

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2017**

**Harshwal & Company LLP**  
**Certified Public Accountants**  
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**Albuquerque NM 87109**  
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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
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 QUESTA INDEPENDENT SCHOOL DISTRICT  
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**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**OFFICIAL ROSTER**  
**JUNE 30, 2017**

**BOARD OF EDUCATION**

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Daryl Ortega	Board President
Mathew Ortega	Board Vice President
Jose Lovato	Board Secretary
Ellis Garcia	Board Member
Tammy Jaramillo	Board Member

**SCHOOL OFFICIALS**

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Valerie Trujillo	Superintendent
Susie Martinez	Business Manager
Linda Sanchez	Payroll Clerk
Vanessa Garcia	Accounts Payable Clerk
Nicole Cardenas	Administrative Assistant

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller  
State Auditor of the State of New Mexico  
The Office of Management and Budget  
Board Members of the Questa Independent School District  
Mr. Keller and Members of the Board

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund of Questa Independent School District, (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 - 18, Schedule of the Proportionate Share of the Net Pension Liability on page 107, the Schedule of Contributions on page 108 and the notes to the required supplementary information on page 109 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements, and the other schedules required by section 2.2.2.NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.



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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Harshwal & Company LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**November 13, 2017**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

This Management Discussion and Analysis of the fiscal performance of the Questa Independent School District (District) for the period ending June 30, 2017, represents the District's financial overview. This written analysis is a required part of the District's financial reporting and is an objective and easily readable discussion of the District's financial activities.

The discussion and analysis provide a review of the District's overall financial activities, using the accrual basis of accounting, for the year ending June 30, 2017. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focus on the financial performance of the District as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphics information.

In addition to this reporting, this annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditor's Report, The Independent Auditor's Report on Compliance with Internal Control (Governmental Accounting Standards), The Independent Auditor's Report on Compliance with Requirements Applicable in each Major Program (*Uniform Guidance*) and a Schedule of Findings.

**ABOUT QUESTA INDEPENDENT SCHOOL DISTRICT**

To completely understand the financial discussion of the Questa Independent School District, it is important to understand the nature of the District.

Questa, New Mexico is the northern gateway to the Land of Enchantment. Located about 25 miles north of Taos on State Road 522, the tranquil Village of Questa is home to approximately 2,000 residents. Surrounded by spectacular mountain scenery, Questa lies at an elevation just over 7,600 feet on the western slopes of the Sangre de Cristo Mountains on the Enchanted Circle Scenic Byway. Historically, Questa was discovered by Spanish settlers in 1829 and was officially founded in 1842. The original settlement was named San Antonio Del Rio Colorado after its patron St. Anthony. The name was changed to Questa by a post master who misspelled Cuesta the Spanish word for slope. Outdoor popular activities include fishing, hiking, biking, and hunting. In the winter skiing, snow boarding, cross-country skiing, tubing, sledding, and snowmobiling are great activities for all ages. Economically, the Village of Questa is supported by local merchants and Chevron Mine, Inc., previously known as Molycorp Mines, one of the largest employers in the community since 1920. The community is also supported by Taos County, NM State Department of Transportation, Red River Fish Hatchery, Questa Ranger District, and the Game and Fish Department. Chevron Mine closed its doors on June 1, 2014.

Educationally, the Questa Independent Schools has been providing public education to the children of Questa and the outlying communities since 1962. The Questa Independent Schools is another of the community's single largest employer, employing approximately 70 staff members. The school district provides public education for 357 students in grades Pre K-12 which includes the small outlying community of Costilla.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

In Questa, children attend Alta Vista Elementary/Intermediate grades Pre K-6 and Questa Junior High/High School grades 7-12. Students in grades 10th and 11th are offered the opportunity to enroll in college courses with UNM Taos. The Questa School District pays the tuition and transportation costs for those participating students. In Costilla, a small community 20 miles north of Questa, children attend Rio Costilla Southwest Learning Academy Grades K-6.

The vision is that all students will graduate college or career ready. The mission is to challenge all Students to accelerate their learning through rigorous instruction. Students from Questa Independent Schools will be prepared for the 21st Century and will have the necessary skills and self-esteem to become productive members of society.

**SIGNIFICANT FINANCIAL HIGHLIGHTS FOR THE YEAR ENDING JUNE 30, 2017**

The District has successfully implemented the financial reporting and processes as required by the Governmental Accounting Standards Board Statement No. 34. The implementation includes both the current year reporting of depreciation on Capital Assets and accumulated depreciation to date.

As part of the implementation of GASB 34 requirements, accumulated depreciation of \$(12,282,077) was recorded. This includes current year depreciation of \$(850,986) and prior year accumulated depreciation of \$(11,727,068).

The overall adjusted Fund Balance decreased from \$3,578,756 for the year ending June 30, 2016, to \$1,375,183 for the year ending June 30, 2017. This represents decrease in the fund balance of \$2,203,573.

Deferred outflows of resources of \$1,252,006 related to pension and employer contributions subsequent to the measurement date and deferred inflows of resources of \$1,981,502 related to a pension plan are reported in the Statement of Net Position at June 30, 2017. These items are the result of the implementation of GASB 68 as it relates to the District's proportionate share of the NM Educational Retirement Board Pension Plan, a multiple employer cost sharing defined benefit pension plan.

Total revenues increased from \$7,880,559 in the year ending June 30, 2016, to \$7,972,999 in the year ending June 30, 2017. This is an increase of \$92,440 reflecting an overall revenue increase of 1.17%.

Total expenditures increased from \$7,678,338 for the year ending June 30, 2016, to \$10,176,572 for the year ending June 30, 2017. This is an increase in expenditures of \$2,498,234.

The District implemented GASB 68 which required the District to recognize its proportionate share of the NM Educational Retirement Board Pension Plan. Additional information regarding the impact of this change is reflected in Note 5 of the financial statements.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**DISTRICT WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

The financial statements of the Questa Independent School District are prepared using the accrual method of accounting. This statement shows that the District has total assets of \$20,036,967. The District has \$2,312,251 of cash and cash equivalents on hand as of June 30, 2017, compared to \$2,088,528 current liabilities. Net Position totaling \$2,215,785 are "restricted" for debt service, special revenue funds, and capital projects. Net Position totaling \$(8,460,417) are "unrestricted".

	<u>June 30, 2017</u>
<b>ASSETS</b>	
Cash assets	\$ 2,312,251
Current and other assets	879,676
Capital assets	27,875,111
Less: Accumulated depreciation	(12,282,077)
Deferred outflows related to pension	<u>1,252,006</u>
Total assets and deferred outflows related to pension	<u>20,036,967</u>
<b>LIABILITIES</b>	
Accounts payable	1,541,189
Other current liabilities	547,339
Long term liabilities	12,088,535
Deferred inflows related to pension	<u>1,981,502</u>
Total liabilities and Deferred inflows related to pension	<u>16,158,565</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,123,034
Restricted	2,215,785
Unrestricted	<u>(8,460,417)</u>
Total net position	<u><u>\$ 3,878,402</u></u>

GASB 34 rules now require public entities to depreciate capital assets. This statement includes an adjusted accumulated depreciation of the District's capital assets in the amount of \$(11,727,068). The District utilized a "straight-line" depreciation method in all cases and standardized lifetime tables in calculating this depreciation.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**DISTRICT WIDE FINANCIAL STATEMENTS - Cont'd**

**Statement of Activities**

The Statement of (Governmental) Activities is also a statement required by GASB 34 and is prepared using the accrual method of accounting. This report complements the Statement of Net Position by showing the overall change in the District's net position for the fiscal year ending June 30, 2017. As of June 30, 2017, the District had a net position of \$3,878,402. The Adjusted beginning year total net asset is \$4,688,507 reflecting a decrease in a total net asset of \$810,105 for the year ending June 30, 2017.

