212	100,067	99,564	503
Support Services Instruction	37,825	41,166	39,845	1,321
Support Services General Administration	190,632	201,432	196,641	4,791
Support Services School Administration	153,075	154,879	153,480	1,399
Central Services	111,963	117,521	115,093	2,428
Operation and Maintenance of Plant	407,810	443,470	377,043	66,427
Student Transportation	363,673	343,548	340,369	3,179
Other Support Services	2,397	20,475	209	20,266
Food Services Operations	48,568	48,921	40,392	8,529
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 2,987,009</u>	<u>\$ 2,969,652</u>	<u>\$ 2,851,235</u>	<u>\$ 118,417</u>

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT H

STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--MEDICAID TITLE XIX

Year Ended June 30, 2017

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	18,000	63,741	72,891	9,150
Local Programs	30	30	40	10
TOTAL REVENUE	<u>18,030</u>	<u>63,771</u>	<u>\$ 72,931</u>	<u>\$ 9,160</u>
BUDGETED CASH BALANCE	<u>48,480</u>	<u>46,040</u>		
TOTAL REVENUE & CASH	<u>\$ 66,510</u>	<u>\$ 109,811</u>		
EXPENDITURES				
Current				
Instruction	\$ 24,593	\$ 32,993	\$ 2,151	\$ 30,842
Support Services	-	-	-	-
Support Services Students	41,917	76,818	40,277	36,541
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 66,510</u>	<u>\$ 109,811</u>	<u>\$ 42,428</u>	<u>\$ 67,383</u>

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT I

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SPECIAL REVENUE FUND--NM READS TO LEAD K-3

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	65,655	106,452	78,614	(27,838)
Local Programs	-	-	-	-
TOTAL REVENUE	<u>65,655</u>	<u>106,452</u>	<u>\$ 78,614</u>	<u>\$ (27,838)</u>
BUDGETED CASH BALANCE	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 65,655</u>	<u>\$ 106,452</u>		
EXPENDITURES				
Current				
Instruction	\$ 65,655	\$ 25,624	\$ 19,921	\$ 5,703
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	80,828	78,304	2,524
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 65,655</u>	<u>\$ 106,452</u>	<u>\$ 98,225</u>	<u>\$ 8,227</u>

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT J

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	<u>Employee Retirement Plan</u>	<u>Agency Funds</u>
ASSETS		
Cash on Deposit	\$ -	\$ 52,358
Investments, at fair value		
Mutual Funds	124,716	-
TOTAL ASSETS	<u>\$ 124,716</u>	<u>\$ 52,358</u>
LIABILITIES		
Due To Student Groups	\$ -	\$ 52,358
TOTAL LIABILITIES	<u>-</u>	<u>\$ 52,358</u>
Net Position		
Held in trust for pension benefits and other purposes	124,716	
TOTAL NET POSITION	<u>\$ 124,716</u>	

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2017

	<u>Employee Retirement Plan</u>
ADDITIONS:	
Contributions:	
Plan Members	\$ 1,500
Total contributions	<u>1,500</u>
Investment earnings:	
Net increase (decrease) in fair value of investments	14,740
Total investment earnings	<u>14,740</u>
Less investment expense	-
Net investment earnings	<u>14,740</u>
TOTAL ADDITIONS	<u>16,240</u>
DEDUCTIONS	
Benefits	-
Refunds of contributions	-
Administrative expenses	-
TOTAL DEDUCTIONS	<u>-</u>
CHANGE IN NET POSITION	16,240
Net Position -- beginning of the year	108,476
Net Position -- end of the year	<u>\$ 124,716</u>

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

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Implementation of New Accounting Policies

For the fiscal year 2004 the Quemado Independent Schools has implemented GASB Statements No. 33 (GASB 33), Accounting and Financial Reporting for Non-exchange Transactions, GASB Statement No. 34 (GASB 34), Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments, GASB Statement No. 37 (GASB 37), Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus and GASB Statement No. 38 (GASB 38), Certain Financial Statements Disclosure. At July 1, 2000, there was no effect on fund balance as a result of implementing GASB 33, GASB 34, GASB 37 and GASB 38.

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the School District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after thirty (30) days.

GASB – 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

B. Reporting Entity

Quemado Independent School District is a special purpose government entity governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Village of Quemado and surrounding area. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Quemado Independent School District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

The District does not have any component units required to be disclosed.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide and fund financial statements (continued)

items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated un-collectable amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the qualifying expenditure is made and eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Grant revenues and deferrals are recognized in accordance with GASB33.

The government reports the following major governmental funds:

GENERAL FUNDS - The general fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund. It includes Operational, Teacherage, Transportation and Instructional Materials.

MEDICAID TITLE XIX – Special Revenue - This fund is used for reimbursement of health-related services of Medicaid eligible students receiving related services, for administrative time study, and for a statement of service costs study. Authorized by the Social Security Act.

NM READS TO LEAD K-3 – to account for funds to implement early childhood education in reading. Fund and authority provided by the NM PED.

SB-9 LOCAL – Capital Projects - To account for 2.0 mill levy restricted by board resolution for erecting, remodeling, making additions to, providing equipment for, and furnishing school buildings, improving school grounds and maintenance of school buildings and grounds, exclusive of salary expense of employees. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources, as they are needed.

GASB 63 requires certain financial reporting of deferred outflows of resources, deferred inflows of resources, and net position and GASB 65 helps to identify items which were previously reported as assets and liabilities that are now reported as deferred resources.

Deferred outflows of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period.

E. Assets, liabilities, and net position or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds of the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the school district. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, liabilities, and net position or equity (continued)

1. Deposits and investments (continued)

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Investments for the District are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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. The assessed valuation for the 2017 fiscal year was \$91,483,796. Mill levy rates are set by the State of New Mexico each year for the General Fund, SB - 9 Capital Improvements Fund and Debt Service Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

3. Inventories

The food inventories are valued at cost using the first-in/first-out (FIFO) method. USDA Commodities are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 (amount not rounded) and an estimated useful life in excess of two years. The District is capitalizing qualifying software, library books, and assets constructed by district personnel as required. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are to be capitalized as projects are constructed.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, liabilities, and net position or equity (continued)

4. Capital assets (continued)

Property, plant, and equipment of the primary government will be depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	50
Land Improvements	50
Equipment	10

5. Compensated absences

It is the policy of Quemado Independent Schools to permit certain employees to accumulate a limited amount of earned but unused vacation, which will not be paid to employees upon separation from the school districts' service. In governmental funds, the cost of vacations is recognized when payments are made to employees. No accrual for accumulated compensated absences has been made.

Sick pay does not vest and is recorded as expenditure when it is paid.

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as expenditures in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as capital projects expenditures.

7. Fund equity

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use is either 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; 2) imposed by law through constitutional provisions or enabling legislation. Total restricted net position of \$628,544 is comprised of Capital Projects \$402,179 and Debt Service \$226,365.

