

State of New Mexico

# QUEMADO INDEPENDENT SCHOOLS



FOR YEAR ENDED JUNE 30, 2019

**ANNUAL FINANCIAL REPORT**

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

***RICE & ASSOCIATES***

**CERTIFIED PUBLIC ACCOUNTANTS**

STATE OF NEW MEXICO  
QUEMADO INDEPENDENT SCHOOLS  
AUDIT REPORT  
For The Year Ended June 30, 2019  
(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
QUEMADO INDEPENDENT SCHOOLS  
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STATE OF NEW MEXICO  
QUEMADO INDEPENDENT SCHOOLS  
Official Roster  
Year Ended June 30, 2019

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Jimbo Williams	President
Ms. Eileen Dodds	Vice President
Ms. Carm Charez	Secretary
Mr. Nathan BoerVis	Member
Mr. Tim Hendricks	Member

School Officials

Mr. David Lackey	Superintendent
Ms. Anna Wastchak	Business Manager

*Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

**INDEPENDENT AUDITOR'S REPORT**

Mr. Brian Colon  
New Mexico State Auditor  
and  
Board of Education  
Quemado Independent Schools  
Quemado, New Mexico

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Title I and IDEA-B Entitlement Funds of the Quemado Independent Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Quemado Independent Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Quemado Independent Schools non-major governmental and fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2019 as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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



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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Quemado Independent Schools, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Title I and IDEA-B Entitlement Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Quemado Independent Schools, as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require the Schedules I and II and the notes to the Required Supplementary Information and also Schedules III and IV be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification and the Schedule of Expenditures of Federal Awards is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the Untied States of America. In our opinion, the Schedule of Cash Receipts, Disbursements - All Funds by School District Classification and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2019 on our consideration of the Quemado Independent Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Quemado Independent Schools internal control over financial reporting and compliance.



Albuquerque, New Mexico  
August 28, 2019

## **FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Net Position  
 June 30, 2019

Statement 1  
 Page 1 of 2

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 990,942
Accounts receivable	20,367
Due from grantor	162,541
Inventory	2,545
Total current assets	1,176,395
Non-current assets	
Land (non-depreciable)	90,814
Capital assets (depreciable)	12,099,210
Less accumulated depreciation	(7,328,445)
Total non-current assets	4,861,579
Total assets	6,037,974
<b>Deferred outflows of resources</b>	
Deferred outflows of resources related to pension	1,841,650
Deferred outflows of resources related to OPEB	87,091
Total deferred outflows of resources	1,928,741
<b>Total assets and deferred outflows of resources</b>	<b>\$ 7,966,715</b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Net Position  
 June 30, 2019

Statement 1  
 Page 2 of 2

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 3,800
Accrued interest payable	6,400
Current portion of long-term liabilities	<u>210,000</u>
Total current liabilities	<u>220,200</u>
Long-term obligations:	
Net pension liability	6,673,415
OPEB liability	1,597,151
Compensated absences	17,504
Non-current portion of long-term liabilities	215,000
Bond premium	<u>10,808</u>
Total long-term liabilities	<u>8,513,878</u>
Total liabilities	<u>8,734,078</u>

**Deferred inflows of resources**

Deferred inflows of resources related to Net Pension Liability	127,006
Deferred inflows of resources related to OPEB liability	<u>412,675</u>
Total deferred inflows of resources	<u>539,681</u>

**NET POSITION**

Net investment in capital assets	4,436,579
Restricted for:	
Cafeteria fund (inventory)	2,545
Capital outlay	462,301
Debt service	233,597
State mandated reserves	2,148
Special grants	182,679
Unrestricted	<u>(6,626,893)</u>
Total net position	<u>(1,307,044)</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 7,966,715</u></b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Activities  
 Year Ended June 30, 2019

Statement 2

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>EXPENSES:</b>					
Governmental activities:					
Direct instruction	\$ 2,755,109	\$ 15,889	\$ 184,655	\$ -	\$ (2,554,565)
Instructional support	1,637,723	3,668	532,779	12,978	(1,088,298)
Food services	120,389	3,932	89,066	-	(27,391)
Depreciation - unallocated	246,441	-	-	-	(246,441)
Interest on long-term obligations	6,400	-	-	-	(6,400)
Total governmental activities	4,766,062	23,489	806,500	12,978	(3,923,095)
General revenues:					
Taxes					
Property taxes, levied for general purposes					39,917
Property taxes, levied for capital projects					186,272
Property taxes, levied for debt service					228,762
Federal and State aid not restricted to specific purpose					
General - SEG					1,868,519
Forest Service					718,336
Miscellaneous					31,862
Interest and investment earnings					759
Sub-total, general revenues					3,074,427
Change in net position					(848,668)
Net position - beginning of year					(458,376)
<b>Net position - end of year</b>					<b>\$ (1,307,044)</b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Balance Sheet - All Governmental Funds  
 June 30, 2019

Statement 3

	General	Title I	IDEA-B Entitlement	Capital Improvements SB-9 Local	Debt Service	Other Governmental	Total
<b>ASSETS</b>							
Cash on deposit	\$ 181,899	\$ -	\$ -	\$ 456,854	\$ 226,979	\$ 125,210	\$ 990,942
Accounts receivable	1,910	-	-	5,447	6,618	6,392	20,367
Inventory, at cost	-	-	-	-	-	2,545	2,545
Due from grantor	-	114,890	27,781	-	-	19,870	162,541
Due from other funds	162,541	-	-	-	-	-	162,541
Total assets	<b><u>\$ 346,350</u></b>	<b><u>\$ 114,890</u></b>	<b><u>\$ 27,781</u></b>	<b><u>\$ 462,301</u></b>	<b><u>\$ 233,597</u></b>	<b><u>\$ 154,017</u></b>	<b><u>\$ 1,338,936</u></b>
<b>LIABILITIES</b>							
Rental deposits	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
Accounts payable	3,300	-	-	-	-	-	3,300
Due to other funds	-	114,890	27,781	-	-	19,870	162,541
Total liabilities	<u>3,800</u>	<u>114,890</u>	<u>27,781</u>	<u>-</u>	<u>-</u>	<u>19,870</u>	<u>166,341</u>
<b>FUND BALANCE</b>							
Nonspendable	-	-	-	-	-	2,545	2,545
Restricted	53,225	-	-	462,301	233,597	131,602	880,725
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	289,325	-	-	-	-	-	289,325
Total fund balance	<u>342,550</u>	<u>-</u>	<u>-</u>	<u>462,301</u>	<u>233,597</u>	<u>134,147</u>	<u>1,172,595</u>
Total liabilities and fund balance	<b><u>\$ 346,350</u></b>	<b><u>\$ 114,890</u></b>	<b><u>\$ 27,781</u></b>	<b><u>\$ 462,301</u></b>	<b><u>\$ 233,597</u></b>	<b><u>\$ 154,017</u></b>	<b><u>\$ 1,338,936</u></b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Reconciliation of the Balance Sheet - Governmental Funds  
 to the Statement of Net Position  
 June 30, 2019

Statement 4

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

Total fund balances - governmental funds	\$	1,172,595
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
The cost of capital assets		12,190,024
Accumulated depreciation		<u>(7,328,445)</u>
		4,861,579
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows/inflows		1,714,644
Deferred outflows and inflows or resources related to OPEB are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows/inflows		(325,584)
Long-term and certain other liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:		
Net pension liability		(6,673,415)
Net OPEB liability		(1,597,151)
Bonds Payable		(425,000)
Interest Payable		(6,400)
Compensated Absences		(17,504)
Bond issuance premium (net)		<u>(10,808)</u>
Total net position - governmental funds	\$	<u><u>(1,307,044)</u></u>

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



STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balances - All Governmental Funds  
 Year Ended June 30, 2019

Statement 5

	General	Title I	IDEA-B Entitlement	Capital Improvements SB-9 Local	Debt Service	Other Governmental	Total
<b>REVENUES</b>							
Taxes	\$ 39,917	\$ -	\$ -	\$ 186,272	\$ 228,762	\$ -	\$ 454,951
Charges for services	3,421	-	-	-	-	20,068	23,489
Local sources	31,862	-	-	-	-	-	31,862
State sources	2,304,064	-	-	-	-	23,252	2,327,316
Federal sources	718,336	136,200	51,150	-	-	173,331	1,079,017
Earnings from investments	297	-	-	334	88	40	759
<b>Total revenues</b>	<b>3,097,897</b>	<b>136,200</b>	<b>51,150</b>	<b>186,606</b>	<b>228,850</b>	<b>216,691</b>	<b>3,917,394</b>
<b>EXPENDITURES</b>							
Current:							
Direct instruction	1,570,051	93,496	27,790	-	-	68,233	1,759,570
Instructional support	1,455,179	42,704	23,360	67,797	2,491	50,246	1,641,777
Food services	21,021	-	-	-	-	99,368	120,389
Capital outlay	12,024	-	-	142,012	-	12,978	167,014
Debt service							
Bonds	-	-	-	-	190,000	-	190,000
Interest	-	-	-	-	10,400	-	10,400
<b>Total expenditures</b>	<b>3,058,275</b>	<b>136,200</b>	<b>51,150</b>	<b>209,809</b>	<b>202,891</b>	<b>230,825</b>	<b>3,889,150</b>
Net change in fund balances	39,622	-	-	(23,203)	25,959	(14,134)	28,244
Fund balance beginning of year	302,928	-	-	485,504	207,638	148,281	1,144,351
<b>Fund balance end of year</b>	<b>\$ 342,550</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 462,301</b>	<b>\$ 233,597</b>	<b>\$ 134,147</b>	<b>\$ 1,172,595</b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2019