	<u>June 30, 2017</u>
Expenses for governmental activities	\$ (8,783,106)
Less charges for services	111,064
Less operating grants and contributions	1,441,678
Less Capital Grants and Contributions	<u>555,934</u>
Net (Expenses) revenues and changes in net position	<u>(6,674,430)</u>
General revenues:	
Taxes - general, debt service, capital projects	1,386,673
Federal and state aid not restricted to specific purpose	4,374,399
Interest and investment earnings	1,267
Miscellaneous	<u>101,986</u>
Subtotal, general revenues	<u>5,864,325</u>
Changes in net position	(810,105)
Net position - beginning	<u>4,688,507</u>
Net position - ending	<u>\$ 3,878,402</u>

**FUND FINANCIAL STATEMENTS**

Fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances is not new to the District's annual financial reports. This report guides the reader to a meaningful overall view for the District revenue, expenditures and changes in the fund balance. Total revenues from state, local and Federal sources were \$7,972,999. Total expenditures for the District were \$10,176,572. The total ending fund balance was \$1,375,183; a decrease of \$2,203,573 from the prior year.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**MULTI-YEAR DISTRICT REVENUES AND EXPENDITURES**

A multi-year view of overall District revenues and expenditures indicates significant decreases in both areas. **The decrease in both revenues and expenditures are commensurate with the decline in student enrollment, as well as decreases in unit value.**

<u>Year</u>	<u>Total Revenues</u>	<u>Increase %</u>	<u>Total Expenses</u>	<u>Increase %</u>
2007/2008	\$ 6,887,858		\$ 7,025,218	
2008/2009	6,749,236	(2.01)%	6,704,017	(4.57)%
2009/2010	6,732,307	(0.25)%	9,873,985	47.28 %
2010/2011	9,352,723	38.92 %	9,346,361	(5.34)%
2011/2012	8,607,600	(7.97)%	9,215,166	(1.40)%
2012/2013	7,974,221	(7.36)%	9,259,935	0.49 %
2013/2014	9,530,836	19.52 %	9,965,643	7.62 %
2014/2015	7,266,313	(23.76)%	7,547,780	(24.26)%
2015/2016	7,880,559	8.45 %	7,678,338	1.73 %
2016/2017	7,972,999	1.17 %	10,176,572	32.54 %

Note: Revenues include proceeds from General Obligation Bonds and exclude cash carryovers; Expenditures include capital outlays.

**THE BUDGET**

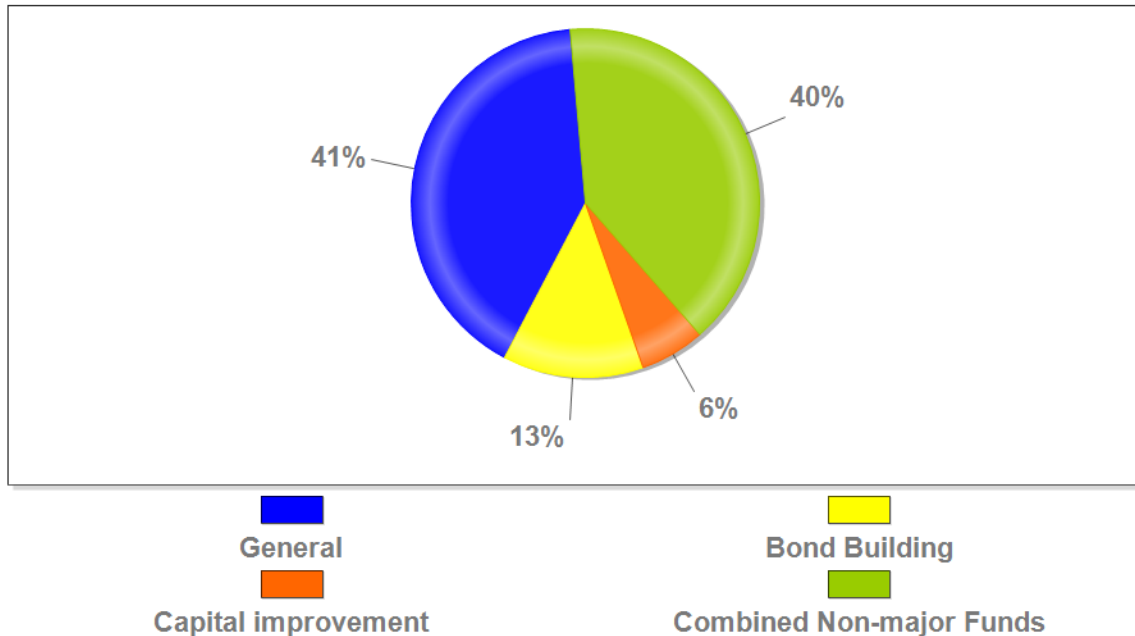
District budgets reflect the same decrease as seen in the revenue and expenditures of the District. The State of New Mexico school budget process is defined under state law and regulation. To enhance the process of developing a budget at the school district level, the District utilizes goals and objectives defined by the District's Board, community input meetings, the long term plans and input from various staff groups to develop to the District's budget. District priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

Major budgetary funds in these reports are: The General Fund, Bond Building, Capital Improvements, Ed Technology Equipment, Debt services and Total Education Technology Debt Services. In addition, included are non-major Special Revenue Funds, non-major Capital Projects Funds and Debt Service funds which are also reported for their budgetary performance. The following graphics and tables show the fiscal relationship of the major funds and the combined non-major funds.

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2017**

**Budgetary Comparison**



The reader will note that the General Fund represents 41% of the total fund dollar amount. This fund provides the salary and benefits for the significant majority of the Direct Instruction, Instructional Support, Administration, Business Support, Food Service Transportation and Maintenance staff as well as classroom materials, special education consulting staff and fixed utility costs.

Revenue from this fund is substantially derived from the State Equalization Guarantee, which is the funding formula appropriated for education by the State Legislature. The General Fund is explored later in the Management Discussion and Analysis.

The following table examines the summary budget performance of the major and combined non-major funds for the fiscal year ending June 30, 2017. Detailed budget performance is examined through the Budgetary Comparison Statement for each major fund and the Schedule of Revenues and Expenditures Budget and Actual for the combined Special Revenue Funds, Capital Projects Funds, and Debt Service.



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE**

<u>Fund Type</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 5,172,779	\$ 4,959,974	\$ 212,805
Bond Building	1,662,058	1,299,777	362,281
Capital Improvement SB-9 Local	727,269	470,186	257,083

All funds fell within the regulatory criteria set by the State Department of Education and New Mexico Statute. Both the Manual of Procedures for Public School Accounting and NMSA 8-22-5, Annotated require that budget expenditures be within the authorization of the approved budget.

**The General Fund**

The General Fund revenue represents \$4,978,233 of the total \$7,972,999 in overall District revenues. The impact of this fund must be kept in context. The General Fund began the year with an initial budget of \$4,962,260 and had a final budget of \$4,944,177.

The General Fund is predominately funded by revenues from the State of New Mexico Equalization Guarantee Formula. This fund pays for teaching staff, teaching support staff, special education support staff, maintenance staff and administration staff. The General Fund provides the predominant funding for the entire education process. Because of the student population decrease experienced by the School District, and because of the reduction in the unit value the Equalization Guarantee has decreased. The Operational Fund has seen significant decreases in revenues as seen in the following table.