8. Indirect Costs

The School District's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, liabilities, and net position or equity (continued)

9. Salaries and Wages

The School District pays all salaries and wages due teachers on or before June 30th of each year.

10. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive 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 825, 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-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,944,995 in state equalization guarantee distributions during the year ended June 30, 2017.

Transportation Distribution: School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds 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 grades K through twelve attending public school within the school district. The District received \$323,692 in transportation distributions during the year ended June 30, 2017.

12. Pension Plan – Education Retirement Board

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between fund *balance total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of the \$800,000 difference is as follows:

Bonds Payable	<u>\$800,000</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net position – governmental activities	<u>\$800,000</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(212,556) difference is as follows:

Capital Outlay	\$ 21,239
Depreciation expense	<u>(233,795)</u>
Net adjustment to increase net changes in fund balances – total government funds to arrive at changes in net position of governmental activities	<u>\$ (212,556)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$170,000 difference is as follows:

Principal repayments:	
General obligation debt	<u>\$ 170,000</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 170,000</u>

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget at the function level, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

- In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
- In May or June, the budget is approved by the Board of Education
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
- The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
- The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
- Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.
- The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2017 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary information (continued)

	Original Budget	Final Budget
General Fund	\$ 2,987,009	\$ 2,969,652
Special Revenue Funds	405,186	674,897
Capital Project Funds	475,645	502,055
Debt Service Funds	379,154	382,232
	<u>\$ 4,246,994</u>	<u>\$ 4,528,836</u>

B. Deficit fund equity

There were not any deficit fund balances at June 30, 2017.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and temporary investments

At June 30, 2017, the carrying amount of the District's deposits was \$836,080 and the bank balance was \$1,037,702. Of this balance \$250,000 was covered by federal depository insurance and \$900,000 was covered by collateral held in joint safekeeping by a third party in the entitles name.

Collateral requirements are as follows:

First State Bank	Total Deposits	\$ 1,037,702
	Less: FDIC coverage	(250,000)
	Uninsured Public Funds	<u>787,702</u>
	Pledged collateral held by pledging bank's agent in the District's name	<u>900,000</u>
	Uninsured and un-collateralized	<u>\$ -</u>

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 District for at least one half of the amount on deposit with the institution. The collateral pledged is listed on Schedule 4 of this report. 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.

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 and separate from the unlimited coverage for public unit demand deposits at the same institution under the FDIC Temporary Liquidity Guarantee Program.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and temporary investments (continued)

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the direct obligations of the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk. The pool does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary.

The State Treasurer issues a separate, publicly available audited financial report that includes disclosure of the collateral pledged to secure State Treasurer cash and investments.

B. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, the government bank balance was 100% collateralized. As of June 30, 2017, none of the government's bank balance of \$1,037,702 was exposed to custodial credit risk.

Uninsured and un-collateralized \$ -0-

C. Receivables

Receivables, as of year-end, for the government's individual major funds and non-major funds in the aggregate, including the following:

	General	NM Reads to Lead	SB-9 Local	Debt Service	Non Major Governmental	TOTAL
Taxes:						
Property	\$ 5,597	\$ -	\$ 23,732	\$ 29,419	\$ -	\$ 58,748
Intergovernmental						
Grants:						
Federal	-	-	-	-	24,277	24,277
State	-	47,190	-	-	4,873	52,063
	<u>\$ 5,597</u>	<u>\$ 47,190</u>	<u>\$ 23,732</u>	<u>\$ 29,419</u>	<u>\$ 29,150</u>	<u>\$135,088</u>

Receivables are considered fully collectible.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

IV. DETAILED NOTES ON ALL FUNDS (continued)

C. Receivables (continued)

Governmental funds reported *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Amount due to the District from delinquent property tax due to the County Treasurers were not available. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes	\$ 49,344
Grant draw-downs prior to meeting all eligibility requirements	<u>76,543</u>
Total deferred/unearned revenue for government funds	<u>\$ 125,887</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 90,814	\$ -	\$ -	\$ 90,814
Constuction in progress	-	21,239	-	21,239
Total Capital Assets, not being depreciated	<u>\$ 90,814</u>	<u>\$ 21,239</u>	<u>\$ -</u>	<u>\$ 112,053</u>
Capital assets, being depreciated:				
Land improvements	786,957	-	-	786,957
Buildings & building improvements	9,765,710	-	-	9,765,710
Furniture & Fixtures	503,146	-	-	503,146
Vehicles	618,185	-	-	618,185
Equipment	254,125	-	-	254,125
Total Capital Assets being depreciated	<u>11,928,123</u>	<u>-</u>	<u>-</u>	<u>11,928,123</u>
Less accumulated depreciation for:				
Land improvements	725,509	8,584	-	734,093
Buildings & building improvements	4,800,022	183,926	-	4,983,948
Furniture & Fixtures	416,941	13,858	-	430,799
Vehicles	460,132	26,308	-	486,440
Equipment	243,025	1,119	-	244,144
Total accumulated depreciation	<u>6,645,629</u>	<u>233,795</u>	<u>-</u>	<u>6,879,424</u>
Total Capital assets, being depreciated, net	<u>5,282,494</u>	<u>(233,795)</u>	<u>-</u>	<u>5,048,699</u>
Governmental activities capital assets, net	<u>\$ 5,373,308</u>	<u>\$ (212,556)</u>	<u>\$ -</u>	<u>\$ 5,160,752</u>

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

IV. DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets (continued)

Depreciation expense was charged to function/programs of the School District as follows:

Instruction	\$ 141,281
Support Services	-
Support Services Students	3,372
Support Services Instruction	-
Support Services General Administration	12,698
Support Services School Administration	126
Central Services	-
Operation and Maintenance of Plant	22,674
Student Transportation	12,634
Other Support Services	-
Food Services Operations	41,010
Total	<u>\$ 233,795</u>

Bond premiums are capitalized and amortized on straight line. Amortization activity for the year ended June 30, 2017 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	17,567	4,054	-	21,621
Bond premium, net	<u>\$ 22,970</u>	<u>\$ (4,054)</u>	<u>\$ -</u>	<u>\$ 18,916</u>

E. Long-Term Debt

Governmental Activities

Bonds Payable

A summary in changes in long-term obligations follows:

	<u>Balance 7-1-2016</u>	<u>Bonds Issued</u>	<u>Bonds Redeemed</u>	<u>Balance 6-30-2017</u>	<u>Amounts due within One Year</u>
\$1,420,000 2012 GO Building Bonds due in annual installments of \$10,000 to \$215,000 through August 2020, Interest at 2.00%	970,000	-	170,000	800,000	185,000
Total	<u>\$ 970,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 800,000</u>	<u>\$ 185,000</u>

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

IV. DETAILED NOTES ON ALL FUNDS (continued)

E. Long-Term Debt (continued)

Governmental Activities (continued)
 Bonds Payable (continued)

Go Bond indebtedness typically has been liquidated using Deb Service Funds. The annual requirements to amortize all bonded debt outstanding as of June 30, 2017, including interest of \$ 33,100 are shown below:

	<u>Governmental Activities</u>	
	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
6/30/2018	\$ 185,000	\$ 14,150
6/30/2019	190,000	10,400
6/30/2020	210,000	6,400
6/30/2021	215,000	2,150
TOTAL	<u>\$ 800,000</u>	<u>\$ 33,100</u>

Legal Debt Margin

The legal debt margin is specified by Article IX Section 11 of the Constitution of the State of New Mexico as not greater than 6% of the assessed value of the taxable property within the School District. Based on these criteria, the maximum general obligation debt permissible is \$5,483,796 including \$800,000 debt outstanding based on the June 30, 2017, valuation.