Statement 6

Total net change in fund balances - governmental funds	\$	28,244
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period</p>		
Depreciation expense		(246,441)
Capital outlays		<u>167,014</u>
Excess of depreciation expense over capital outlay		(79,427)
<p>Governmental funds report School district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension and OPEB expenses</p>		
Pension contributions		235,170
Pension expense		(1,263,249)
OPEB contributions		31,546
OPEB expense		(9,645)
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to government funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds</p>		
Proceeds of bond issue		-
Repayment of long-term debt		190,000
Interest		4,000
Compensated absences		10,639
Bond Premium		<u>4,054</u>
Change in net position of governmental activities	\$	<u><b>(848,668)</b></u>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 38,839	\$ 38,839	\$ 39,243	\$ 404
Charges for services	2,250	4,000	3,921	(79)
Local sources	39,465	39,777	31,862	(7,915)
State sources	2,735,306	2,656,295	2,303,335	(352,960)
Federal sources	-	718,336	718,336	-
Earnings from investments	114	114	297	183
Total revenues	<b><u>\$ 2,815,974</u></b>	<b><u>\$ 3,457,361</u></b>	<b><u>\$ 3,096,994</u></b>	<b><u>\$ (360,367)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 1,572,044	\$ 1,622,483	\$ 1,570,051	\$ 52,432
Instructional support	1,466,078	2,117,965	1,467,940	650,025
Food services	21,450	21,450	21,021	429
Total expenditures	<b><u>\$ 3,059,572</u></b>	<b><u>\$ 3,761,898</u></b>	<b><u>\$ 3,059,012</u></b>	<b><u>\$ 702,886</u></b>
BUDGETED CASH BALANCE	<b><u>\$ 243,598</u></b>	<b><u>\$ 2,802,537</u></b>		

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Title I  
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	140,364	232,035	41,729	(190,306)
Earnings from investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<b><u>\$ 140,364</u></b>	<b><u>\$ 232,035</u></b>	<b><u>\$ 41,729</u></b>	<b><u>\$ (190,306)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 98,850	\$ 166,351	\$ 93,496	\$ 72,855
Instructional support	41,514	65,684	42,704	22,980
Food services	-	-	-	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<b><u>\$ 140,364</u></b>	<b><u>\$ 232,035</u></b>	<b><u>\$ 136,200</u></b>	<b><u>\$ 95,835</u></b>
BUDGETED CASH BALANCE	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 IDEA-B Entitlement  
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	77,282	77,282	45,959	(31,323)
Earnings from investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<b><u>\$ 77,282</u></b>	<b><u>\$ 77,282</u></b>	<b><u>\$ 45,959</u></b>	<b><u>\$ (31,323)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 42,668	\$ 42,668	\$ 27,790	\$ 14,878
Instructional support	34,614	34,614	23,360	11,254
Food services	-	-	-	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<b><u>\$ 77,282</u></b>	<b><u>\$ 77,282</u></b>	<b><u>\$ 51,150</u></b>	<b><u>\$ 26,132</u></b>
BUDGETED CASH BALANCE	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Fiduciary Net Position  
 June 30, 2019

	Employee Retirement Plan	Agency Funds
<b>ASSETS</b>		
Cash	\$ -	\$ 62,548
Mutaul funds (investments at fair value)	149,567	-
Total Assets	<b>\$ 149,567</b>	<b>\$ 62,548</b>
<b>LIABILITIES</b>		
Deposits held for others	\$ -	\$ 62,548
Total Liabilities	-	<b>\$ 62,548</b>
<b>NET POSITION</b>		
Held in trust for pension benefits and other purposes	149,567	
Total Net Position	<b>\$ 149,567</b>	

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Statement of Changes  
 in Fiduciary Net Position  
 For the Year Ended June 30, 2019

	Employee Retirement Plan
ADDITIONS:	
Contributions; Plan Members	\$ 1,500
Investment earnings	8,832
Total additions	10,332
DEDUCTIONS:	
Administrative expenses	-
Withdrawals	-
Total deductions	-
Change in net position	10,332
Total net position, beginning of year	139,235
Total net position, end of year	<b>\$ 149,567</b>

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

STATE OF NEW MEXICO  
QUEMADO INDEPENDENT SCHOOLS  
Notes to Financial Statements  
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

B. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.



The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

### Governmental Funds

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

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

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

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

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

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

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

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

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

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

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

### C. Measurement Focus and Basis of Accounting

#### **Government-Wide Financial Statements (GWFS)**

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

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

### **Program Revenues**

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

### **Allocation of Indirect Expenses**

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

### **Fund Financial Statements (FFS)**

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

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

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

#### **REVENUES**

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes are not available from the County Treasurers for the current year.

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

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

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

#### EXPENDITURES

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

#### OTHER FINANCING SOURCES (USES)

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

#### **Fiduciary Funds**

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

#### **D. Budgets and Budgetary Accounting**

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.

2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Quemado Independent Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

#### E. Encumbrances

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

#### F. Assets, Liabilities and Fund Equity

##### **1. Cash & Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District is authorized under the provisions of Chapter 6, Article 10, Paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

**2. Investments**

All money not immediately necessary for the public uses of the District may be invested in:

(a) Bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within the last five years preceding; or

(b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investments.

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

**3. Accounts Receivable**

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

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 1,181	\$ 12,065	\$ -	\$ 13,246
Intergovernmental	<u>729</u>	<u>142,671</u>	<u>26,262</u>	<u>169,662</u>
	<u>\$ 1,910</u>	<u>\$ 154,736</u>	<u>\$ 26,262</u>	<u>\$ 182,908</u>

**4. Accounts Payable and Accrued Expenses**

Accounts payable are recorded in the various funds. There was \$3,800 payable to various vendors at the end of the year.

**5. Inventories**

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. The Commodities shown in the Cafeteria Fund total \$24,355.

**6. Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets.

Estimated useful life is management’s estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

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

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

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

**7. Compensated Absences**

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

**8. Fund Balance**

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

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

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

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

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

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

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

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

**9. Restricted Net Position**

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

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

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

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

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

**10. Deferred Inflows of Resources**

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

**11. Deferred Outflows of Resources**

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

**12. Interfund Transactions**

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



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

**13. Estimates**

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

**14. Pensions**

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

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

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

**2. DEPOSITORY COLLATERAL**

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

First State Bank	Operational	\$ 1,228,925
First State Bank	Activity	<u>63,446</u>
Total		<b><u>\$ 1,292,371</u></b>
Total amount on deposit		\$ 1,292,371
Outstanding checks		(239,431)
Deposits in transit		-
Petty Cash		<u>550</u>
Total per financial statements		<b><u>\$ 1,053,490</u></b>

Notes to Financial Statements (continued)

At June 30, 2019, the carrying amount of the School Districts deposits was \$1,053,490 and the bank balance was \$1,292,371. Of this balance \$250,000 was covered by federal depository insurance and \$1,292,371 was covered by collateral. The remaining \$0 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30	\$ 1,292,371
Less F.D.I.C.	<u>(250,000)</u>
Uninsured Funds	1,042,371
50% Collateral Requirement	521,186
Pledged Collateral	<u>1,300,000</u>
Excess of Pledged Collateral	<b><u>\$ 778,814</u></b>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, \$1,053,490 of the School's bank balance of \$1,042,371 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 0
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>1,042,371</u>
Total	<b><u>\$ 1,042,371</u></b>

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

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

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

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

Notes to Financial Statements (continued)

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking/Savings accounts	<b><u>\$ 1,042,371</u></b>	Less than 6 months