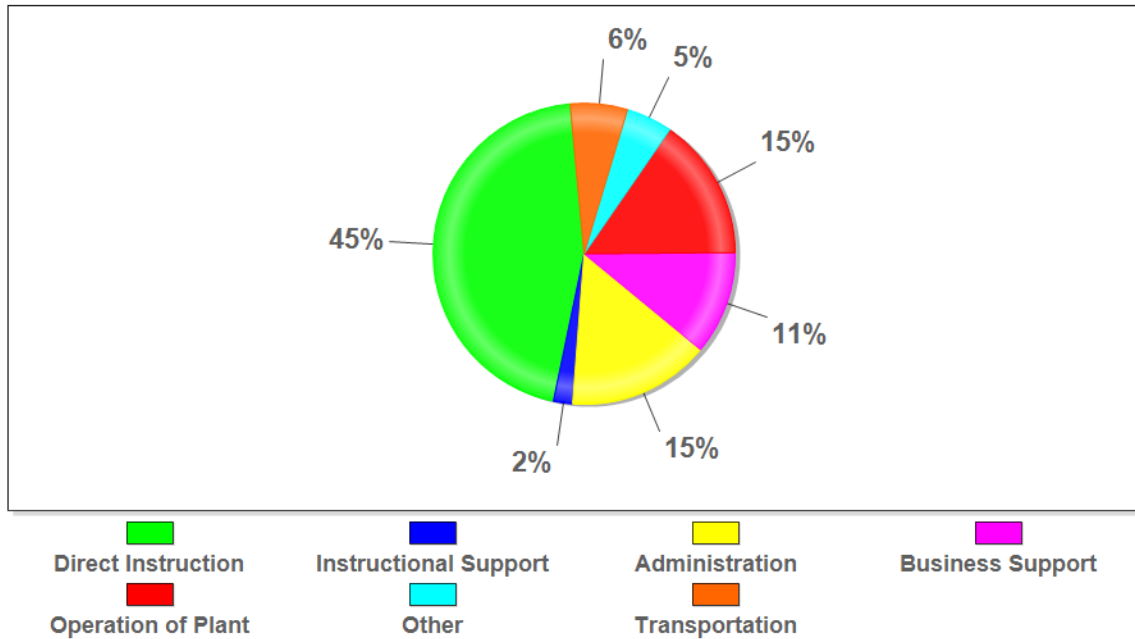
<u>Year</u>	<u>Revenues</u>	<u>Increase %</u>
2007-2008	\$ 5,191,310	0 %
2008-2009	5,205,438	0 %
2009-2010	4,746,742	(9)%
2010-2011	4,917,244	4 %
2011-2012	4,652,325	(5)%
2012-2013	4,601,539	(1)%
2013-2014	4,448,257	(3)%
2014-2015	4,581,154	3 %
2015-2016	4,996,454	9 %
2016-2017	4,978,233	0 %

Because the General Fund is the main fund whose expenditures are significantly related to the educational process, \$4,967,815 was expended in the year ending June 30, 2017. The most significant inter-fund expenditure was for the function noted as "Direct Instruction". This expenditure was \$2,224,975 and represents 45% of all general expenditures. Expenditures included in this function are regular and special education teachers and assistants, benefits, payroll taxes, school supplies, training and miscellaneous instructional related contract services.

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2017**

**MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE - Cont'd**

**Percentage of GF Expenditures**



The following discussion on the General Fund Budget will relate functional expenditures for the year ending June 30, 2017, for the General Fund. Direct Instruction represents 45% of all General Fund expenditures. Direct Instruction expenditures account for regular education, special education and kindergarten teachers and educational assistants' salaries, payroll taxes and benefits. Instructional Support represents 2% of General Fund expenditures and accounts for expenditures for school principals, program coordinators, counselors, school nursing staff, librarians, special education ancillary staff and significant support to special education programs through contract ancillary support staff and contract programs.

The Office of the Superintendent and the Business Office represent the overhead support of the entire operations of the District; these programs combined represent 37% of the total General Fund. The operation of the plant accounts for 15% of the General Fund expenditures. Included in the Operation of the Plant expenditures are salaries and benefits for maintenance staff, school custodians, fixed utility costs, maintenance and repairs, maintenance supplies and school custodial supplies. Additional support for maintenance supplies and projects comes from the voter-approved SB9 Fund. The General Fund also supports expenditures for athletics and transportation.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**CAPITAL ASSETS**

This District has not added any new facilities. As can be seen from the balance in Capital Assets, the reader can see that the district's facilities are aging.

<u>Assets Type</u>	<u>Balance June 30, 2016</u>	<u>Balance June 30, 2017</u>
Land	\$ 17,411	\$ 17,411
CIP		1,262,018
Building & improvements	25,513,457	25,398,003
Furniture, fixtures & equipment	<u>1,096,553</u>	<u>1,197,679</u>
Total capital assets	<u>26,627,421</u>	<u>27,875,111</u>
Less Accumulated depreciation	<u>(11,727,068)</u>	<u>(12,282,077)</u>
Capital assets-Net	<u>\$ 14,900,353</u>	<u>\$ 15,593,034</u>

**GENERAL LONG TERM DEBT**

Article IX, Section 11 of the New Mexico Constitution limits the power of a school district to incur general obligation debt beyond a school year unless such debt is for "the purpose of erecting, remodeling, making additions, and furnishing buildings or purchasing or improving school grounds or purchasing computer software or hardware for student use in public classrooms or any combination of these purposes." The approval of debt is subject to a vote of the local electors and may not exceed 6% of the assessed valuation of the taxable property within the District.

The School District has never defaulted on any of its debts or other obligations. Listed below is the District's total general obligation debt as of June 30, 2017.

<u>Year Ended June 30</u>	<u>Principle</u>	<u>Interest</u>	<u>Totals</u>
2018	420,000	232,514	652,514
2019	215,000	224,196	439,196
2020	230,000	217,234	447,234
2021	240,000	209,296	449,296
2022	250,000	200,097	450,097
2023-2027	3,440,000	782,184	4,222,184
2028-2029	<u>675,000</u>	<u>28,541</u>	<u>703,541</u>
Total	<u>\$ 5,470,000</u>	<u>\$ 1,894,062</u>	<u>\$ 7,364,062</u>

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**AGENCY FUNDS**

The District, as a custodian, maintains and monitors special funds on the behalf of school activity groups. Agency funds maintained by the District are to benefit a specific activity or interest and are generally raised by students for student use. The custody and use of these funds are in accordance with Public Education Department Regulations and School District Policy. The Statement of Fiduciary Net Asset has a cash balance of \$61,728 as of June 30, 2017, held on behalf of the students.

**FUTURE TRENDS**

The voters of the Questa Independent School District will have the opportunity to support the SB9 Levy Election again in February of 2019. With the recent General Obligation Bond, the district was able to construct an Athletic Field which includes a football field, soccer field, baseball field, a running track and an Athletic Facility Building. Also, the District was able to renovate the restroom facilities to be ADA compliance. The district will continue to upgrade and renovate the school facilities. The district also presented the Education Technology Bonds to the school board for approval. The Ed Tech Bond Notes were approved and will be sold sometime late September 2017.