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.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

IV. DETAILED NOTES ON ALL FUNDS (continued)

E. Long-Term Debt (continued)

Refunding of Bonded Debt (continued)

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	8/1/2020	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>

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico.

The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions.

The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2015.

B. Contingent liabilities

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

C. Pension Plan – Education Retirement Board

General Information about the Pension Plan

Plan description - Substantially all of the Quemado Independent School District's (District) full-time employees participate in an educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

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

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

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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.

Funding Policy

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

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

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

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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 in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

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

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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

Contributions – For the fiscal year ended June 30, 2017 and 2016 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
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%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$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, 2017 and 2016, the District paid employee and employer contributions of \$370,114 and \$353,807 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$3,688,892 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was 0.05126%, which was an increase of 0.00077% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$161,986. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actuarial experience	\$ 16,004	\$ 35,086
Changes of assumptions	75,091	-
Net difference between projected and actual earnings on pension plan investments	220,196	3,276
Changes in proportion and differences between contributions and proportionate share of contributions	96,495	-
Employer contributions subsequent to the measurement date	211,933	-
Total	\$ 619,719	\$ 38,362

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

\$211,933 reported as deferred outflows of resources related to pensions resulting from 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	\$ 94,769
2019	106,625
2020	114,332
2021	53,697
2022	Unavailable
Thereafter	Unavailable

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

Inflation	3.0%
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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

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

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 District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability	\$ 4,885,852	\$ 3,688,892	\$ 2,695,753

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

Payables to the pension plan – The District has no payables to the pension plan.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

D. Post-Employment Benefits – State Retiree Health Care Plan

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3,4 or 5; municipal fire member coverage plan 3,4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, that statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Quemado Independent School District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$30,494, \$29,217 and \$28,695 respectively, which equal the required contributions for each year.

TATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

E. Deferred Compensation Plan

Quemado Independent School District has adopted a deferred compensation plan under code section 457. Employees can contribute up to 25% of their salary. The plan is managed by First Administrators Inc. with One America being the transfer agent holding the funds. Employee Contributions to this plan for June 30, 2017 were \$1,500.

F. Inter-fund Receivables

Cash overdrafts are inter-fund receivables and considered to be short-term borrowings from general funds to cover current year operating expenditures and will be paid back within the next year. At June 30, 2017 they consisted of the following:

Due to Operational	<u>\$ 76,322</u>
Due From	
Title I	\$ 9,935
IDEA-B Entitlement	6,759
IDEA-B Competitive	5,079
REAP	2,492
2012 GO Bond	4,873
NM Reads to Lead K-3	47,184
Total Due From	<u>\$ 76,322</u>

G. Permanent Transfers

Transfers are used to move revenue from the fund that statute or budget requires them to be collected in, to the fund that statute or budget requires them to be expend in. These transfers are not routine in nature and are not consistent with the activities of the fund making transfer. At June 30, 2017 the permanent transfers were as follows:

Transferred From:	
SB-9	\$ 340,845
Total Transfers	<u>\$ 340,845</u>
Transferred To:	
SB-9 Local	\$ 340,845
Total Transfers	<u>\$ 340,845</u>

H. Restatement of Beginning Net Position for Governmental Funds

	Governmental Activities
Net Position at June 30, 2016	\$ 2,302,886
Prior Period Adjustments	
To book repayment of transportation cash balance to PED	(12,248)
To book cash reverted back to PED from the Non Instructional Fund	(1,829)
Net Position at June 30, 2016 as Restated	<u>\$ 2,288,809</u>

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

I. Restatements of Beginning Fund Balances

Fund	Description	Amount
Transportation	To record repayment of 1/2 cash balance to PED	\$ (12,248)
Non Instructional	To record cash reverted back to PED	(1,829)
	Total restatements to fund balances	<u>\$ (14,077)</u>

J. Central Regional Educational Cooperative #5

Certain special revenue (federal) funds of the district were administered by the Central Region Educational Cooperative, in Albuquerque, New Mexico. These funds are audited separately by another IPA. That report may be obtained by writing to: Central Regional Educational Cooperative, 5321-A Menaul Blvd. NE, Albuquerque, New Mexico 87110.

K. Fund Balances Classified

GASB 54 includes a prescribed hierarchy based on the extent to which a city is bound by constraints for the use of the funds reported in governmental funds. GASB 54 provides the classification as non-spendable, restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The following definitions are provided in GASB 54:

Non-spendable - These funds are not available for expenditures based on legal or contractual requirements.

Restricted - These funds are governed by externally enforceable restrictions.

Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the School Board). Any changes of this designation must be done in the same manner that it was implemented.

Assigned - For funds to be assigned, there must be an intended use which can be established by the School Board or an official delegated by the board, such as a superintendent.

Unassigned - This classification is the default for all funds that do not fit into the other categories. This, however, should not be a negative number for the General Fund. If it is, the assigned fund balance must be adjusted.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are as follows:

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

K. Fund Balances Classified (continued)

Fund Balances	General Fund	SB-9	Debt Service	Non-Major Governmental Funds	Total
Nonspendable:					
Inventory	\$ -	\$ -	\$ -	\$ 2,842	\$ 2,842
Total Nonspendable	-	-	-	2,842	2,842
Restricted for:					
Teachereage	22,913	-	-	-	22,913
Transportation	910	-	-	-	910
Instructional Materials	5,069	-	-	-	5,069
Special Revenue Funds	-	-	-	67,346	67,346
Capital Projects	-	382,197	-	-	382,197
Debt Service	-	-	201,715	-	201,715
Total Restricted	28,892	382,197	201,715	67,346	680,150
Unassigned	104,073	-	-	-	104,073
Total Fund Balances	\$ 132,965	\$ 382,197	\$ 201,715	\$ 70,188	\$ 787,065

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

L. Reconciliation of Budgetary and GAAP Basis Amounts

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>
REVENUES			
Budgetary Basis	\$ 2,380,160	\$ 3,140	\$ 323,743
Add:			
Current Year Receivables & Other Credits	885	-	-
Deduct:			
Prior Year Receivables & Other Debits	<u>748</u>	<u>-</u>	<u>-</u>
REVENUE --GAAP BASIS	<u>\$ 2,380,297</u>	<u>\$ 3,140</u>	<u>\$ 323,743</u>
EXPENDITURES			
Budgetary Basis	\$ 2,505,096	\$ 600	\$ 335,081
Add:			
Current Year Payables & Other Debits	2,076	-	-
Deduct:			
Prior Year Payables & Other Credits	<u>4,764</u>	<u>-</u>	<u>-</u>
EXPENDITURES --GAAP BASIS	<u>\$ 2,502,408</u>	<u>\$ 600</u>	<u>\$ 335,081</u>