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

3. CAPITAL ASSETS

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

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance July 1, 2019</u>
Governmental activities:				
Land	\$ 90,814	\$ -	\$ -	\$ 90,814
Total not being depreciated	<u>90,814</u>	<u>-</u>	<u>-</u>	<u>90,814</u>
Land improvements	786,957	-	-	786,957
Buildings and improvements	9,765,710	-	-	9,765,710
Furniture & equipment	772,457	12,024	-	784,481
Vehicles	607,072	154,990	-	762,062
Total	<u>11,932,196</u>	<u>167,014</u>	<u>-</u>	<u>12,099,210</u>
Less accumulated depreciation for:				
Land improvements	(742,671)	(6,765)	-	(749,436)
Buildings and improvements	(5,167,874)	(183,926)	-	(5,351,800)
Furniture & equipment	(688,434)	(17,765)	-	(706,199)
Vehicles	(483,025)	(37,985)	-	(521,010)
Total accumulated depreciation	<u>(7,082,004)</u>	<u>(246,441)</u>	<u>-</u>	<u>(7,328,445)</u>
Total capital assets being depreciated	<u>4,850,192</u>	<u>(79,427)</u>	<u>-</u>	<u>4,770,765</u>
Net capital assets	<b><u>\$ 4,941,006</u></b>	<b><u>\$ (79,427)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,861,579</u></b>

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

Unallocated	<b><u>\$ (246,441)</u></b>
Total depreciation	<b><u>\$ (246,441)</u></b>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

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

	Balance June 30, 2018	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2019	Due Within One Year
Compensated absences	\$ 28,143	-	\$ (10,639)	\$ 17,504	-
2012 GO Bonds	<u>615,000</u>	-	<u>(190,000)</u>	<u>425,000</u>	<u>210,000</u>
Total	<b><u>\$ 643,143</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (200,639)</u></b>	<b><u>\$ 442,504</u></b>	<b><u>\$ 210,000</u></b>

B. General Obligation Bonds

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

<u>Due in Year Ending</u>	Date of issue - March 27, 2012 Original amount - \$1,420,000 Interest rate - 2.0%		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 210,000	\$ 6,400	\$ 216,400
2021	<u>215,000</u>	<u>2,150</u>	<u>217,150</u>
Total	<b><u>\$ 425,000</u></b>	<b><u>\$ 8,550</u></b>	<b><u>\$ 433,550</u></b>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Bond premium	\$ 40,537	\$ -	\$ -	\$ 40,537
Less accumulated amortization	<u>(25,675)</u>	<u>(4,054)</u>	-	<u>(27,729)</u>
Bond Premium, net	<b><u>\$ 14,862</u></b>	<b><u>\$ (4,054)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,808</u></b>

C. Operating Leases

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

D. Short-Term Liabilities

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

5. REFUNDING OF BONDED DEBT

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

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

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

Analysis of Savings

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

6. REVENUES

A. Property Tax Levies

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

B. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$1,868,519 state equalization guarantee distributions during the year ended June 30.

C. Transportation Distribution

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

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

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

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

## Notes to Financial Statements (continued)

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

The District received \$429,869 in transportation distribution during the year ended June 30.

### D. SB-9 State Match

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

The District received \$0 in state SB-9 matching during the year ended June 30.

### E. Public School Capital Outlay

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

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

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner.
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

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

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

## Notes to Financial Statements (continued)

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

### F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, the District received \$4,993 in instructional materials allocation.

### G. Federal Grants

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

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

## 7. CASH OVERDRAFTS

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

## 8. CENTRAL REGION EDUCATIONAL COOPERATIVE

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



9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>	<u>IDEA-B Entitlement</u>
Revenues per modified accrual basis	\$ 3,097,897	\$ 136,200	\$ 51,150
Receivables	(903)	-	-
Deferred revenues/Due from grantor	-	(94,471)	(5,191)
	<u>\$ 3,096,994</u>	<u>\$ 41,729</u>	<u>\$ 45,959</u>
Revenues per budgetary basis			
Expenditures per modified accrual basis	\$ 3,058,275	\$ 136,200	\$ 51,150
Accounts payable	737	-	-
Inventory	-	-	-
	<u>\$ 3,059,012</u>	<u>\$ 136,200</u>	<u>\$ 51,150</u>
Expenditures per budgetary basis			

10. INSURANCE COVERAGE

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

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

11. RISK MANAGEMENT

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

12. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD

***General Information about the Pension Plan***

***Plan description.*** The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB’s comprehensive annual financial report. The report can be found on NMERB’s Website at: [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

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

## Notes to Financial Statements (continued)

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

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

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

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

- the member's age and earned service credit add up to the sum 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.

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

**Benefit Options** - The Plan has three benefit options available.

- **Option A - Straight Life Benefit** - The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary of estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B - Joint 100% Survivor Benefit** - The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C - Joint 50% Survivor Benefit** - The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

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

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

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

**Contributions** - For the fiscal year ended June 30, 2019 and 2018 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
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%

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, 2019 and 2018, the School District paid employee and employer contributions of \$382,259 and \$364,049 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, 2019, the School District reported a liability of \$6,673,415 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating education institutions at June 30, 2018 actuarially determined. At June 30, 2018, the School District's proportion was 0.05612% which was an increase of 0.00258% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the School District recognized pension expense of \$1,263,249. At June 30, 2019, the Quemado Independent School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,870	\$ 127,006
Changes of assumptions	1,375,359	-
Net difference between projected And actual earnings on pension plan Investments	14,773	-
Changes in proportion and differences between contributions and proportionate share of contributions	227,402	-
Employer contributions Subsequent to the measurement date	<u>219,246</u>	<u>-</u>
Total	<u><b>\$1,841,650</b></u>	<u><b>\$ 127,006</b></u>

\$219,246 reported as deferred outflows of resources related to pensions resulting from School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Notes to Financial Statements (continued)

Year ended June 30:

2019	\$ 887,954
2020	583,888
2021	23,362
2022	194
2023	0
Thereafter	0

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

**Inflation**

2.50%

**Salary Increases**

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

**Investment Rate of Return**

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

**Average of Expected Remaining Service Lives**

Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service life in years	3.35	3.77	3.92	3.88

**Mortality**

**Healthy males:** Based on the RP-2000 Combined Mortality Table with White Collar adjustments, no set back generational mortality improvements with Scale BB from the tables base year of 2000.

**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:** Based on RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.

**Disabled females:** Based on RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.

**Active members:** Based on 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 pre-retirement mortality.

### **Retirement Age**

Experience-based table rates based on age and service, adopted by the Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.

### **Cost-of-living increases**

1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.

### **Payroll growth**

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

### **Contribution accumulation**

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

### **Disability Incidence**

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

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

Notes to Financial Statements (continued)

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

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

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

**Discount rate** - A single discount rate of 5.69% was used to measure the total pension liability as of June 30. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**Sensitivity of the Quemado Independent School District's proportionate share of the net pension liability to changes in the discount rate.** The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.69%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.69%) or one percentage point higher (6.69%) than the current rate:

	<u>1% Decrease (4.69%)</u>	<u>Current Discount Rate (5.69%)</u>	<u>1% Increase (6.69%)</u>
Melrose Municipal School District's proportionate share of the net pension liability	\$ 8,672,884	\$ 6,673,415	\$ 5,041,973



**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB's financial reports. The reports can be found on NMERB's website at: [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

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

**General Information about the OPEB**

**Plan Description** - Employees of the School District are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico. NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

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

**Employees covered by benefit terms** - At June 30, 2018, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	\$ 51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<b><u>\$156,025</u></b>
Active membership	
State general	\$ 19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<b><u>\$ 93,349</u></b>

**Contributions** - Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the School District were \$60,085 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$1,597,151 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The School District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30. At June 30, 2018, the School District's proportion was 0.03673%.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$9,645. At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 94,562
Changes of assumptions	-	298,181
Differences between actual and projected earnings on OPEB plan investments	-	19,932
Changes in proportion and differences between contributions and proportionate share of contributions	55,545	-
Contributions made after the measurement date	<u>31,546</u>	<u>-</u>
Total	<u><b>\$ 87,091</b></u>	<u><b>\$ 412,675</b></u>

Deferred outflows of resources totaling \$31,546 represent School District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Notes to Financial Statements (continued)

**Year ended June 30:**

2020	\$ (93,084)
2021	(93,084)
2022	(93,084)
2023	(69,204)
2024	<u>(8,674)</u>

Total **\$(357,130)**

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

**Valuation date**

June 30, 2017

**Actuarial cost method**

Entry age normal, level percent of pay, calculated on individual employee basis

**Asset valuation method**

Market value of assets

**Actuarial assumptions:**

**Inflation**

2.50% for ERB; 2.25% for PERA members

**Projected payroll increases**

3.25% to 12.50% based on years of service, including inflation

**Investment rate of return**

7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation

**Health care cost trend rate**

8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

**Mortality**

ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

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

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
US core fixed income	2.1%
US equity - large cap	7.1
Non US - emerging markets	10.2
Non US - developed equities	7.8
Private equity	11.8
Credit and structured finance	5.3
Real estate	4.9
Absolute return	4.1
US equity - small/mid cap	7.1

**Discount rate.** The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

<u>1% Decrease (3.08%)</u>	<u>Current Discount (4.08%)</u>	<u>1% Increase (5.08%)</u>
\$ 1,932,928	\$ 1,597,151	\$ 1,332,483

Notes to Financial Statements (continued)

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

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 1,350,152	\$ 1,597,151	\$ 1,790,803

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2018.