The district will continue its collaboration with UNM Taos enabling our students to get a head start on their post-secondary education. Also, with the assistance of Chevron, Inc. and Los Alamos Labs the district will be implementing a welding program at the high school as early as January 2018.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,312,251
Investment	277
Property tax receivable	169,005
Receivable	1,178
Due from grantor	<u>244,216</u>
Total current assets	<u>2,726,927</u>
Noncurrent assets:	
Restricted cash	465,000
Capital assets	27,875,111
Less: accumulated depreciation	<u>(12,282,077)</u>
Total noncurrent assets	<u>16,058,034</u>
Total assets	<u>18,784,961</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Differences between expected and actual experience	30,521
Changes of assumptions	143,209
Net difference between projected and actual earnings on pension plan investments	419,945
Changes in proportion	261,801
Employer contributions subsequent to the measurement date	<u>396,530</u>
Total deferred outflows of resources	<u>1,252,006</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,541,189
Accrued interest	117,432
Compensated absences	9,907
Current amount due for bonds	<u>420,000</u>
Total current liabilities	<u>2,088,528</u>
Noncurrent liabilities:	
Compensated absences	3,302
Bonds and notes	5,050,000
Net pension liability	<u>7,035,233</u>
Total noncurrent liabilities	<u>12,088,535</u>
Total liabilities	<u>14,177,063</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

**DEFERRED INFLOWS OF RESOURCES**

Unearned revenue	275,555
Differences between expected and actual experience	66,914
Change in proportion	<u>1,639,033</u>
Total deferred inflows of resources	<u>1,981,502</u>

**NET POSITION**

Net investment in capital assets	10,123,034
Restricted for:	
Special revenue funds	223,277
Capital projects	575,956
Debt services	1,416,552
Unrestricted	<u>(8,460,417)</u>
Total net position	<u>\$ 3,878,402</u>

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



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in net position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Governmental activities					
Instruction	\$ 3,347,322	\$ 99,162	\$ 720,693	\$	\$ (2,527,467)
Support services-students	626,307		65,318		(560,989)
Support services-instruction	137,104		2,679		(134,425)
General administration	388,451				(388,451)
School administration	508,960		47,208		(461,752)
Central services	263,290				(263,290)
Operation & maintenance of plant	2,817,730	7,660	51,928	555,934	(2,202,208)
Student transportation	312,979		310,920		(2,059)
Other					
Food services operations	251,524	4,242	242,932		(4,350)
Interest on long-term obligations	129,439				(129,439)
Total governmental activities	<u>8,783,106</u>	<u>111,064</u>	<u>1,441,678</u>	<u>555,934</u>	<u>(6,674,430)</u>
General revenues					
Taxes:					
Property taxes, levied for general purposes					78,448
Property taxes, levied for capital projects					373,742
Property taxes, levied for debt service					934,483
Federal and state aid not restricted to specific purpose:					
General					4,374,399
Interest and investment earnings					1,267
Miscellaneous					101,986
Subtotal, general revenues					<u>5,864,325</u>
Change in net position					<u>(810,105)</u>
Net position - beginning					<u>4,688,507</u>
Net position - ending					<u>\$ 3,878,402</u>

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

**GOVERNMENTAL FUND FINANCIAL STATEMENT**

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

	General Fund		
	Operational 11000	Teacherage 12000	Pupil Transportation 13000
<b>ASSETS</b>			
Cash and cash equivalents	\$ 61,152	\$ 9,085	\$ 709
Investment			
Receivables:			
Property taxes	21,757		
Due from grantor			
Interfund receivable	253,732		
Other receivable			
	<u>336,641</u>	<u>9,085</u>	<u>709</u>
Total assets	<u>336,641</u>	<u>9,085</u>	<u>709</u>
 <b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	10,020		
Interfund payable			
	<u>10,020</u>		
Total liabilities	<u>10,020</u>		
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	20,212		
	<u>20,212</u>		
Total deferred inflows of resources	<u>20,212</u>	<u>0</u>	<u>0</u>
 <b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			
Capital improvements funds			
Debt service funds			
Unassigned - reported in:			
General funds	306,409	9,085	709
Special revenue funds			
Capital improvements funds			
	<u>306,409</u>	<u>9,085</u>	<u>709</u>
Total fund balance	<u>306,409</u>	<u>9,085</u>	<u>709</u>
Total liabilities and fund balance	<u>\$ 336,641</u>	<u>\$ 9,085</u>	<u>\$ 709</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

	<u>General Fund</u>
	<u>Instructional Materials 14000</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 24,074
Investment	
Receivables:	
Property taxes	
Due from grantor	
Interfund receivable	
Other receivable	
	_____
Total assets	24,074
 <b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	
Interfund payable	
	_____
Total liabilities	_____
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	
	_____
Total deferred inflows of resources	0
 <b>FUND BALANCES</b>	
Restricted-reported in:	
Special revenue funds	
Capital improvements funds	
Debt service funds	
Unassigned - reported in:	
General funds	24,074
Special revenue funds	
Capital improvements funds	
	_____
Total fund balance	24,074
Total liabilities and fund balance	\$ 24,074

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

	Capital Project Funds		Debt Service Funds
	Bond Building 31100	Capital Improvements SB-9 Local 31701	Debt Services 41000
<b>ASSETS</b>			
Cash and cash equivalents	\$ 362,359	\$ 491,712	\$ 1,182,895
Investment	277		
Receivables:			
Property taxes			104,781
Due from grantor			
Interfund receivable			
Other receivable			
Total assets	362,636	491,712	1,287,676
 <b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	1,352,323	50,213	
Interfund payable			
Total liabilities	1,352,323	50,213	
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue			94,284
Total deferred inflows of resources	0	0	94,284
 <b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			
Capital improvements funds		441,499	
Debt service funds			1,193,392
Unassigned - reported in:			
General funds			
Special revenue funds			
Capital improvements funds	(989,687)		
Total fund balance	(989,687)	441,499	1,193,392
Total liabilities and fund balance	\$ 362,636	\$ 491,712	\$ 1,287,676

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2017**

	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 645,265	\$ 2,777,251	
Investment		277	
Receivables:			
Property taxes	42,467	169,005	
Due from grantor	244,216	244,216	
Interfund receivable		253,732	
Other receivable	<u>1,178</u>	<u>1,178</u>	
Total assets	<u><u>933,126</u></u>	<u><u>3,445,659</u></u>	
 <b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	128,633	1,541,189	
Interfund payable	<u>253,732</u>	<u>253,732</u>	
Total liabilities	<u><u>382,365</u></u>	<u><u>1,794,921</u></u>	
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	<u>161,059</u>	<u>275,555</u>	
Total deferred inflows of resources	<u><u>161,059</u></u>	<u><u>275,555</u></u>	
 <b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds	223,277	223,277	
Capital improvements funds	134,457	575,956	
Debt service funds	223,160	1,416,552	
Unassigned - reported in:			
General funds		340,277	
Special revenue funds	(191,192)	(191,192)	
Capital improvements funds		<u>(989,687)</u>	
Total fund balance	<u><u>389,702</u></u>	<u><u>1,375,183</u></u>	
Total liabilities and fund balance	<u><u>\$ 933,126</u></u>	<u><u>\$ 3,445,659</u></u>	

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Total fund balance - governmental funds		\$ 1,375,183
Amounts reported for governmental activities in the statement of net position are different because:		
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	27,875,111	
Accumulated depreciation	<u>(12,282,077)</u>	15,593,034
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long term and other liabilities at year end consist of :		
Bonds payable	(5,470,000)	
Accrued interest on bonds	(117,432)	
Compensated absences	<u>(13,209)</u>	(5,600,641)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:		
Deferred outflows of resources related to pension	1,252,006	
Deferred inflows of resources related to pension	<u>(1,705,947)</u>	(453,941)
Certain liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability	<u>(7,035,233)</u>	<u>(7,035,233)</u>
Total net position - Governmental activities		\$ <u>3,878,402</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

	General Funds		
	Operational 11000	Teacherage 12000	Pupil Transportation 13000
<b>REVENUES</b>			
Property taxes	\$ 78,448	\$	\$
Investment income	350		
Fees	74,005	7,660	
State & local grants	4,374,399		310,920
Federal grants	28,048		
Miscellaneous	81,842		
Total revenues	<u>4,637,092</u>	<u>7,660</u>	<u>310,920</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	2,208,000		
Support services-students	532,025		
Support services-instruction	121,740		
Support services-general administration	326,326		
Support services-school administration	427,431		
Central services	263,149		
Operation & maintenance of plant	748,835	12,898	
Student transportation			310,436
Food services operations			
Capital outlay			
Debt service:			
Principal			
Interest			
Total expenditures	<u>4,627,506</u>	<u>12,898</u>	<u>310,436</u>
Excess (deficiency) of revenues over expenditures	<u>9,586</u>	<u>(5,238)</u>	<u>484</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In			
Transfer (Out)	<u>(33,654)</u>		
Total other financing sources (uses)	<u>(33,654)</u>	<u>0</u>	<u>0</u>
Net changes in fund balance	(24,068)	(5,238)	484
Fund balances at beginning of year	<u>330,477</u>	<u>14,323</u>	<u>225</u>
Fund balances end of year	<u>\$ 306,409</u>	<u>\$ 9,085</u>	<u>\$ 709</u>