<u>Instructional Materials</u>	<u>Title XIX Medicaid</u>	<u>NM Reads to Lead K-3</u>	<u>SB - 9 Local</u>	<u>Debt Service</u>
\$ 8,250	\$ 72,931	\$ 78,614	\$ 158,021	\$ 198,988
-	-	47,190	3,750	4,769
-	30,503	27,579	3,207	3,984
<u>\$ 8,250</u>	<u>\$ 42,428</u>	<u>\$ 98,225</u>	<u>\$ 158,564</u>	<u>\$ 199,773</u>
\$ 10,458	\$ 42,428	\$ 98,225	\$ 117,212	\$ 189,930
-	-	-	-	6,593
-	-	-	-	7,994
<u>\$ 10,458</u>	<u>\$ 42,428</u>	<u>\$ 98,225</u>	<u>\$ 117,212</u>	<u>\$ 188,529</u>

GENERAL FUND

To account for resources traditionally associated with governments, which are not required to be accounted for in any other fund.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT A-1

COMBINING BALANCE SHEET -- GENERAL FUND

June 30, 2017

	Operational	Teacherage	Transportation	Instructional Materials	TOTALS
ASSETS					
Cash and cash equivalents	\$ 29,159	\$ 22,913	\$ 918	\$ 5,069	\$ 58,059
Accounts Receivable					
Property Taxes Receivable	5,597	-	-	-	5,597
Federal	-	-	-	-	-
State	-	-	-	-	-
Inventories	-	-	-	-	-
Due from Other Funds	76,322	-	-	-	76,322
TOTAL ASSETS	\$ 111,078	\$ 22,913	\$ 918	\$ 5,069	\$ 139,978
LIABILITIES AND OTHER CREDITS					
Accounts Payable	\$ 2,293	\$ -	\$ 8	\$ -	\$ 2,301
Due to Other Funds	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
TOTAL LIABILITIES	2,293	-	8	-	2,301
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	-	-
Unavailable Revenue - Property Taxes	4,712	-	-	-	4,712
TOTAL DEFERRED INFLOWS	4,712	-	-	-	4,712
FUND BALANCE					
Nonspendable	-	-	-	-	-
Restricted	-	22,913	910	5,069	28,892
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	104,073	-	-	-	104,073
TOTAL FUND BALANCE	104,073	22,913	910	5,069	132,965
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 111,078	\$ 22,913	\$ 918	\$ 5,069	\$ 139,978

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

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

EXHIBIT A-2

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE -- GENERAL FUND

Year Ended June 30, 2017

	Operational	Teacherage	Transportation	Instructional Materials	TOTALS
REVENUE					
Federal Programs	\$ 24,104	\$ -	\$ -	\$ -	\$ 24,104
State Programs	328,872	-	323,692	8,244	660,808
Local Programs	42,939	-	-	-	42,939
State Equalization	1,944,995	-	-	-	1,944,995
Service Revenues	976	3,125	-	-	4,101
Taxes	37,657	-	-	-	37,657
Interest	216	15	51	6	288
Other revenue sources	538	-	-	-	538
TOTAL REVENUES	2,380,297	3,140	323,743	8,250	2,715,430
EXPENDITURES					
Current					
Instruction	1,475,186	-	-	10,458	1,485,644
Support Services	-	-	-	-	-
Support Services Students	99,564	-	-	-	99,564
Support Services Instruction	39,561	-	-	-	39,561
Support Services General Administration	196,620	-	-	-	196,620
Support Services School Administration	152,843	-	-	-	152,843
Central Services	116,332	-	-	-	116,332
Operation and Maintenance of Plant	376,413	600	-	-	377,013
Student Transportation	5,288	-	335,081	-	340,369
Other Support Services	209	-	-	-	209
Food Services Operations	40,392	-	-	-	40,392
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	2,502,408	600	335,081	10,458	2,848,547
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(122,111)	2,540	(11,338)	(2,208)	(133,117)
Other Financing Sources (Uses)					
Transfer In/Transfers (Out)	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(122,111)	2,540	(11,338)	(2,208)	(133,117)
FUND BALANCE					
June 30, 2016	226,184	20,373	24,496	7,277	278,330
Restatements	-	-	(12,248)	-	(12,248)
June 30, 2016 as restated	226,184	20,373	12,248	7,277	266,082
FUND BALANCE	226,184	20,373	12,248	7,277	266,082
June 30, 2017	\$ 104,073	\$ 22,913	\$ 910	\$ 5,069	\$ 132,965

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT A-3

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--OPERATIONAL

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 37,554	\$ 37,554	\$ 37,520	\$ (34)
Fees - Users	300	300	416	116
Fees - Educational	500	500	410	(90)
Rent and Leases	300	300	150	(150)
Interest Income	596	596	216	(380)
Refunds Prior Year	-	-	518	518
State Equalization	1,912,047	1,962,514	1,944,995	(17,519)
Emergency Supplemental	452,104	297,000	328,872	31,872
Insurance Recoveries	-	-	20	20
Forrest Reserve	-	24,104	24,104	-
Access Board E-Rate	43,818	43,818	42,939	(879)
TOTAL REVENUE	<u>2,447,219</u>	<u>2,366,686</u>	<u>\$ 2,380,160</u>	<u>\$ 13,474</u>
BUDGETED CASH BALANCE	<u>154,860</u>	<u>230,100</u>		
TOTAL REVENUE & CASH	<u>\$ 2,602,079</u>	<u>\$ 2,596,786</u>		
EXPENDITURES				
Current				
Instruction	\$ 1,512,112	\$ 1,484,689	\$ 1,478,141	\$ 6,548
Support Services	-	-	-	-
Support Services Students	152,212	100,067	99,564	503
Support Services Instruction	37,825	41,166	39,845	1,321
Support Services General Administration	190,632	201,432	196,641	4,791
Support Services School Administration	153,075	154,879	153,480	1,399
Central Services	111,963	117,521	115,093	2,428
Operation and Maintenance of Plant	387,595	420,082	376,443	43,639
Student Transportation	5,700	7,554	5,288	2,266
Other Support Services	2,397	20,475	209	20,266
Food Services Operations	48,568	48,921	40,392	8,529
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 2,602,079</u>	<u>\$ 2,596,786</u>	<u>\$ 2,505,096</u>	<u>\$ 91,690</u>