**Payable Changes in the Net OPEB Liability.** At June 30, 2019, the School District reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

14. CONCENTRATIONS

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

15. SUBSEQUENT EVENTS

A review of subsequent events through August 28, 2019 the date the financial statements were available to be issued, indicated nothing of audit significance.

16. BUDGETED ACTIVITY FUNDS

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

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2019</u>
<b>ASSETS</b>				
Cash	\$ 58,737	\$ 60,858	\$ (57,047)	\$ 62,548
Total assets	<u>\$ 58,737</u>	<u>\$ 60,858</u>	<u>\$ (57,047)</u>	<u>\$ 62,548</u>
<b>LIABILITIES</b>				
Elementary School	\$ 3,969	\$ 19,213	\$ (11,265)	\$ 11,917
High School	54,768	41,645	(45,782)	50,631
Total liabilities	<u>\$ 58,737</u>	<u>\$ 60,858</u>	<u>\$ (57,047)</u>	<u>\$ 62,548</u>

Notes to Financial Statements (continued)

17. FUND BALANCE CLASSIFIED

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

<u>Fund Balances</u>	General Fund	Local Capital Improvements SB-9	Debt Service	Non-Major Governmental Fund	Totals
<u>Nonspendable:</u>					
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	2,545	2,545
Total nonspendable	-	-	-	2,545	2,545
<u>Restricted for:</u>					
Teacherage	20,831	-	-	-	20,831
Transportation services	29,225	-	-	-	29,225
Instructional materials	1,021	-	-	-	1,021
Capital improvements	-	462,301	-	-	462,301
Debt service payments	-	-	233,597	-	233,597
Athletic services	-	-	-	16,061	16,061
Special grants	-	-	-	78,653	78,653
Cafeteria services	-	-	-	25,302	25,302
Non-instructional	-	-	-	14,131	14,131
State mandated cash r	2,148	-	-	-	2,148
Total restricted	53,225	462,301	233,597	134,147	883,270
<u>Committed to:</u>					
Other purposes	-	-	-	-	-
Total committed	-	-	-	-	-
<u>Unassigned:</u>					
	289,325	-	-	-	289,325
Total Fund Balances	<b><u>\$ 342,550</u></b>	<b><u>\$ 462,301</u></b>	<b><u>\$ 233,597</u></b>	<b><u>\$ 136,692</u></b>	<b><u>\$ 1,175,140</u></b>

**SUPPLEMENTARY INFORMATION  
NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Governmental Funds  
 Combining Balance Sheet - By Fund Type  
 June 30, 2019

Statement A-1

	Special Revenue Funds	Capital Project Funds	Total
<b>ASSETS</b>			
Cash on deposit	\$ 125,210	\$ -	\$ 125,210
Inventory	2,545	-	2,545
Accounts receivable	6,392	-	6,392
Due from grantor	6,892	12,978	19,870
Total assets	<b>\$ 141,039</b>	<b>\$ 12,978</b>	<b>\$ 154,017</b>
<b>LIABILITIES</b>			
Cash overdraft	\$ 6,892	\$ 12,978	\$ 19,870
Total liabilities	6,892	12,978	19,870
<b>FUND BALANCE</b>			
Nonspendable	2,545	-	2,545
Restricted	131,602	-	131,602
Total fund balance	134,147	-	134,147
Total liabilities and fund balance	<b>\$ 141,039</b>	<b>\$ 12,978</b>	<b>\$ 154,017</b>

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



STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in  
 Fund Balances - By Fund Type  
 Year Ended June 30, 2019

	Special Revenue Funds	Capital Project Funds	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for services	20,068	-	20,068
Local sources	-	-	-
State sources	10,274	12,978	23,252
Federal sources	173,331	-	173,331
Earnings from investments	40	-	40
	<u>203,713</u>	<u>12,978</u>	<u>216,691</u>
<b>EXPENDITURES</b>			
Current:			
Direct instruction	68,233	-	68,233
Instructional support	50,246	-	50,246
Food services	99,368	-	99,368
Capital outlay	-	12,978	12,978
	<u>217,847</u>	<u>12,978</u>	<u>230,825</u>
Net change in fund balances	(14,134)	-	(14,134)
Fund balance beginning of year	148,281	-	148,281
Fund balance end of year	<u>\$ 134,147</u>	<u>\$ -</u>	<u>\$ 134,147</u>

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

## **NON-MAJOR SPECIAL REVENUE FUNDS**

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

**IDEA-B COMPETITIVE - P.L. 94-142 (24108)** - 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 – PRESCHOOL (24109)** – To account for monies received for the operation and maintenance of meeting the special education needs of children with disabilities. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

**FRESH FRUIT & VEGETABLES (24118)** - To account for resources to purchase New Mexico grown fresh fruits and vegetables for use in school nutrition programs. Authority is from the Public Education Department.

**IDEA-B - RESULTS PLAN (24132)** - To account for resources received to support the individual school site's Education Plan for Student Success, or areas in need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by U.S. Department of Education of Special Education Programs. Authority is from the Public Education Department.

**IMPROVING TEACHER QUALITY (24154)** – To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and Authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

**STUDENT SUPPORT AND ACADEMIC ENRICHMENT (24189)** – To account for monies received to support well-rounded educational opportunities, safe and healthy students and effective use of technology. Financing and Authority is the Elementary and Secondary Education Act of 1965 as amended, Title IV, Part A.

**MEDICAID (25153)** - To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

**REAP (RURAL EDUCATIONAL ACHIEVEMENT PROGRAM) (25233)** - To account for monies received to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning. Authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by Public Law 107-110.

## NON-MAJOR SPECIAL REVENUE FUNDS - CONTINUED

**DUAL CREDIT INSTRUCTIONAL MATERIALS (27103)** - To account for resources received from House Bill 2, 2009, to be used for dual credit instructional materials through a course approved by Higher Education Department and through a college/university for which the district has an approved agreement.

**BREAKFAST FOR ELEMENTARY STUDENTS (27155)** - To account for grant funds received to fund the Elementary Breakfast Program. Financing and authority are 6.12.9 fo the New Mexico Administrative Code (NMAC).

**DEPARTMENT OF HEALTH GRANT (28195)** – To account for a Peer-to-Peer primary prevention program. This program is designed to help students and staff recognize and provide help and guidance to others who may be having difficulties with situations such as depression, chemical dependency, abuse, bullying, etc. The program seeks to identify this informal network and provide training and support to young people and adults who are already serving as helpers.

**NON-INSTRUCTIONAL STUDENT SUPPORT (23000)** - To account for the monies received as fees associated with class projects and/or lab classes.

**ATHLETICS (22000)** - 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.

**CAFETERIA (21000)** - 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.

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2019

Statement B-1  
 Page 1 of 3

	IDEA-B Competitive	IDEA-B Preschool	Fresh Fruits & Vegetables	Result Driven Accountability	Improving Teacher Quality	Student Support and Academic Enrichment
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Due from grantor	3,597	-	169	2,582	320	-
	<u>3,597</u>	<u>-</u>	<u>169</u>	<u>2,582</u>	<u>320</u>	<u>-</u>
<b>Total assets</b>	<b><u>\$ 3,597</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 169</u></b>	<b><u>\$ 2,582</u></b>	<b><u>\$ 320</u></b>	<b><u>\$ -</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ 3,597	\$ -	\$ 169	\$ 2,582	\$ 320	\$ -
	<u>3,597</u>	<u>-</u>	<u>169</u>	<u>2,582</u>	<u>320</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>3,597</u></b>	<b><u>-</u></b>	<b><u>169</u></b>	<b><u>2,582</u></b>	<b><u>320</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and     fund balance</b>	<b><u>\$ 3,597</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 169</u></b>	<b><u>\$ 2,582</u></b>	<b><u>\$ 320</u></b>	<b><u>\$ -</u></b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2019

Statement B-1  
 Page 2 of 3

	Medicaid	REAP	Dual Credit	Breakfast for Elementary Students
<b>ASSETS</b>				
Cash on deposit	\$ 72,108	\$ -	\$ -	\$ -
Inventory	-	-	-	-
Accounts receivable	-	-	-	-
Due from grantor	-	-	-	224
	<b>\$ 72,108</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 224</b>
Total assets				
	<b>\$ 72,108</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 224</b>
<b>LIABILITIES</b>				
Cash overdraft	\$ -	\$ -	\$ -	\$ 224
	-	-	-	224
Total liabilities				
	-	-	-	224
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	72,108	-	-	-
	72,108	-	-	-
Total fund balance				
	72,108	-	-	-
Total liabilities and fund balance				
	<b>\$ 72,108</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 224</b>