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



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Funds</u>		<u>Capital Project Funds</u>	
	<u>Instructional Materials 14000</u>	<u>Bond Building 31100</u>	<u>Capital Improvements SB-9 Local 31701</u>	
<b>REVENUES</b>				
Property taxes	\$	\$	\$	373,742
Investment income				581
Fees				
State & local grants	22,561	555,934		
Federal grants				
Miscellaneous				12,132
Total revenues	<u>22,561</u>	<u>555,934</u>		<u>386,455</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	16,975			
Support services-students				
Support services-instruction				
Support services-general administration				3,737
Support services-school administration				
Central services				
Operation & maintenance of plant		1,447,939		320,384
Student transportation				
Food services operations				
Capital outlay		1,204,161		196,276
Debt service:				
Principal				
Interest				
Total expenditures	<u>16,975</u>	<u>2,652,100</u>		<u>520,397</u>
Excess (deficiency) of revenues over expenditures	<u>5,586</u>	<u>(2,096,166)</u>		<u>(133,942)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In				575,441
Transfer (Out)		(2,248)		
Total other financing sources (uses)	<u>0</u>	<u>(2,248)</u>		<u>575,441</u>
Net changes in fund balance	5,586	(2,098,414)		441,499
Fund balances at beginning of year	<u>18,488</u>	<u>1,108,727</u>		<u>0</u>
Fund balances end of year	<u>\$ 24,074</u>	<u>\$ (989,687)</u>	<u>\$</u>	<u>441,499</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Debt Service Funds</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
	41000	Funds	Funds
<b>REVENUES</b>			
Property taxes	\$ 536,763	\$ 397,720	\$ 1,386,673
Investment income		336	1,267
Fees		26,469	108,134
State & local grants		421,489	5,685,303
Federal grants		658,657	686,705
Miscellaneous		10,943	104,917
	<u>536,763</u>	<u>1,515,614</u>	<u>7,972,999</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Instruction		602,834	2,827,809
Support services-students		94,282	626,307
Support services-instruction		730	122,470
Support services-general administration	5,447	33,649	369,159
Support services-school administration		81,529	508,960
Central services		141	263,290
Operation & maintenance of plant		278,190	2,808,246
Student transportation		2,543	312,979
Food services operations		248,182	248,182
Capital outlay		143,230	1,543,667
Debt service:			
Principal	200,000	205,000	405,000
Interest	135,060	5,443	140,503
	<u>340,507</u>	<u>1,695,753</u>	<u>10,176,572</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>196,256</u>	<u>(180,139)</u>	<u>(2,203,573)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In		213,562	789,003
Transfer (Out)	(5,020)	(748,081)	(789,003)
	<u>(5,020)</u>	<u>(534,519)</u>	<u>0</u>
Total other financing sources (uses)			
Net changes in fund balance	191,236	(714,658)	(2,203,573)
Fund balances at beginning of year	<u>1,002,156</u>	<u>1,104,360</u>	<u>3,578,756</u>
Fund balances end of year	<u>\$ 1,193,392</u>	<u>\$ 389,702</u>	<u>\$ 1,375,183</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Net changes in fund balance		\$ (2,203,573)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<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 position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities</p>		
Depreciation expense	\$ (850,986)	
Capital outlays	<u>1,543,667</u>	692,681
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position</p>		
		405,000
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.</p>		
Accrued interest, June 30, 2016	128,496	
Accrued interest, June 30, 2017	<u>(117,432)</u>	11,064
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences June 30, 2016	11,851	
Compensated absences June 30, 2017	<u>(13,209)</u>	(1,358)
<p>Governmental funds report the District's pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense</p>		
Pension contributions		<u>396,530</u>
Pension expense as per actuarial report	(112,768)	
Less: Rounding off difference	<u>2,319</u>	
Net adjusted pension expenditure		<u>(110,449)</u>
Changes in net position of governmental activities		<u>\$ (810,105)</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
CASH BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS)  
AND ACTUAL**

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND - OPERATIONAL-11000

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		Actual	Variances
	<u>Original</u>	<u>Final</u>	(Budgetary Basis)	Positive (Negative) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ 85,800	\$ 85,800	\$ 79,890	\$ (5,910)
Investment income	205	205	350	145
Fees	62,213	62,213	74,005	11,792
State & local grants	4,347,810	4,377,159	4,374,399	(2,760)
Federal grants	12,000	12,000	28,048	16,048
Miscellaneous	<u>69,244</u>	<u>69,244</u>	<u>78,912</u>	<u>9,668</u>
Total revenues	<u>4,577,272</u>	<u>4,606,621</u>	<u>4,635,604</u>	<u>28,983</u>
<b>EXPENDITURES</b>				
Instruction:				
Personnel services	1,512,380	1,516,205	1,479,865	36,340
Employee benefits	587,267	568,376	552,714	15,662
Professional & tech services	43,750	44,725	37,136	7,589
Other purchased services	95,910	97,410	94,789	2,621
Supplies	<u>31,845</u>	<u>56,664</u>	<u>43,496</u>	<u>13,168</u>
Total instruction	<u>2,271,152</u>	<u>2,283,380</u>	<u>2,208,000</u>	<u>75,380</u>
Support services-students:				
Personnel services	239,281	217,139	209,614	7,525
Employee benefits	116,709	107,702	86,612	21,090
Professional & tech services	243,636	256,760	234,640	22,120
Other purchased services	530	530	373	157
Supplies	<u>1,950</u>	<u>1,950</u>	<u>785</u>	<u>1,165</u>
Total support services-students	<u>602,106</u>	<u>584,081</u>	<u>532,024</u>	<u>52,057</u>
Support services-instruction:				
Personnel services	79,489	79,491	79,491	
Employee benefits	41,333	41,336	39,405	1,931
Other purchased services	100	100	24	76
Supplies	<u>5,375</u>	<u>5,375</u>	<u>2,820</u>	<u>2,555</u>
Total support services-instruction	<u>\$ 126,297</u>	<u>\$ 126,302</u>	<u>\$ 121,740</u>	<u>\$ 4,562</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND - OPERATIONAL-11000

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variances
	Original	Final		Positive (Negative) Final to Actual
Support services-general administration:				
Personnel services	\$ 141,740	\$ 142,149	\$ 141,773	\$ 376
Employee benefits	53,349	48,914	48,484	430
Professional & tech services	97,432	112,057	106,785	5,272
Other purchased services	12,402	20,008	18,880	1,128
Supplies	983	4,967	2,566	2,401
Total support services-general administration	<u>305,906</u>	<u>328,095</u>	<u>318,488</u>	<u>9,607</u>
Support services-school administration:				
Personnel services	288,849	287,709	279,407	8,302
Employee benefits	139,958	144,584	140,991	3,593
Professional & tech services	1,180	2,063	1,722	341
Other purchased services	2,815	2,815	2,403	412
Supplies	1,092	3,092	2,909	183
Total support services-school administration	<u>433,894</u>	<u>440,263</u>	<u>427,432</u>	<u>12,831</u>
Central services:				
Personnel services	185,256	184,920	183,585	1,335
Employee benefits	69,743	73,432	72,045	1,387
Professional & tech services	2,990	3,635	3,259	376
Other purchased services	3,400	3,214	2,524	690
Supplies	693	2,038	1,737	301
Total central services	<u>262,082</u>	<u>267,239</u>	<u>263,150</u>	<u>4,089</u>
Operation & maintenance of plant:				
Personnel services	233,142	234,352	231,744	2,608
Employee benefits	94,815	97,844	93,634	4,210
Professional & tech services	1,306	1,306	968	338
Purchased property services	286,433	277,686	251,122	26,564
Other purchased services	166,132	170,929	170,928	1
Supplies	<u>1,137</u>	<u>1,137</u>	<u>437</u>	<u>700</u>
Total operation & maintenance of plant	<u>\$ 781,828</u>	<u>\$ 783,254</u>	<u>\$ 748,833</u>	<u>\$ 34,421</u>