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT A-4

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--TEACHERAGE

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	-	-
Local Programs	3,015	3,015	3,140	125
TOTAL REVENUE	<u>3,015</u>	<u>3,015</u>	<u>\$ 3,140</u>	<u>\$ 125</u>
BUDGETED CASH BALANCE	<u>17,200</u>	<u>20,373</u>		
TOTAL REVENUE & CASH	<u>\$ 20,215</u>	<u>\$ 23,388</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	20,215	23,388	600	22,788
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 20,215</u>	<u>\$ 23,388</u>	<u>\$ 600</u>	<u>\$ 22,788</u>

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT A-5

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--TRANSPORTATION

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	357,973	335,940	323,692	(12,248)
Local Programs	-	54	51	(3)
TOTAL REVENUE	<u>357,973</u>	<u>335,994</u>	<u>\$ 323,743</u>	<u>\$ (12,251)</u>
BUDGETED CASH BALANCE	<u>-</u>	<u>-</u>		
TOTAL REVENUE & CASH	<u>\$ 357,973</u>	<u>\$ 335,994</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	357,973	335,994	335,081	913
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 357,973</u>	<u>\$ 335,994</u>	<u>\$ 335,081</u>	<u>\$ 913</u>

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT A-6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--INSTRUCTIONAL MATERIALS

Year Ended June 30, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	6,737	6,202	8,244	2,042
Local Programs	5	5	6	1
TOTAL REVENUE	<u>6,742</u>	<u>6,207</u>	<u>\$ 8,250</u>	<u>\$ 2,043</u>
BUDGETED CASH BALANCE	<u>-</u>	<u>7,277</u>		
TOTAL REVENUE & CASH	<u>\$ 6,742</u>	<u>\$ 13,484</u>		
EXPENDITURES				
Current				
Instruction	\$ 6,742	\$ 13,484	\$ 10,458	\$ 3,026
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 6,742</u>	<u>\$ 13,484</u>	<u>\$ 10,458</u>	<u>\$ 3,026</u>

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

SPECIAL REVENUE FUNDS

FOOD SERVICES - to account for financing for 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, New Mexico Statutes Annotated, State Law 22-13-13.

ATHLETICS - to account for revenues received from non-instructional activities for use in the district's athletic and other non-instructional programs. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Authority for this fund is the New Mexico Administrative Code 6.20.2.

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

TITLE I – Special Revenue - to provide remedial instruction in 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 1, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

IDEA-B ENTITLEMENT – Special Revenue - P.L. 94-142, Individuals with Disabilities Education Act--to account for a federal grant restricted to the 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 91-230,93-380,94-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

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.

IDEA B PRE-SCHOOL--to account for revenue received under the Preschool Public Act P.L. 99-457 for the purpose of providing special educational services to the developmentally delayed preschool children. This fund is federally funded and is restricted to expenditure by grant application. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund.

USDA FRUIT & VEGETABLE -- to account for the expenditures and revenue for a Fresh Fruit and Vegetable Program as authorized by Public Law 109-97 and Section 120 of the Child Nutrition and WIC Reauthorization Act 2004. The FFVP provides all children in participating schools with a variety of free fresh fruits and vegetables throughout the school day as a means of introducing fresh fruits and vegetables as healthy snack alternatives. CFDA #10.582.

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 accounted for as a separate fund.

TEACHER/PRINCIPAL TRAINING -- to provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A, Public Law 107-110.

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

2009 DUAL CREDIT INSTRUCTIONAL MATERIALS – to fund all public, charter, and state-supported schools for dual credit course materials approved by the Higher Education Department and through a college/university which has an approved agreement with the school. Fund and authority provided by House Bill 2, 2009 page 226 lines 12-19.

2012 GO BOND STUDENT LIBRARY FUND – to fund school for library resource acquisitions, including library books for public school libraries. Fund and authority provided by Senate Bill 66, Chapter 54, Section 10, paragraph B(3), Laws of 2012.

BREAKFAST FOR ELEMENTARY STUDENTS – to account for revenues to be used to provide breakfast programs for elementary students. Authority for this fund is the New Mexico Legislature.

NM HIGHWAY DEPARTMENT – to account for funding to improve parking lots on school property. Authority provided by NM PED and NM DFA.

EXHIBIT B-1

IDEA- B Entitlement	IDEA- B Competitive	IDEA- B Preschool	Fresh Fruits & Vegetables	IDEA- B Risk Pool	Teacher/ Principal Training	R.E.A.P.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
6,759	5,079	-	-	-	-	2,492
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 6,759</u>	<u>\$ 5,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,492</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,759	5,079	-	-	-	-	2,492
-	-	-	-	-	-	-
<u>6,759</u>	<u>5,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,492</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 6,759</u>	<u>\$ 5,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,492</u>

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT B-1
 CONTINUED

COMBINING BALANCE SHEET--NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS

June 30, 2017

	Dual Credit Instructional Materials	2012 GO Bond Student Library Fund	Breakfast for Elementary Students	NM Highway Department	Total Non-Major Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 67,364
Accounts Receivable					
Property Taxes Receivable	-	-	-	-	-
Federal	-	-	-	-	24,277
State	-	4,873	-	-	4,873
Inventories	-	-	-	-	2,842
Due from Other Funds	-	-	-	-	-
TOTAL ASSETS	\$ -	\$ 4,873	\$ -	\$ -	\$ 99,356
LIABILITIES AND OTHER CREDITS					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 30
Due to Other Funds	-	4,873	-	-	29,138
Accrued Interest Payable	-	-	-	-	-
TOTAL LIABILITIES	-	4,873	-	-	29,168
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	-	-
Unavailable Revenue - Property Taxes	-	-	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-	-	-
FUND BALANCE					
Nonspendable	-	-	-	-	2,842
Restricted	-	-	-	-	67,346
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCE	-	-	-	-	70,188
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
	\$ -	\$ 4,873	\$ -	\$ -	\$ 99,356

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS

Year Ended June 30, 2017

	Food Services	Athletics	Non Instructional	Title I
REVENUE				
Federal Programs	\$ 78,125	\$ -	\$ -	\$ 79,004
State Programs	-	-	-	-
Local Programs	-	-	-	-
State Equalization	-	-	-	-
Service Revenues	6,310	10,530	1,460	-
Taxes	-	-	-	-
Interest	23	7	12	-
Other revenue sources	-	10	19	-
TOTAL REVENUES	84,458	10,547	1,491	79,004
EXPENDITURES				
Current				
Instruction	-	8,103	4,251	38,079
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	37,219
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	3,706
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	70,576	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	70,576	8,103	4,251	79,004
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	13,882	2,444	(2,760)	-
Other Financing Sources (Uses)				
Transfer In/Transfers (Out)	-	-	-	-
Total Other Financing Sources	-	-	-	-
NET CHANGE IN FUND BALANCE	13,882	2,444	(2,760)	-
FUND BALANCE				
June 30, 2016	30,740	9,988	17,723	-
Restatements	-	-	(1,829)	-
June 30, 2016 as restated	30,740	9,988	15,894	-
FUND BALANCE June 30, 2017	\$ 44,622	\$ 12,432	\$ 13,134	\$ -