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

Statement B-1  
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STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2019

	Department of Health Grant	Non-Instructional	Athletics	Cafeteria	Total
<b>ASSETS</b>					
Cash on deposit	\$ 4,000	\$ 14,131	\$ 16,061	\$ 18,910	\$ 125,210
Inventory	-	-	-	2,545	2,545
Accounts receivable	-	-	-	6,392	6,392
Due from grantor	-	-	-	-	6,892
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<b><u>\$ 4,000</u></b>	<b><u>\$ 14,131</u></b>	<b><u>\$ 16,061</u></b>	<b><u>\$ 27,847</u></b>	<b><u>\$ 141,039</u></b>
<b>LIABILITIES</b>					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 6,892
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,892</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	2,545	2,545
Restricted	4,000	14,131	16,061	25,302	131,602
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>4,000</u>	<u>14,131</u>	<u>16,061</u>	<u>27,847</u>	<u>134,147</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<b><u>\$ 4,000</u></b>	<b><u>\$ 14,131</u></b>	<b><u>\$ 16,061</u></b>	<b><u>\$ 27,847</u></b>	<b><u>\$ 141,039</u></b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2019

Statement B-2  
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	IDEA-B Competitive	IDEA-B Preschool	Fresh Fruits & Vegetables	Results Driven Accountability	Improving Teacher Quality
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	3,597	1,316	2,925	6,396	14,104
Earnings from Investments	-	-	-	-	-
Total revenues	<u>3,597</u>	<u>1,316</u>	<u>2,925</u>	<u>6,396</u>	<u>14,104</u>
<b>EXPENDITURES</b>					
Direct instruction	3,597	1,316	-	6,396	14,104
Instructional support	-	-	-	-	-
Food Services	-	-	2,925	-	-
Total expenditures	<u>3,597</u>	<u>1,316</u>	<u>2,925</u>	<u>6,396</u>	<u>14,104</u>
Net change in fund balance	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2019

Statement B-2  
 Page 2 of 3

	Student Support and Academic Enrichment	Medicaid	REAP	Dual Credit	Breakfast for Elementary Students
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	-	-	-	165	3,109
Federal sources	10,000	37,310	14,651	-	-
Earnings from Investments	-	-	-	-	-
Total revenues	<u>10,000</u>	<u>37,310</u>	<u>14,651</u>	<u>165</u>	<u>3,109</u>
<b>EXPENDITURES</b>					
Direct instruction	10,000	2,575	12,498	165	-
Instructional support	-	48,093	2,153	-	-
Food Services	-	-	-	-	3,109
Total expenditures	<u>10,000</u>	<u>50,668</u>	<u>14,651</u>	<u>165</u>	<u>3,109</u>
Net change in fund balance	-	(13,358)	-	-	-
Fund balance at beginning of year	-	<u>85,466</u>	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ 72,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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



STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2019

Statement B-2  
 Page 3 of 3

	Department of Health Grant	Non-Instructional	Athletics	Cafeteria	Total
<b>REVENUES</b>					
Charges for services	\$ -	\$ 3,668	\$ 12,468	\$ 3,932	\$ 20,068
Local sources	-	-	-	-	-
State sources	7,000	-	-	-	10,274
Federal sources	-	-	-	83,032	173,331
Earnings from Investments	-	11	11	18	40
<b>Total revenues</b>	<b>7,000</b>	<b>3,679</b>	<b>12,479</b>	<b>86,982</b>	<b>203,713</b>
<b>EXPENDITURES</b>					
Direct instruction	3,000	4,776	9,806	-	68,233
Instructional support	-	-	-	-	50,246
Food Services	-	-	-	93,334	99,368
<b>Total expenditures</b>	<b>3,000</b>	<b>4,776</b>	<b>9,806</b>	<b>93,334</b>	<b>217,847</b>
<b>Net change in fund balance</b>	<b>4,000</b>	<b>(1,097)</b>	<b>2,673</b>	<b>(6,352)</b>	<b>(14,134)</b>
Fund balance at beginning of year	-	15,228	13,388	34,199	148,281
<b>Fund balance at end of year</b>	<b>\$ 4,000</b>	<b>\$ 14,131</b>	<b>\$ 16,061</b>	<b>\$ 27,847</b>	<b>\$ 134,147</b>

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

**NON-MAJOR CAPITAL PROJECTS FUND**

**CAPITAL IMPROVEMENTS - SB-9 (31700)** - To account for monies received under NMSA 1978 22-25-9, a State match distribution that was imposed as a tax under the Public School Capital Improvements Act for the purpose of building, remodeling and equipping classroom facilities.

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Capital Projects Fund  
 Balance Sheet  
 June 30, 2019

Statement C-1

	Capital Improvements SB-9
<b>ASSETS</b>	
Cash on deposit	\$ -
Due from grantor	12,978
Total assets	<b>\$ 12,978</b>
<b>LIABILITIES</b>	
Cash overdraft	\$ 12,978
Total liabilities	12,978
<b>FUND BALANCE</b>	
Restricted	-
Total fund balance	-
Total liabilities and fund balance	<b>\$ 12,978</b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Non-Major Capital Projects Funds  
 Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2019

Statement C-2

	Capital Improvements SB-9
<b>REVENUES</b>	
Taxes	\$ -
State sources	12,978
Earnings from investments	-
Total revenues	12,978
<b>EXPENDITURES</b>	
Instructional support	-
Capital outlay	12,978
Total expenditures	12,978
Net change in fund balance	-
Fund balance at beginning of year	-
Fund balance at end of year	\$ -

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

## **GENERAL FUND**

**OPERATIONAL FUND (11000)** - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

**TEACHERAGE FUND (12000)** - To account for resources from the rental of School owned facilities.

**TRANSPORTATION FUND (13000)** - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

**INSTRUCTIONAL MATERIALS FUND (14000)** - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Combining Balance Sheet  
 General Fund  
 June 30, 2019

Statement D-1

	Operational	Teacherage	Transporation	Instructional Materials	Total
<b>ASSETS</b>					
Cash on deposit	\$ 293,592	\$ 21,331	\$ 29,225	\$ 292	\$ 344,440
Accounts receivable, collectible	1,181	-	-	729	1,910
Total assets	<b>\$ 294,773</b>	<b>\$ 21,331</b>	<b>\$ 29,225</b>	<b>\$ 1,021</b>	<b>\$ 346,350</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 3,300	\$ 500	\$ -	\$ -	\$ 3,800
Rental deposits payable	-	-	-	-	-
Total liabilities	3,300	500	-	-	3,800
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	2,148	20,831	29,225	1,021	53,225
Unassigned	289,325	-	-	-	289,325
Total fund balance	291,473	20,831	29,225	1,021	342,550
Total liabilities and fund balance	<b>\$ 294,773</b>	<b>\$ 21,331</b>	<b>\$ 29,225</b>	<b>\$ 1,021</b>	<b>\$ 346,350</b>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 General Fund  
 Year Ended June 30, 2019

	Operational	Teacherage	Transportation	Instructional Materials	Total
<b>REVENUES</b>					
Property taxes	\$ 39,917	\$ -	\$ -	\$ -	\$ 39,917
Charges for services	721	2,700	-	-	3,421
Local sources	31,862	-	-	-	31,862
State sources	1,868,519	-	429,869	5,718	2,304,106
Federal sources	718,336	-	-	-	718,336
Earnings from investments	237	14	-	4	255
	<u>2,659,592</u>	<u>2,714</u>	<u>429,869</u>	<u>5,722</u>	<u>3,097,897</u>
Total revenues					
<b>EXPENDITURES</b>					
Direct instruction	1,559,991	-	-	10,060	1,570,051
Instructional support	1,048,508	943	405,728	-	1,455,179
Food service	21,021	-	-	-	21,021
Capital outlay	12,024	-	-	-	12,024
	<u>2,641,544</u>	<u>943</u>	<u>405,728</u>	<u>10,060</u>	<u>3,058,275</u>
Total expenditures					
Net change in fund balance	18,048	1,771	24,141	(4,338)	39,622
Fund balance at beginning of year	<u>273,425</u>	<u>19,060</u>	<u>5,084</u>	<u>5,359</u>	<u>302,928</u>
Fund balance at end of year	<u>\$ 291,473</u>	<u>\$ 20,831</u>	<u>\$ 29,225</u>	<u>\$ 1,021</u>	<u>\$ 342,550</u>