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

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT**

**GENERAL FUND - OPERATIONAL-11000**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
Others:				
Other support services	9,540	9,540		9,540
Total other	9,540	9,540	0	9,540
Total expenditures	4,792,805	4,822,154	4,619,667	202,487
Excess (deficiency) of revenues over expenditures	(215,533)	(215,533)	15,937	231,470
<b><i>OTHER FINANCING SOURCES (USES)</i></b>				
Transfers In/(Out)				
Total other sources (uses)	0	0	0	0
Net change in fund balance	(215,533)	(215,533)	15,937	231,470
Cash balance beginning of year	(1,128,767)	(1,729,665)	229,840	1,959,505
Cash balance end of year	\$ (1,344,300)	\$ (1,945,198)	245,777	\$ 2,190,975
 <b><i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i></b>				
Net changes in fund balance -cash basis			15,937	
Net change in receivable			(32,166)	
Net change in payable			(7,839)	
Net changes in fund balance -GAAP basis			\$ (24,068)	

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

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT**

**GENERAL FUND-TEACHERAGE-12000**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variances Positive (Negative) Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
<b><i>REVENUES</i></b>				
Fees	\$ 9,660	\$ 9,660	\$ 7,660	\$ (2,000)
Total revenues	9,660	9,660	7,660	(2,000)
<b><i>EXPENDITURES</i></b>				
Operation & maintenance of plant:				
Other purchased services		800	800	
Purchased property services	21,617	20,142	11,422	8,720
Supplies	1,000	1,000		1,000
Supply assets		675	675	
Total operation & maintenance of plant	22,617	22,617	12,897	9,720
Total expenditures	22,617	22,617	12,897	9,720
Excess (deficiency) of revenues over expenditures	(12,957)	(12,957)	(5,237)	7,720
Cash balance beginning of year	(121,959)	(121,959)	7,323	129,282
Cash balance end of year	\$ (134,916)	\$ (134,916)	2,086	\$ 137,002
<b><i>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</i></b>				
Excess (deficiency) of revenues over expenditures-cash basis			(5,237)	
Net change in receivable			0	
Net change in payable			(1)	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ (5,238)	

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



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND- PUPIL TRANSPORTATION-13000

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
State and local grants	\$ 355,933	\$ 310,920	\$ 310,920	\$ _____
Total revenues	355,933	310,920	310,920	0
<b>EXPENDITURES</b>				
Student transportation:				
Personnel services	10,000	8,500	8,500	
Employee benefits	3,017	2,345	2,149	196
Professional and technical services	6,480	978	978	
Purchased property services	19,806	19,806	19,806	
Other purchased services	304,896	265,954	265,655	299
Supplies	5,428	5,069	4,968	101
Supply assets	6,306	8,380	8,379	1
Total student transportation	355,933	311,032	310,435	597
Total expenditures	355,933	311,032	310,435	597
Excess (deficiency) of revenues over expenditures	0	(112)	485	597
Cash balance beginning of year	11,199	5,808	7,225	1,417
Cash balance end of year	\$ 11,199	\$ 5,696	7,710	\$ 2,014
<b>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</b>				
Excess (deficiency) of revenues over expenditures-cash basis			485	
Net change in receivable			0	
Net change in payable			(1)	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ 484	

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

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND-INSTRUCTIONAL MATERIALS-14000  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variances Positive (Negative) Final to Actual
	Original	Final		
<b>REVENUES</b>				
State & local grants	\$ 19,395	\$ 16,976	\$ 22,561	\$ 5,585
Total revenues	19,395	16,976	22,561	\$ 5,585
<b>EXPENDITURES</b>				
Instruction:				
Supplies	19,395	16,976	16,975	1
Total instruction	19,395	16,976	16,975	1
Total expenditures	19,395	16,976	16,975	1
Excess (deficiency) of revenues over expenditures	0	0	5,586	5,586
Cash balance beginning of year	(26,665)	(76,449)	18,488	94,937
Cash balance end of year	\$ (26,665)	\$ (76,449)	24,074	\$ 100,523
<b>RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS</b>				
Excess (deficiency) of revenues over expenditures-cash basis			5,586	
Net change in accounts receivable			0	
Net Change in accounts payables			0	
Excess (deficiency) of revenues over expenditures-GAAP basis			\$ 5,586	

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>61,728</u>
Total assets	<u>61,728</u>
<b>LIABILITIES</b>	
Deposits held for others	<u>61,728</u>
Total liabilities	\$ <u><u>61,728</u></u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Questa Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The 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. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

***A. Financial Reporting Entity***

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

Roots and Wings Charter School and Red River Valley Charter School were discretely presented component units of the District. However, both Schools elected to become a State Charter School authorized by the Public Education Department, effective school years 2016/2017 and 2011/2012 respectively.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

***B. Government-wide and fund financial statements***

The government-wide financial statements (GWFS) consist of the Statement of Net Position and the Statement of Activities. They report information on all of the non-fiduciary activities of the primary government as a whole. The interfund activity among funds has been removed from these statements. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as state equalization guarantee, transportation and various federal and state grants. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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 numbers of funds are maintained consistent with legal and managerial requirements.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Cont'd)**

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

**Governmental Funds**

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

General fund - The General fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Debt service fund - The Debt service fund is used to account for the resources for, and the payment of, principal, interest, and related costs.

Capital projects fund - The Capital projects fund is used to account for all resources for the acquisition of capital facilities by the District.

**Fiduciary Fund Type**

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

**Major Funds**

Under the requirements of GASB #34, the District is required to present certain of governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements are as follows:

**General funds**

The General Fund consists of four sub funds.

Operational Fund (11000) - The first is the operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

Teacherage Fund (12000) - The Teacherage Fund is to provide teachers affordable housing to entice them to teach there.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Cont'd)**

Transportation Fund (13000) - The Transportation fund includes a state grant to provide transportation for students in the District.

Instructional Materials Fund (14000) - The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

**Major Capital Project Funds**

Bond Building (31100) - The revenues are derived from a School Building Bond Issue. The expenditures are restricted to major capital improvements.

Capital Improvement SB9 - Local (31701) - The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

**Major Debt service funds**

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

**D. Assets, Liabilities and Net Position or Equity**

**Cash and cash equivalents**

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

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

State statutes also authorize the District to invest in Certificates of Deposit, obligations of the US Government, and the State Treasurer's Investment Pool.

Money market investments and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less, and are held by governments other than external investment pools should be measured at amortized cost as provided in paragraph 9 of GASB No. 72.

The District's demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are reported at amortized cost per GASB statement No. 72.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**D. Assets, Liabilities and Net Position or Equity - (Cont'd)**

**Investments**

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

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value one hundred and two percent. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "interfund balances." In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the Governmental activities column.

Receivables include Property taxes and the amount due from state or federal government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

**Inventories and Prepaid Items**

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food service fund consists of purchased food and non-food items and the United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**D. Assets, Liabilities and Net Position or Equity - (Cont'd)**

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2017.