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

EXHIBIT B-2

IDEA- B Entitlement	IDEA- B Competitive	IDEA- B Preschool	Fresh Fruits & Vegetables	IDEA- B Risk Pool	Teacher/ Principal Training	R.E.A.P.
\$ 13,529	\$ 7,206	\$ -	\$ 2,988	\$ -	\$ 9,105	\$ 10,038
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>13,529</u>	<u>7,206</u>	<u>-</u>	<u>2,988</u>	<u>-</u>	<u>9,105</u>	<u>10,038</u>
2,150	7,206	-	-	-	9,105	7,885
-	-	-	-	-	-	-
11,379	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,153
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,988	-	-	-
<u>13,529</u>	<u>7,206</u>	<u>-</u>	<u>2,988</u>	<u>-</u>	<u>9,105</u>	<u>10,038</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT B-2
 CONTINUED

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS

Year Ended June 30, 2017

	Dual Credit Instructional Materials	2012 GO Bond Student Library Fund	Breakfast for Elementary Students	NM Highway Department	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
REVENUE					
Federal Programs	\$ -	\$ -	\$ -	\$ -	\$ 199,995
State Programs	118	4,873	3,527	70,360	78,878
Local Programs	-	-	-	-	-
State Equalization	-	-	-	-	-
Service Revenues	-	-	-	-	18,300
Taxes	-	-	-	-	-
Interest	-	-	-	-	42
Other revenue sources	-	-	-	-	29
TOTAL REVENUES	118	4,873	3,527	70,360	297,244
EXPENDITURES					
Current					
Instruction	118	-	-	-	76,897
Support Services	-	-	-	-	-
Support Services Students	-	-	-	-	11,379
Support Services Instruction	-	4,873	-	-	42,092
Support Services General Administration	-	-	-	-	-
Support Services School Administration	-	-	-	-	5,859
Central Services	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	70,360	70,360
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Food Services Operations	-	-	3,527	-	77,091
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	118	4,873	3,527	70,360	283,678
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	-	-	-	13,566
Other Financing Sources (Uses)					
Transfer In/Transfers (Out)	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-	13,566
FUND BALANCE					
June 30, 2016	-	-	-	-	58,451
Restatements	-	-	-	-	(1,829)
June 30, 2016 as restated	-	-	-	-	56,622
FUND BALANCE June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ 70,188

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

CAPITAL PROJECTS FUND

SB-9 – Capital Projects - To account for 2.0 mill levy restricted by board resolution for erecting, remodeling, making additions to, providing equipment for, and furnishing school buildings, improving school grounds and maintenance of school buildings and grounds, exclusive of salary expense of employees. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT C-1

COMBINING BALANCE SHEET—NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS

JUNE 30, 2017

	SB-9	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 67,364	\$ 67,364
Accounts Receivable				
Property Taxes Receivable	-	-	-	-
Federal	-	-	24,277	24,277
State	-	-	4,873	4,873
Inventories	-	-	2,842	2,842
Due from Other Funds	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,356</u>	<u>\$ 99,356</u>
LIABILITIES AND OTHER CREDITS				
Accounts Payable	\$ -	\$ -	\$ 30.00	\$ 30.00
Due to Other Funds	-	-	29,138	29,138
Accrued Interest Payable	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>29,168</u>	<u>29,168</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
Unavailable Revenue - Property Taxes	-	-	-	-
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Nonspendable	-	-	2,842	2,842
Restricted	-	-	67,346	67,346
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>70,188</u>	<u>70,188</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,356</u>	<u>\$ 99,356</u>

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT C-2

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
 IN FUND BALANCE --NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS FUNDS

JUNE 30, 2017

	SB-9	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUE				
Federal Programs	\$ -	\$ -	\$ 199,995	\$ 199,995
State Programs	-	-	78,878	78,878
Local Programs	-	-	-	-
State Equalization	-	-	-	-
Service Revenues	-	-	18,300	18,300
Taxes	-	-	-	-
Interest	-	-	42	42
Other revenue sources	-	-	29	29
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>297,244</u>	<u>297,244</u>
EXPENDITURES				
Current				
Instruction	-	-	76,897	76,897
Support Services	-	-	-	-
Support Services Students	-	-	11,379	11,379
Support Services Instruction	-	-	42,092	42,092
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	5,859	5,859
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	70,360	70,360
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	77,091	77,091
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>283,678</u>	<u>283,678</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	-	13,566	13,566
Other Financial Sources (Uses)				
Transfer In/Transfers (Out)	<u>(340,845)</u>	<u>(340,845)</u>	<u>-</u>	<u>(340,845)</u>
Total Other Financial Sources	<u>(340,845)</u>	<u>(340,845)</u>	<u>-</u>	<u>(340,845)</u>
NET CHANGE IN FUND BALANCE	<u>(340,845)</u>	<u>(340,845)</u>	<u>13,566</u>	<u>(327,279)</u>
FUND BALANCE				
June 30, 2016	340,845	340,845	58,451	399,296
Restatements	-	-	(1,829)	(1,829)
June 30, 2016 as restated	<u>340,845</u>	<u>340,845</u>	<u>56,622</u>	<u>397,467</u>
FUND BALANCE				
June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,188</u>	<u>\$ 70,188</u>

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

AGENCY FUNDS

AGENCY FUND--To account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS

Year Ended June 30, 2017

	Balance 6/30/2016	ADDITIONS	DEDUCTIONS	Balance 6/30/2017
FFA	\$ 3,998	\$ 11,657	\$ 13,497	\$ 2,158
NATIONAL FFA	1,555	1	49	1,507
FHA	812	-	-	812
STUDENT COUNCIL	1,052	139	417	774
ELEMENTARY FUND	2,237	157	505	1,889
YEARBOOK	4,862	1,023	1,324	4,561
CHEERLEADERS	266	-	-	266
DANCE CLUB	1,947	1	-	1,948
ART CLUB	16	-	-	16
BATTLE OF THE BOOKS	16	-	-	16
ALUMNI	185	-	-	185
GIRLS BB	1,185	855	1,409	631
BOYS BB	89	8,097	5,456	2,730
TRACK	1,118	1,109	1,004	1,223
GIRLS VB	4,853	3,661	3,600	4,914
JOURNALISM	88	-	-	88
SCIENCE CLUB	296	1	-	297
NATIONAL HONOR SOCIETY	4	-	-	4
DRAMA CLUB	2,004	5,777	5,250	2,531
TEEN HEALTH COUNCIL	500	145	336	309
EAGLE GRAFIX	880	1	-	881
DATIL MEMORIAL FUND	388	-	-	388
DATIL SCHOOL	2,437	4,652	5,679	1,410
CLOSE UP	317	1	-	318
SENIOR GRAD NIGHT	65	-	-	65
MATH LAB	399	-	-	399
ELEMENTARY BB CLUB	335	-	-	335
NATURAL HELPERS	-	1,091	91	1,000
CLASS OF 2016	200	2	202	-
CLASS OF 2017	1,868	1,256	2,713	411
CLASS OF 2018	915	4,165	2,999	2,081
CLASS OF 2019	1,047	3	1	1,049
CLASS OF 2020	882	222	-	1,104
CLASS OF 2021	2,248	153	120	2,281
CLASS OF 2022	1,380	303	-	1,683
CLASS OF 2023	1,568	2,858	2,165	2,261
CLASS OF 2024	782	2,526	1,971	1,337
CLASS OF 2025	351	669	720	300
CLASS OF 2026	439	258	224	473
CLASS OF 2027	583	248	190	641
CLASS OF 2028	218	452	190	480
CLASS OF 2029	261	799	242	818
CLASS OF 2030	-	242	-	242
BOOSTER CLUB	6,180	27,235	27,873	5,542
	<u>\$ 50,826</u>	<u>\$ 79,759</u>	<u>\$ 78,227</u>	<u>\$ 52,358</u>