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 General Fund - Operational Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 38,839	\$ 38,839	\$ 39,243	\$ 404
Charges for services	750	800	721	(79)
Local sources	39,465	39,777	31,862	(7,915)
State sources	2,334,610	2,220,750	1,868,519	(352,231)
Federal sources	-	718,336	718,336	-
Earnings from investments	100	100	237	137
	<u>100</u>	<u>100</u>	<u>237</u>	<u>137</u>
Total revenues	<b><u>\$ 2,413,764</u></b>	<b><u>\$ 3,018,602</u></b>	<b><u>\$ 2,658,918</u></b>	<b><u>\$ (359,684)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 1,565,162	\$ 1,611,403	\$ 1,559,991	\$ 51,412
Instructional support	1,053,147	1,663,327	1,061,269	602,058
Food services	21,450	21,450	21,021	429
	<u>21,450</u>	<u>21,450</u>	<u>21,021</u>	<u>429</u>
Total expenditures	<b><u>\$ 2,639,759</u></b>	<b><u>\$ 3,296,180</u></b>	<b><u>\$ 2,642,281</u></b>	<b><u>\$ 653,899</u></b>
BUDGETED CASH BALANCE	<b><u>\$ 225,995</u></b>	<b><u>\$ 277,578</u></b>		

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



STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 General Fund - Teacherage Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	1,500	3,200	3,200	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	10	10	14	4
	<u>10</u>	<u>10</u>	<u>14</u>	<u>4</u>
Total revenues	<b><u>\$ 1,510</u></b>	<b><u>\$ 3,210</u></b>	<b><u>\$ 3,214</u></b>	<b><u>\$ 4</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	17,224	22,269	943	21,326
Food services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<b><u>\$ 17,224</u></b>	<b><u>\$ 22,269</u></b>	<b><u>\$ 943</u></b>	<b><u>\$ 21,326</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 15,714</u></b>	<b><u>\$ 19,059</u></b>		

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 General Fund - Transportation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	395,707	429,827	429,827	-
Federal sources	-	-	-	-
Earnings from investments	-	-	42	42
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total revenues	<b><u>\$ 395,707</u></b>	<b><u>\$ 429,827</u></b>	<b><u>\$ 429,869</u></b>	<b><u>\$ 42</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	395,707	432,369	405,728	26,641
Food service	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total expenditures	<b><u>\$ 395,707</u></b>	<b><u>\$ 432,369</u></b>	<b><u>\$ 405,728</u></b>	<b><u>\$ 26,641</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ 2,542</u></b>		

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

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 General Fund - Instructional Materials Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	4,989	5,718	4,989	(729)
Federal sources	-	-	-	-
Earnings from investments	4	4	4	-
	<u>4</u>	<u>4</u>	<u>4</u>	<u>-</u>
Total revenues	<b><u>\$ 4,993</u></b>	<b><u>\$ 5,722</u></b>	<b><u>\$ 4,993</u></b>	<b><u>\$ (729)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 6,882	\$ 11,080	\$ 10,060	\$ 1,020
Instructional support	-	-	-	-
Food services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<b><u>\$ 6,882</u></b>	<b><u>\$ 11,080</u></b>	<b><u>\$ 10,060</u></b>	<b><u>\$ 1,020</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 1,889</u></b>	<b><u>\$ 5,358</u></b>		

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

Fiscal Year Measurement Date	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Quemado Independent Schools proportion of net pension liability (asset)	0.05612%	0.05354%	0.05126%	0.05049%	0.04854%
Quemado Independent Schools proportionate share of the net pension liability (asset)	\$ 6,673,415	\$ 5,950,151	\$ 3,688,892	\$ 3,270,372	\$ 2,769,553
Quemado Independent Schools covered-employee payroll	\$ 1,577,310	\$ 1,568,033	\$ 1,460,831	\$ 1,378,539	\$ 1,338,042
Quemado Independent Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	423.09%	379.47%	252.52%	237.23%	206.99%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%

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

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 219,246	\$ 202,068	\$ 211,933	\$ 203,055	\$ 199,430
Contributions in relation to the contractually required contribution	<u>219,246</u>	<u>202,068</u>	<u>211,933</u>	<u>203,055</u>	<u>199,430</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Quemado Independent School District's covered-employee payroll	\$ 1,577,310	\$ 1,568,033	\$ 1,460,831	\$ 1,378,539	\$ 1,338,042
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	13.90%	14.90%

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

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

STATE OF NEW MEXICO  
QUEMADO INDEPENDENT SCHOOLS  
Notes to Required Supplementary Information  
Year Ended June 30, 2019

*Changes in benefit provisions.* There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

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

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

	<u>2019</u>	<u>2018</u>
Quemado Independent School District's proportion of net OPEB liability (asset)	0.03673%	0.03552%
Quemado Independent School District's proportionate share of the net OPEB liability (asset)	\$ 1,597,151	\$ 1,609,654
Quemado Independent School District's covered-employee payroll	\$ 1,577,310	\$ 1,568,549
Quemado Independent School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	101.26%	102.62%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

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

See Independent Auditor's Report



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

	2019	2018
Contractually required contributions	\$ 31,546	\$ 31,371
Contributions in relation to the contractually required contribution	31,546	31,371
Contribution deficiency (excess)	\$ -	\$ -
Quemado Independent School District's covered-employee payroll	\$ 1,577,310	\$ 1,568,549
Contribution as a percentage of covered-employee payroll	2.00%	2.00%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

- 1) Fiscal year 2017 valuation assumptions that changed based on this study:
  - a. Lower Investment return from 7.75% to 7.25%
  - b. Lower Inflation rate from 3.00% to 2.50%
  - c. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
  - a. Population growth per year at 0.00%
  - b. Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.

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

See Independent Auditor's Report

**OTHER SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Schedule of Cash Receipts and  
 Disbursements - All Funds by  
 School District Classification  
 Year Ended June 30, 2019

	Operational	Teacherage	Transportation	Instructional Materials	Cafeteria	Athletics	Non- Instructional
Cash Balance, June 30, 2018	\$ 276,955	\$ 19,060	\$ 5,084	\$ 5,359	\$ 31,654	\$ 13,388	\$ 15,228
Cash Receipts, 2018-2019	2,658,918	3,214	429,869	4,993	80,590	12,569	3,679
Cash Disbursements, 2018-2019	<u>(2,642,281)</u>	<u>(943)</u>	<u>(405,728)</u>	<u>(10,060)</u>	<u>(93,334)</u>	<u>(9,896)</u>	<u>(4,776)</u>
Cash Balance, June 30, 2019	<b><u>\$ 293,592</u></b>	<b><u>\$ 21,331</u></b>	<b><u>\$ 29,225</u></b>	<b><u>\$ 292</u></b>	<b><u>\$ 18,910</u></b>	<b><u>\$ 16,061</u></b>	<b><u>\$ 14,131</u></b>
	Agency (Activities)	Local	State	Federal Projects	Capital Improvement SB-9	Local Capital Improvement SB-9	Debt Service
Cash Balance, June 30, 2018	\$ 58,737	\$ -	\$ (35,927)	\$ (13,841)	\$ -	\$ 483,141	\$ 204,881
Cash Receipts, 2018-2019	60,858	-	45,977	227,617	-	183,522	224,989
Cash Disbursements, 2018-2019	<u>(57,047)</u>	<u>-</u>	<u>(6,274)</u>	<u>(291,007)</u>	<u>(12,978)</u>	<u>(209,809)</u>	<u>(202,891)</u>
Cash Balance, June 30, 2019	<b><u>\$ 62,548</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,776</u></b>	<b><u>\$ (77,231)</u></b>	<b><u>\$ (12,978)</u></b>	<b><u>\$ 456,854</u></b>	<b><u>\$ 226,979</u></b>

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2019

<u>Source and Program</u>	<u>Federal Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
REAP	84.358	25233	\$ 14,651
Passed through State of NM			
Department of Education:			
Impact Aid Title I			
(Chapter 1) Basic	84.010	24101	136,200
IDEA-B Entitlement	84.027	24106	51,150
IDEA-B Preschool Risk Pool	84.027	24109	1,316
IDEA-B Results Plan	84.027	24132	6,396
IDEA-B Competitive	84.027	24108	3,597
Student Support and Academic			
Enrichment	84.424	24189	10,000
Improving Teacher Quality	84.367	24154	<u>14,104</u>
Sub-total			<u>237,414</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
National School Lunch Program	10.555	21000	44,428
School Breakfast Program	10.553	21000	33,345
Fresh Fruits & Vegetables	10.582	24118	2,925
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	5,259
Passed through State of NM			
Department of Finance			
and Administration:			
*Forest Reserve	10.665	11000	<u>718,336</u>
Sub-total			<u>804,293</u>
Total Expenditures of Federal Awards			<u><b>\$1,041,707</b></u>

\*Treated as a Major Program

Notes to Schedule of Expenditures of Federal Awards1. Basis of Presentation

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

2. Subrecipients

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

3. Non Cash Federal Assistance

The District receives USDA commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2019 was \$5,259 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.550. Commodities are recorded as revenues and expenditures in the Food Service Fund.