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

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

**Capital Leases**

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception, and the corresponding asset is recorded in the capital assets section on the balance sheet.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**D. Assets, Liabilities and Net Position or Equity - (Cont'd)**

**Unearned Revenue**

Accounting principles generally accepted in the United States of America require that grant revenue is recognized at the time when the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as Unearned Revenues. Amounts receivable from the property taxes levied for the current year that is not considered to be “available” under the current financial resources measurement focus are reported as Unearned Revenues in the governmental fund financial statements. GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net position by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

**Short -Term Debt**

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond issuance costs are reflected as a current period expense per GASB 65.

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

**Compensated Absences**

The annual leave with pay policy is only applicable for full-time (12 month) employees and is based on the following scale:

<u>Years of Service</u>	<u>Day accrued per year</u>
0-1	10
2-10	15
11-20	20
21-over	25

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**D. Assets, Liabilities and Net Position or Equity - (Cont'd)**

Years of service will be based on the number of years employed with the District. Unused annual leave may be accumulated to a total of not more than ten (10) working days. Upon termination of employment, no payment will be made for more than ten (10) days of unused annual leave.

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

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

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

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

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

**Net Position**

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In the government-wide financial statements, net position is classified and displayed in three components:

*Net Investment in Capital Assets:* Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of the net position.

*Restricted:* Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The enabling legislation authorizes the government 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. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

***D. Assets, Liabilities and Net Position or Equity - (Cont'd)***

*Unrestricted:* All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

The Government-wide Statement of Net Position reports \$2,215,785 of restricted net position of which \$575,956 is restricted by enabling legislation.

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

**Fund balances of Fund Financial Statements**

Nonspendable fund balance represents assets that are other than cash such as inventory.

Restricted fund balance indicates that portion of fund equity which has been segregated for specific purposes.

Committed - Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned fund balance classification are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance indicates the portion of fund equity which is available for budgeting in the future.

**Revenues**

Program revenues included in the Statement of Activities are derived directly from the program itself or from outside parties, as a whole; program revenues reduce the cost of the function to be financed from general revenues. Program revenues are categorized as 1) charges for services (if applicable), 2) program-specific operating grants specified for educational purposes such as IDEA-B grants, and 3) program-specific capital grants and contributions (if applicable). Internally dedicated resources are reported as general revenues rather than as program revenues.

Tax revenues - The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be ‘measurable’ and ‘available’ on a modified accrual basis. The District recognized \$1,386,673 in tax revenues during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**D. Assets, Liabilities and Net Position or Equity - (Cont'd)**

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Rio Arriba County collects County, City, and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

Transportation distribution - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending a public school within the school district. The District received \$310,920 in transportation distributions during the year ended June 30, 2017.

Instructional materials - The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while the other fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017, totaled \$22,561.

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.

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 an agency (usually the New Mexico Department of Education). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

The District also receives revenues from Federal department which are unrestricted to expenditures for special purposes. These revenues are reported in the Operational fund.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

***D. Assets, Liabilities and Net Position or Equity - (Cont'd)***

**Expenditures**

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.

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

**Other financing sources (uses)**

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, the 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.

**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.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

***A. Basis of Budgeting***

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the District for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The District shall make corrections, revisions, and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No school board or officer or employee of the District shall make any expenditure or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Cont'd)**

**A. Basis of Budgeting - (Cont'd)**

8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments there to.

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

State statutes authorize the investment of the District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

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

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

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

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



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

**A. Deposits and Investments - (Cont'd)**

**Deposits**

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District School for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

<u>Name of account</u>	<u>Centinel Bank Balance</u>	<u>People's Bank Balance</u>	<u>Bank of Albuquerque</u>	<u>Reconciled Balance</u>	<u>Type</u>
Payroll clearing	\$ 327,645	\$	\$	\$	Checking
Account payable clearing	255,687				Checking
Cafeteria	103,710			103,710	Checking
General operational	348,271			337,088	Checking
Debt service			465,000	465,000	Checking
Ed technology	440,361			445,909	Checking
Federal project	566,759	-		569,172	Checking
Capital project	837,968			841,188	Checking
Questa Ind. Schools	10,000			10,000	Savings
Questa Ind. Schools	10,000			10,000	Savings
Athletic Fund Account		10,108		9,958	Checking
Activity Fund Account		44,034		41,728	Checking
TOTAL deposited	<u>2,900,401</u>	<u>54,142</u>	<u>\$ 465,000</u>	<u>\$ 2,833,753</u>	
Less: FDIC coverage	<u>250,000</u>	<u>\$ 54,142</u>	<u>\$ 250,000</u>		
Uninsured amount	2,650,401		215,000		
50% collateral requirement	1,325,201		107,500		
Pledged securities	<u>1,758,547</u>		<u>215,000</u>		
Over (under) requirement	<u>\$ 433,346</u>		<u>\$ 107,500</u>		

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

**Restricted Cash**

The District has a reserve account held with Bank of Albuquerque in the amount of \$465,000. The account is a required reserve to be maintained until the maturity of series 2010 Revenue Bonds. The interest earned on the account is used to pay interest on the revenue bonds.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

**A. Deposits and Investments - (Cont'd)**

The following securities are pledged at Centinel Bank:

<u>Description</u>	<u>CUSIP#</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Name of Custodian</u>
FHLB	3133EABS6	\$ 1,758,547	2/1/2019	TIB
<u>Bank of Albuquerque</u>				<u>Credit Limit</u>
Bank of Albuquerque pooled governmental securities for trust accounts				\$ <u>215,000</u>

**Custodial Credit Risk-Deposits**

<u>Depository account</u>	<u>Bank Balance</u>
Account Balance	\$ 3,419,543
FDIC Insured	554,142
Collateralized:	
Collateral held by the pledging bank in District's name	1,973,547
Uninsured and uncollateralized	<u>891,854</u>
Total deposits	\$ <u>3,419,543</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$891,854 of the District's bank balance of \$3,419,543 was exposed to custodial credit risk.

The carrying amount of deposits shown above is included in the following captions in the financial's:

<u>Reconciliation of Cash and Temporary Investments</u>	
Cash and cash equivalents - Statement of Net Position	\$ 2,777,251
Cash and cash equivalents - Statement of Fiduciary Net Position	61,728
Add: outstanding checks and other reconciling items	585,790
Less: Petty cash	<u>(5,226)</u>
Bank Balance of deposits	\$ <u>3,419,543</u>

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

**A. Deposits and Investments - (Cont'd)**

**Investment**

**Custodial Credit Risk- Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for the securities underlying an overnight repurchase agreement, or a joint safekeeping receipt to be issued to the District for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution.

**New Mexico State Treasurer**

<u>Name of Account</u>	<u>Balance 6/30/2017</u>	<u>Reconciled Balance</u>	<u>Type</u>
QISD LGIP - POOL 4101 (7760-5138)	\$ 102	\$ 102	Investment
QISD LGIP - POOL 4102 (7439-1338)	175	175	Investment
Total deposited	<u>\$ 277</u>	<u>\$ 277</u>	

The investments with the State Treasurer are valued at fair value based on quoted market prices as of valuation date.

GASB Statement No. 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of governmental entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk. The State Treasurer's Office provides the following information regarding the LGIP:

1. With respect to credit risk, the LGIP, a government investment pool, is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.
2. GASB Statement No. 40 defines the concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure. However, our portfolio is posted on the State Treasurer's website [www.saonm.org](http://www.saonm.org) and available for review by participants at any time.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

**A. Deposits and Investments - (Cont'd)**

3. GASB Statement No. 40 defines interest rate risk as the risk that interest rate variations may adversely affect the fair value of an investment. According to GASB Statement No. 40, an acceptable method for reporting interest rate risk is weighted average maturity (“WAM”). The State Treasurer’s Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer’s Office website at [www.saonm.org](http://www.saonm.org). As of June 30, 2017, the LGIP WAM was 60 days.
4. Finally, with respect to foreign currency risk, all investments in the LGIP are in U.S. dollar denominated assets. Therefore, the LGIP has no foreign currency risk.