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

OTHER MAJOR FUND INFORMATION

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT E-1

STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--SB-9 LOCAL--CAPITAL PROJECTS FUND

Year Ended June 30, 2017

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	-	-
Local Programs	158,271	158,271	158,021	(250)
TOTAL REVENUE	<u>158,271</u>	<u>158,271</u>	<u>\$ 158,021</u>	<u>\$ (250)</u>
BUDGETED CASH BALANCE				
	<u>317,374</u>	<u>337,638</u>		
TOTAL REVENUE & CASH	<u>\$ 475,645</u>	<u>\$ 495,909</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	2,000	2,000	1,578	422
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	473,645	493,909	115,634	378,275
TOTAL EXPENDITURES	<u>\$ 475,645</u>	<u>\$ 495,909</u>	<u>\$ 117,212</u>	<u>\$ 378,697</u>

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

EXHIBIT E-2

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--DEBT SERVICE FUND

Year Ended June 30, 2017

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 187,700	\$ 187,700	\$ 198,901	\$ 11,201
Interest Income	50	50	87	37
TOTAL REVENUE	<u>187,750</u>	<u>187,750</u>	<u>\$ 198,988</u>	<u>\$ 11,238</u>
BUDGETED CASH BALANCE	<u>191,404</u>	<u>194,482</u>		
TOTAL REVENUE & CASH	<u>\$ 379,154</u>	<u>\$ 382,232</u>		
EXPENDITURES				
Support Services General Administration	\$ 2,777	\$ 2,777	\$ 1,989	\$ 788
Debt Service	358,427	361,505	170,000	191,505
Debt Service - Interest & Fiscal Charges	17,950	17,950	17,941	9
TOTAL EXPENDITURES	<u>\$ 379,154</u>	<u>\$ 382,232</u>	<u>\$ 189,930</u>	<u>\$ 192,302</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY
 EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN - LAST 10 FISCAL YEARS*

JUNE 30, 2017

	June 30		
	2017 2016	2016 2015	2015 2014
Quemado Independent Schools proportion of the net pension liability (asset)	0.05126%	0.05049%	0.04854%
Quemado Independent Schools proportionate share of the net pension liability (asset)	\$ 3,688,892	\$ 3,270,372	\$ 2,769,553
Quemado Independent Schools covered-employee payroll	\$ 1,460,831	\$ 1,378,539	\$ 1,338,042
Quemado Independent Schools proportionate share of the net pension liability as a percentage of its covered-employee payroll	252.52%	237.23%	206.99%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

SCHEDULE 2

SCHEDULE OF CONTRIBUTIONS EDUCATIONAL RETIREMENT
 BOARD (ERB) PENSION PLAN - LAST 10 FISCAL YEARS*

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 211,933	\$ 203,055	\$ 199,430
Contributions in relation to the statutorily required contributions	211,933	203,055	199,430
Contribution deficiency (excess)	<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 of Regional Education Cooperative VII is not available prior to fiscal year 2015, the year the statement's requirements became effective.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

SCHEDULE 3

BANK SUMMARY

June 30, 2017

<u>Bank</u>	<u>ACCT TYPE</u>	<u>FUND</u>	<u>BANK BALANCE</u>	<u>OUTSTANDING (CHECKS) DEPOSITS</u>	<u>NET CASH BALANCE</u>
First State Bank	Checking	Multi Fund *	\$ 983,914	\$ (200,192)	\$ 783,722
	Checking	Activity *	53,788	(1,430)	52,358
Total First State Bank			<u>1,037,702</u>	<u>(201,622)</u>	<u>836,080</u>
Total All Accounts			<u>\$ 1,037,702</u>	<u>\$ (201,622)</u>	<u>\$ 836,080</u>

* Interest Bearing

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

SCHEDULE 4

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2017

	<u>Total Deposits</u>	<u>FDIC Insurance</u>	<u>Uninsured Deposits</u>	<u>Collateral Required</u>	<u>Collateral Pledged</u>	<u>Uninsured & Uncollateralized Deposits</u>
First State Bank	<u>\$ 1,037,702</u>	<u>\$ 250,000</u>	<u>\$ 787,702</u>	<u>\$ 393,851</u>	<u>\$ 900,000</u>	<u>\$ -</u>

<u>Collateral</u>	<u>CUSIP #.</u>	<u>Amount</u>	<u>Matures</u>
FHLB Non CBL	3133X8EW8	<u>900,000</u>	8/15/2024
		<u>900,000</u>	

Collateral is held at the First State Bank in Socorro, New Mexico in the name of the District.

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

BANK RECONCILIATION

June 30, 2017

	<u>OPERATIONAL</u>	<u>TEACHERAGE</u>	<u>TRANSPORTATION</u>
Audited Net Cash			
June30, 2016	\$ 121,920	\$ 20,373	\$ 24,496
Investments & cash on hand/Loans	(100)	-	-
TOTAL CASH BALANCE			
June30, 2016	121,820	20,373	24,496
Add: Prior year void checks	-	-	-
2016-2017 Revenue	2,380,160	3,140	323,743
Transfers In & Adjustments	108,497	-	8
TOTAL AVAILABLE CASH	2,610,477	23,513	348,247
Less: 2016-2017 Expenditures	2,505,096	600	335,081
Returned Checks	-	-	-
Transfers Out & Adjustments	76,322	-	12,248
	2,581,418	600	347,329
NET CASH, JUNE 30, 2017	29,059	22,913	918
Cash On hand	100	-	-
7' TOTAL CASH, JUNE 30, 2016	<u>\$ 29,159</u>	<u>\$ 22,913</u>	<u>\$ 918</u>