4. Indirect Cost Rate

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

5. Matching Costs

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

6. Insurance

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

7. Loan or Loan Guarantee

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

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,035,315
Total expenditures funded by other sources	<u>2,853,835</u>
Total expenditures	<b><u>\$ 3,889,150</u></b>

STATE OF NEW MEXICO  
 QUEMADO INDEPENDENT SCHOOLS  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2019

Section I - Summary of Audit Results

Financial Statements:

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

Federal Awards:

- |   |                        |
|---|------------------------|
| 1. Internal control over major programs:  |                        |
| a. Material weaknesses identified?  | None Noted             |
| b. Significant deficiencies identified not considered to be material weaknesses?        | None Noted             |
| 2. Type of auditor's report issued on compliance for major programs                     | Unmodified             |
| 3. Any audit findings disclosed that are required in accordance with 2 CFR-200.5169(a)? | No                     |
| 4. Identification of major programs:  |                        |
| <u>CFDA Number</u>  | <u>Federal Program</u> |
| 10.665  | Forest Reserve         |
| 5. Dollar threshold used to distinguish between type A and type B programs:             | \$750,000              |
| 6. Auditee qualified as low-risk auditee?   | No                     |

*Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
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Albuquerque, NM 87112

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

Mr. Brian Colon  
New Mexico State Auditor  
and  
Board of Education  
Quemado Independent Schools  
Quemado, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I and IDEA-B Entitlement Funds of the Quemado Independent Schools, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Quemado Independent Schools basic financial statements, and the combining and individual funds and have issued our report thereon dated August 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Quemado Independent Schools internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Quemado Independent Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Quemado Independent Schools internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness.

We did identify certain deficiencies in the accompanying Status of Comments and Responses that we consider to be Significant Deficiencies; Comp Time Approvals (2018-010).

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Quemado Independent Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying Status of Comments and Responses as Board Meeting Minutes Not Signed (2018-001), Security Deposits for Teacherages (2018-003), Teacherage Rental Agreements (2018-004), Voided Receipts (2018-006), Payroll Paid Without Time Sheets (2018-011), Contract Addendums Missing (2018-012) Violation of Anti-Donation Clause (2019-001), Drug Test Listing (2019-002), Budget Overruns (2019-003) and Special Revenue Grant Monies Recorded Incorrectly (2019-004).

### Responses to the Findings

Quemado Independent Schools responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

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



Albuquerque, New Mexico  
August 28, 2019

# *Rice and Associates, C.P.A.*

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

### **INDEPENDENT AUDITOR'S REPORT**

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

#### **Report on Compliance for Each Major Federal Program**

We have audited Quemado Independent Schools compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Quemado Independent Schools major federal programs for the year ended June 30, 2019. Quemado Independent Schools major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Quemado Independent Schools major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those Standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Quemado Independent Schools compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Quemado Independent Schools compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Quemado Independent Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

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

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

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

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



Albuquerque, New Mexico  
August 28, 2019

## **STATUS OF COMMENTS AND RESPONSES**

### **Prior Year Audit Findings:**

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

### **Current Year Audit Findings:**

1. Violation of Anti-Donation Clause – (2019-001) – Finding that does not rise to the level of a Significant Deficiency
2. Drug Test Listing – (2019-002) – Other Non-Compliance
3. Budget Overruns – (2019-003) – Other Non-Compliance
4. Special Revenue Grant Monies Recorded Incorrectly – (2019-004) – Other Non-Compliance.

## **STATUS OF COMMENTS AND RESPONSES CONTINUED**

5. Cafeteria Inventory – (2019-005) – Other Non-Compliance
6. Gate Receipts – (2019-006) – Significant Deficiency
7. New Hire Reporting – (2019-007) – Other Non-Compliance

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

CONDITION	Board Minutes reviewed were not properly signed as approved.
CRITERIA	According to the Open Meetings Act Article 15, Section 10-15-1G “Minutes shall not become official until approved by the policy making body”. This is done by formal approval in a subsequent Board Meeting and having a signed copy available for review.
CAUSE	The School District is not ensuring this procedure is completed.
EFFECT	Written approved minutes of the Board are not available as required by the Open Meetings Act.
RECOMMENDATION	The Board should ensure that all future Board Minutes be prepared, approved, signed and available for review.
RESPONSE	The Board Minutes are now kept in a red binder in our board box that is present at all of the board meetings. The Business Manager will ensure that all minutes are signed, dated and submitted to our Web-Master for public view each month after they are approved by the board. This took affect July, 2019.

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

CONDITION	The School District does not have a policy concerning the amount required to be charged for each Teacherage rented each fiscal year.
CRITERIA	Policies are established and approved by the Board. Management follows those policies. Also, to properly Safeguard the Teacherage as an asset a security deposit would help pay for damages to the property. Security deposits could also be used for any rent owed.
CAUSE	The Board has not passed a policy.
EFFECT	Management is not properly safeguarding its assets. Rent could be lost.
RECOMMENDATION	Management should include a security deposit for all future rentals (Teacherages). Also, the Board should approve a policy as soon as possible.
RESPONSE	This issue has been addressed on our rental agreement/contract. The Business Manager will ensure that the required deposits will be collected at the time of signing the agreement/contract. This was effective on our form July 2019.

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

CONDITION	The Teacherage rental agreement for Quemado was not signed by the Superintendent.
CRITERIA	The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for maintaining internal control that will, among other things, initiate, <b>authorize</b> , record, process and report transactions (as well as events and conditions) consistent with managements assertions embodied in the financial statements. Since the rental agreement was not <b>Signed</b> by the Superintendent, the rental agreement was not authorized.
CAUSE	Management is not ensuring these agreements are obtained and a signed copy kept in the Business Office.
EFFECT	Rent could be lost. Disputes could ensue without any proper documentation to support agreements. The rental agreement was not authorized.
RECOMMENDATION	Signed rental agreements for all Teacherages should be obtained as soon as possible.
RESPONSE	The Business Manager will ensure that all rental agreements are signed by the Superintendent before they are properly filed. Effective September 2019.



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

CONDITION	Nine out of nine receipts tested were shown as VOID but did not have all copies attached.
CRITERIA	PSAB 7 Cash Controls states "If a receipt is voided, all copies shall be marked VOID and retained in the receipt books."
CAUSE	Management was not aware of this requirement.
EFFECT	The Public Education Manual of Procedures is not being followed.
RECOMMENDATION	Management should implement this procedure as soon as possible.
RESPONSE	The Business Manager will ensure that all copies of the voided receipts are attached and left in the receipt book. A copy will be made and turned in with the deposit documentation so that our receipts are still kept in sequential order. Effective September 2019.

Comp Time Approvals - Significant Deficiency  
(2018-010)

CONDITION	The School District does not have a section in their policy dealing with Comp-time.
CRITERIA	The School District should refer to Comp-time and overtime in their Payroll Policy. This should include requirements set forth by PSAB 14. PSAB 14 Payroll under Payroll and Human Resources Internal Controls states "Overtime is to be properly authorized." Also, government employees are to agree to the comp time <i>before</i> the hours are accrued ( <i>not after</i> ).
CAUSE	Management has not included this in their payroll policies.
EFFECT	Management might not comply with PSAB or Department of Labor regulations unless they have a policy to follow.
RECOMMENDATION	Management should include this in their payroll policies as soon as possible.
RESPONSE	The Business Manager will ensure that a comp-time policy is included within the new board policy that the board will be adopting in the 2019-2020 school year. At the present time, the draft policy is in review.

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

CONDITION	Employees are being paid without completing their timesheets. In particular these time sheets are not being dated. Fifteen out of fifteen time sheets did not have the required documentation.
CRITERIA	PSAB 14 - Payroll under Payroll and Human Resources Internal Controls states "Time cards are to be completed...properly coded...and signed in ink."
CAUSE	Management is allowing these payments to be made without the proper documentation.
EFFECT	PSAB regulations are not being followed.
RECOMMENDATION	All future payroll payments <i>must</i> have the time sheets completed before payments can be made.
RESPONSE	<p>The Business Manager will ensure that all time sheets are properly filled out, signed and dated by the employee and the direct supervisor. Each Monday, the Business Manager will ensure that all time sheets are turned into the Business Office and that these time sheets are properly signed and dated before payroll is processed.</p> <p>Our district has purchased time clocks and these will be up and running by November. The use of the time clock will eliminate this comment. The Business Office will print out time reports for each time-sheet employee and the Business Manager will ensure that the reports are signed off by the Superintendent before payroll is processed.</p>

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

CONDITION	<p>Two out of fourteen employees were paid more than their original contract. A contract addendum was not present for the additional duties and pay. Contract addendums should include:</p> <ol style="list-style-type: none"><li>1. A statement as to what original contract is being amended.</li><li>2. That the increase in pay is subject to all applicable income taxes.</li><li>3. What additional duties, hours/days will be needed to earn the additional pay.</li></ol>
CRITERIA	<p>The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for maintaining internal control that will, among other things, initiate, <b>authorize</b>, record, process and report transactions (as well as events and conditions) consistent with managements assertions embodied in the financial statements. Without a contract addendum the additional duties and the additional payment for these duties has not been authorized. Thus, all contracts should specifically identify rate of pay, hours, duties, income taxes, etc. and be signed by both parties to ensure both parties understand and agree to the additional requirements and method of payment.</p>
CAUSE	<p>Management is not ensuring these are completed.</p>
EFFECT	<p>Payments to employees could be incorrect by amounts paid based on the contract used.</p>
RECOMMENDATION	<p>Management should prepare all contract addendums to ensure all required information is included, as soon as possible.</p>
RESPONSE	<p>The Business Manager will ensure that any additional time paid to an employee for additional duties above and beyond their original contract (with the exception of substitute pay) will be issued a contract for this time and will include a dollar amount cap and be signed by the Superintendent and the employee. This was made effective August 1, 2019.</p>

Violations of the Anti-Donation Clause – Finding that does not rise to the Level of a Significant Deficiency  
(2019-001)

CONDITION	<p>The School District is using Operational funds to pay for Prom. The total amount spent was \$1,000. This violates the Anti-Donation Clause.</p> <p>There has been no progress in this area.</p>
CRITERIA	<p>According to the Anti-donation clause of New Mexico (Article IX, Section 14) “a school district shall not directly or indirectly lend or pledge its credit or make any donation to or in aid of any person.”</p>
CAUSE	<p>The School district used public monies to pay for non-student purchases which appear to violate the anti-donation clause and the PED regulations concerning student activity accounts.</p>
EFFECT	<p>Management is not complying with the NM Anti-donation Clause.</p>
RECOMMENDATION	<p>The School District needs to discontinue using this fund for non-student purchases, immediately.</p>
RESPONSE	<p>The Board will no longer allow the Junior Class to utilize Operational funds for their Prom. This will be effective 2019-2020 school year.</p>

Drug Test Listing – Other Non-Compliance  
(2019-002)

CONDITION	Management did not place a new bus driver on a list of any kind so that a random drug test could occur.
CRITERIA	According to the Federal Motor Carrier Safety Administration employees with CDL duties must be tested upon their hiring and then be placed on a list to ensure a random drug test can be done.
CAUSE	Management did not ensure this list was complete and updated for the new fiscal year.
EFFECT	The School could be fined \$10,000 by the FMCSA.
RECOMMENDATION	The School needs to place this driver on a drug-testing list immediately.
RESPONSE	The Business Manager will ensure that all drivers, whether they are suburban driving or bus driving, are put on the list of random drug testing after they have completed their initial pre-employment drug test. The Business Manager will keep a current list on file in the transportation file cabinet. This was put into effect August 2019.

Budget Overruns – Other Non-Compliance  
(2019-003)

CONDITION	The School District overspent the Department of Health Grant Fund (28195) by \$3,000.
CRITERIA	NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.
CAUSE	Management incorrectly deposited these monies in the Operational and Non-Instructional Funds, so a budget was never created or approved.
EFFECT	The School District had the adequate cash to pay the additional expenditures but not the required budget authority from PED.
RECOMMENDATION	Management should review its budget quarterly and request all budget adjustments requests to ensure budgets by Fund are not overspent.
RESPONSE	After discussions with our Budget Analyst and David Craig at PED when this was brought to our attention by our auditors in July, it was determined the correct account this should be in. The Business Manager submitted a Permanent Cash Transfer request to the board for approval in August to move the monies from our 23000-non-instructional fund to the correct account. It was submitted to PED and signed off by David Craig. The funds were transferred from our 23000 fund to 28195. On September 17, 2019, the board will approve a permanent cash transfer from our activity account to fund 28195 for the balance from prior years. The Business Manager will then submit it to David Craig for his approval. The funds will be transferred as soon as Mr. Craig approves the Permanent Cash Transfer. A BAR will then be submitted in OBMS for the total amount so that we will have budget authority. Any future deposits by the Department of Health will be deposited into the correct fund of 28195 by the Business Manager.

Special Revenue Grant Monies Recorded Incorrectly – Other Non-Compliance  
(2019-004)

CONDITION	Management recorded a \$2,000 receipt to the Operational Fund and a \$5,000 receipt to the Non-Instructional Fund, however, both amounts belonged to Fund 28195.
CRITERIA	The Public Education Department has adequately provided Special Revenue Fund numbers, descriptions and guidance on where these Special Revenue Fund numbers, receipts should be recorded. All Special Revenue Funds are restricted by the grant restrictions. This is why they are considered Special Revenue Funds.
CAUSE	Management did not ensure these monies were properly recorded as revenues in the proper funds set forth by the Public Education Department.
EFFECT	These Special Revenue Funds are being understated. Also, these monies might be spent on expenditures not allowed by the grant agreement. Adjustments to the books of record need to occur to remedy the situation.
RECOMMENDATION	Management needs to include a procedure to verify all receipts as to what fund they should be recorded/reported in.
RESPONSE	After discussions with our Budget Analyst and David Craig at PED when this was brought to our attention by our auditors in July, it was determined the correct account this should be in. The Business Manager submitted a Permanent Cash Transfer request to the board for approval in August to move the monies from our 23000-non-instructional fund to the correct account. It was submitted to PED and signed off by David Craig. The funds were transferred from our 23000 fund to 28195. On September 17, 2019, the board will approve a permanent cash transfer from our activity account to fund 28195 for the balance from prior years. The Business Manager will then submit it to David Craig for his approval. The funds will be transferred as soon as Mr. Craig approves the Permanent Cash Transfer. A BAR will then be submitted in OBMS for the total amount so that we will have budget authority. Any future deposits by the Department of Health will be deposited into the correct fund of 28195 by the Business Manager.



Cafeteria Inventory – Other Non-Compliance  
(2019-005)

CONDITION	Cafeteria inventory was not taken at any time during the school year. This includes pricing and extensions of total costs.
CRITERIA	<p>Ending inventories is to be maintained pursuant to USDA regulations and policies - Food Distribution under 7 CFR part 250.</p> <p>Also, PSAB Supplement 17-Student Nutrition requires three types of assets to be inventoried:</p> <ol style="list-style-type: none"><li>1) purchased foods,</li><li>2) non-food supplies, and</li><li>3) USDA donated foods and commodities.</li></ol>
CAUSE	Management is not ensuring this procedure is complete.
EFFECT	Management is not complying with PSAB Supplement 17 or 7 CFR part 250.
RECOMMENDATION	Management should train the cafeteria staff on how to prepare and take inventory.
RESPONSE	The Food Service Director will ensure that the cafeteria inventory is done every month. This will include pricing and extensions of total costs. This inventory will be submitted to the Superintendent and kept on file in the Business Office and be ready for future audits. This will be effective as of September 30, 2019.

Gate Receipts – Significant Deficiency  
(2019-006)

CONDITION	The School District is not using tickets, pre-numbered receipts or another auditable way to verify the number of patrons that attended athletic events.
CRITERIA	According to PSAB Supplement 18 “Cash Collections” – All monies collected should be substantiated by pre-numbered receipts, cash register receipts which show cumulative readings, pre-numbered tickets, or other auditable, checkable records.
CAUSE	Management has not taken steps to ensure this requirement has been met.
EFFECT	Monies could be lost, stolen or misplaced.
RECOMMENDATION	Management should use some form of auditable method to properly record how many patrons attend athletic events.
RESPONSE	The district will be using tickets at the gate for each sporting event, in the event that tickets are not available, the two people at the gate will use tally marks as patrons pay for entry. Each gate person will be responsible for either students or adults. This was put into effect August 2019.

New Hire Reporting – Other Non-Compliance  
(2019-007)

CONDITION	The School District did not properly report any newly hired or rehired employees to a State directory within 20 days of their hire date.
CRITERIA	New Mexico law (50.13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Act (PRWORA) of 1996, 42. U.S.C 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire.
CAUSE	The cause is unknown.
EFFECT	The School District did not comply with New Mexico State Statute 50.13-1 or the PRWORA of 1996.
RECOMMENDATION	The School District is now complying with this law, however, management should have a system in place to ensure all future reports are submitted on time.
RESPONSE	The Business Manager will ensure that all new hires will be reported on a monthly basis and documentation will be kept in a locked file cabinet in the Business Office. This was put into effect September 2019.

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2019 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

## EXIT CONFERENCE

An exit conference was held at the School District on August 28, 2019, to discuss the current audit report. In attendance were Ms. Anna Wastchak, Business Manager, Mr. Tim Hendricks, Board Member, Ms. Carm Chavez, Board Secretary, Mr. David Lackey, Superintendent, Mr. Antonio Lucero and Ms. Pamela A. Rice, CPA, Contract Auditors.