SCHEDULE 5

INSTRUCTIONAL MATERIALS	CAFETERIA	ATHLETICS	NON INSTRUCTIONAL	FEDERAL PROJECTS	LOCAL/STATE ACCOUNT
\$ 7,277	\$ 28,835	\$ 9,988	\$ 19,067	\$ 46,040	\$ 70,360
-	(20)	(110)	-	-	-
7,277	28,815	9,878	19,067	46,040	70,360
-	-	-	-	-	-
8,250	84,458	10,547	1,491	246,637	86,847
-	18	-	-	24,277	52,063
15,527	113,291	20,425	20,558	316,954	209,270
10,458	71,513	8,103	5,594	164,298	177,103
-	-	-	-	-	-
-	-	-	1,830	76,113	32,167
10,458	71,513	8,103	7,424	240,411	209,270
5,069	41,778	12,322	13,134	76,543	-
-	20	110	-	-	-
<u>\$ 5,069</u>	<u>\$ 41,798</u>	<u>\$ 12,432</u>	<u>\$ 13,134</u>	<u>\$ 76,543</u>	<u>\$ -</u>

STATE OF NEW MEXICO
 QUEMADO INDEPENDENT SCHOOLS

SCHEDULE 5
 CONTINUED

BANK RECONCILIATION

JUNE 30, 2017

	SB-9	SB-9 LOCAL	DEBT SERVICE	ACTIVITY
Audited Net Cash				
June30, 2016	\$ 337,638	\$ -	\$ 194,482	\$ 50,826
Investments & cash on hand/Loans	-	-	-	-
TOTAL CASH BALANCE				
June30, 2016	337,638	-	194,482	50,826
Add: Prior year void checks	-	-	-	-
2016-2017 Revenue	-	158,021	198,988	79,759
Transfers In & Adjustments	-	337,638	-	-
TOTAL AVAILABLE CASH	337,638	495,659	393,470	130,585
Less: 2016-2017 Expenditures	-	117,212	189,930	78,227
Returned Checks	-	-	-	-
Transfers Out & Adjustments	337,638	-	1	-
	337,638	117,212	189,931	78,227
NET CASH, JUNE 30, 2017	-	378,447	203,539	52,358
Cash On hand	-	-	-	-
TOTAL CASH, JUNE 30, 2017	\$ -	\$ 378,447	\$ 203,539	\$ 52,358

Woodard, Cowen & Co.

Certified Public Accountants

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

Timothy Keller
New Mexico State Auditor
The Board of Education
Quemado Independent School District
Quemado, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Quemado Independent School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Quemado Independent School District's basic financial statements, and the combining and individual funds and other major funds budgetary comparisons of Quemado Independent School District, presented as supplemental information, and have issued our report thereon dated October 20, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies identified as 2015-001.

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Clovis: 116 E. Grand Avenue or PO Box 1874, Clovis NM 88101 – Phone 575-762-3811 Fax 575-762-3866

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Quemado Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying Schedule of 12-6-5 NMSA 1978 Findings as items 2016-002 and 2017-001.

Quemado Independent School District's Responses to Findings

The Quemado Independent School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses and Schedule of 12-6-5 NMSA 1978 Findings. The Quemado Independent School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Woodard, Cowen & Co

Clovis, New Mexico
October 20, 2017

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2017

I. SUMMARY OF AUDITORS RESULTS:

Report on Financial Statements	Unmodified
Significant Deficiencies on GAGAS	2015-001
Other Items required to be reported	Yes
Material Noncompliance	None
Questioned Cost	None

II. FINANCIAL STATEMENT FINDINGS

Control

2015-001 Purchase Orders (significant deficiency)

Condition:	The district had several invoices dated before the purchase order. Of 85 invoices tested, 3 or 4% were dated prior to the purchase order. These instances amounted to \$9,330 of \$525,032 or 1.7% of the amounts tested. Management has failed to implement the corrective action plan as outlined in the prior year audit finding.
Criteria:	Good budgetary control and board policies and procedures require that purchase orders be issued before the obligation is incurred. Per the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13– Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.
Cause:	District policies and procedures were ignored, circumvented or erroneously missed with respect to the disbursements.
Effect:	Loss of budgetary control
Recommendation:	The District should consider additional training of employees regarding the procedures for purchasing and the purpose and need of purchase orders.
Response:	The Superintendent, the Principal or the Business Manager will provide additional training to all staff at the beginning of the year teacher in-service, going over the proper procedures for paperwork, timing on putting paperwork in and ordering. Additional reminders will be handed out throughout the year, in writing, regarding the proper procedures for all paperwork and ordering. The Superintendent and/or Business Manager will not allow payment on any order that does not have the proper paperwork turned in before the order has been placed.

Compliance

None

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

SCHEDULE OF 12-6-5 NMSA 1978 FINDINGS

JUNE 30, 2017

Compliance

2016-002 Deposits (other matter)

- Condition:** 1 of 10 (10%) of cafeteria deposits totaling \$41 were not delivered to the secretary in Quemado by Datil school and 3 of 10 (30%) of cafeteria deposits in Quemado school totaling \$160 were not turned into the business office within 24 hours 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 turn 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 and District's policies, therefore assets of the district were not secured properly.
- Recommendation:** The District should retrain all staff regarding procedures for receipt of funds and importance of depositing the funds timely to the bank. Training with respect to fund raising receipts should be provided annually at the beginning of the school year.
- Response:** The Superintendent, the Principal or the Business Manager will go over the deposit procedures at the beginning of the year during teacher in-service, with written instructions that clearly state what the district's procedures are for deposits. The district has three employees that are at both Datil and Quemado campus' each week. The secretary in Datil will ensure that any cash or payments received and receipted will be given to one of these three employees to be taken to the Quemado campus within the time frame allotted to the district for deposits to be received by the bank. Reminders to all staff throughout the year will be provided in writing of the procedures for fundraising and deposits. This has been implemented as a new policy and trainings will begin in FY18.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

SCHEDULE OF 12-6-5 NMSA 1978 FINDINGS (continued)

JUNE 30, 2017

Control

2017-001 Gate Receipts (other matter)

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.

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 received 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: Quemado district will be using tickets at the gate; one for adults and one for students/children/Seniors. This will enable the district to keep closer track of incoming money and be able to see if the cash matches the tickets handed out. The volunteer gate person will reconcile the cash box and turn it over to the administrator on site for each game; the administrator will also count the gate box to ensure proper accounting of tickets vs. cash before locking the box up until the next business day. On the next business day, the cash box will be collected and deposited as per procedure.

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2017

Prior Year Audit Findings

Significant Deficiencies

2015-001 Purchase Orders

Revised and Repeated

Other Matters

2016-001 HR Documentation

Resolved

2016-002 Deposits

Revised and Repeated

STATE OF NEW MEXICO
QUEMADO INDEPENDENT SCHOOLS

OTHER DISCLOSURES

Year Ended June 30, 2017

PREPARATION OF FINANCIAL STATEMENTS

We prepared the draft financial statements based on management's chart of accounts and trial balances and any adjusting, correcting, and closing entries have been approved by management. We also have prepared the draft footnotes based on the information determined, provided by and approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An Exit Conference was held on October 20, 2017. Present were:

David Lackey
Denny Carver
Carlton Armstrong
Anna Wastchak
D. Brent Woodard

Superintendent
Board President
Community Member – Audit Committee
Business Manager
Auditor