**B. Receivables**

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

	General Fund 11000	Capital Improvements SB-9 31700	Debt Services 41000	Total Ed. Tech. Debt Service Sub Fund - 43000	Other Governmental	Total Governmental Funds
Property taxes:	\$ 21,757	\$ 7,298	\$ 104,781	\$ 35,169	\$	\$ 169,005
Due from grantors:						
State-agencies					99,114	99,114
Federal agencies					145,102	145,102
Other receivable					1,178	1,178
Total	<u>\$ 21,757</u>	<u>\$ 7,298</u>	<u>\$ 104,781</u>	<u>\$ 35,169</u>	<u>\$ 245,394</u>	<u>\$ 414,399</u>

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

**C. Interfund Receivables, and Payables**

Interfund balances during the year ending June 30, 2017, were as follows:

Due from other funds	Amount	Due to other funds	Amount
Major Governmental Funds:		Major Governmental Funds:	
Operational	\$ 253,732		
Total Major Governmental Funds	<u>253,732</u>	Total Major Governmental Funds	<u>0</u>
Other Nonmajor Governmental Funds	<u>0</u>	Other Nonmajor Governmental Funds	<u>253,732</u>
Grand total	<u>\$ 253,732</u>	Grand total	<u>\$ 253,732</u>

The due to/due from balances have been caused by negative cash balances at year end.

Loans were made from the General fund to above funds to cover the cash balances while awaiting reimbursements from PED. All loans are expected to be repaid within one year.

**Interfund Operating Transfers:**

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations, were as follows:

Transfer In	Amount	Transfer Out	Amount
Major Governmental Funds:		Major Governmental Funds:	
Capital Improvements SB-9 Local 31701	\$ 575,441	Operational 11000	\$ 33,654
		Bond Building 31100	2,248
		Debt Services 41000	<u>5,020</u>
Total Major Governmental Funds	<u>575,441</u>	Total Major Governmental Funds	<u>40,922</u>
Other Nonmajor Governmental Funds	<u>213,562</u>	Other Nonmajor Governmental Funds	<u>748,081</u>
Grand total	<u>\$ 789,003</u>	Grand total	<u>\$ 789,003</u>

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

***D. Capital Assets***

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

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 17,411	\$	\$	\$ 17,411
Construction in progress	<u>                    </u>	<u>1,262,018</u>	<u>                    </u>	<u>1,262,018</u>
<b>Total capital assets, not being depreciated</b>	<u>17,411</u>	<u>1,262,018</u>	<u>0</u>	<u>1,279,429</u>
<b>Capital assets being depreciated:</b>				
Buildings & improvements	25,513,457	180,523	(295,977)	25,398,003
Equipment and vehicles information technology equipment, software & library books	<u>1,096,553</u>	<u>101,126</u>	<u>                    </u>	<u>1,197,679</u>
<b>Total capital assets being depreciated:</b>	<u>26,610,010</u>	<u>281,649</u>	<u>(295,977)</u>	<u>26,595,682</u>
<b>Total capital assets</b>	<u>26,627,421</u>	<u>1,543,667</u>	<u>(295,977)</u>	<u>27,875,111</u>
Less: accumulated depreciation for:				
Building & improvements	(11,049,309)	(775,194)	295,977	(11,528,526)
Equipment and vehicles information technology equipment, software & library books	<u>(677,759)</u>	<u>(75,792)</u>	<u>                    </u>	<u>(753,551)</u>
<b>Total accumulated depreciation:</b>	<u>(11,727,068)</u>	<u>(850,986)</u>	<u>295,977</u>	<u>(12,282,077)</u>
<b>Capital assets, net</b>	<u>\$ 14,900,353</u>	<u>\$ 692,681</u>	<u>\$ 0</u>	<u>\$ 15,593,034</u>

Depreciation expense was charged to Governmental activities as follows:

Instruction	\$ 804,236
Support instruction	14,634
General administration	19,292
Operation of plant	9,482
Food services	<u>3,342</u>
<b>Total depreciation expenses</b>	<u>\$ 850,986</u>

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

***E. Unearned Revenue***

Unearned Revenue represents advances on grants and property taxes which have not been earned at June 30, 2017:

	<u>Other</u> <u>Governmental</u>
Federal grants and property tax	\$ <u>275,555</u>
Total unearned revenue	\$ <u><u>275,555</u></u>

***F. Long-Term Debt***

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

	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2017</u>	<u>Amount Due</u> <u>Within One</u> <u>Year</u>
Governmental activities:					
Education technology					
Notes	\$ <u>5,875,000</u>	\$ _____	\$ <u>405,000</u>	\$ <u>5,470,000</u>	\$ <u>420,000</u>
Total Notes	<u>5,875,000</u>	<u>0</u>	<u>405,000</u>	<u>5,470,000</u>	<u>420,000</u>
Other liabilities					
Compensated absences	<u>11,851</u>	<u>29,601</u>	<u>28,243</u>	<u>13,209</u>	<u>9,907</u>
Total other liabilities	<u>11,851</u>	<u>29,601</u>	<u>28,243</u>	<u>13,209</u>	<u>9,907</u>
Long-term liabilities	\$ <u><u>5,886,851</u></u>	\$ <u><u>29,601</u></u>	\$ <u><u>433,243</u></u>	\$ <u><u>5,483,209</u></u>	\$ <u><u>429,907</u></u>

Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

***F. Long-Term Debt - (Cont'd)***

General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

<u>Series</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
2009	3/3/2029	4,000,000	4.80%	\$ 3,260,000
2010	9/1/2026	2,000,000	0.00%	2,000,000
2012	7/1/2017	1,000,000	2.00%	<u>210,000</u>
				<u>\$ 5,470,000</u>

The annual requirements to amortize the general obligation bonds as of June 30, 2017, including interest payments are as follows:

In May, 2009, the school obtained a loan in the amount of \$4,000,000 with an interest rate of 4.80% and matures in March, 2029. The future requirements for the loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2018	210,000	121,571	331,571
2019	215,000	115,196	330,196
2020	230,000	108,234	338,234
2021	240,000	100,296	340,296
2022	250,000	91,097	341,097
2023-2027	1,440,000	291,684	1,731,684
2028-2029	<u>675,000</u>	<u>28,541</u>	<u>703,541</u>
Total	<u>\$ 3,260,000</u>	<u>\$ 856,619</u>	<u>\$ 4,116,619</u>



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

***F. Long-Term Debt - Cont'd***

The District issued a “General Obligation School Bond” in the amount of \$2,000,000 for the purpose of erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of these purposes. The Board has determined to designate the Bonds "Qualified School Construction Bonds" as defined in Section 54F of the Internal Revenue Code of 1986, as amended ("Code") bearing taxable interest and to elect under Section 6431, of the Code to receive tax credits as a direct payment from the United States of America. Further, the District irrevocably elects to receive the direct interest subsidy payment (i.e. the Direct Payment) from the Internal Revenue Service (the "IRS") with respect to each interest payment as provided by Section 6431 of the Internal Revenue Code, equal to 35% of the interest payable on the Bonds on each interest payment date. Additionally, the District was required to fund a sinking fund beginning September 1, 2014. The fund will have a yield of 5.30% and must be funded as follows:

<u>Funding of Sinking Fund</u>	
<u>September 1</u>	<u>Mandatory Sinking Fund Balance</u>
2014	\$ 155,000
2015	310,000
2016	465,000
2017	620,000
2018	775,000
2019	930,000
2020	1,085,000
2021	1,240,000
2022	1,395,000
2023	1,550,000
2024	1,700,000
2025	1,850,000
2026	2,000,000

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**NOTE 3. DETAILED NOTES ON ALL FUNDS - (Cont'd)**

***F. Long-Term Debt - Cont'd***

The future requirements for the loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2018		109,000	109,000
2019		109,000	109,000
2020		109,000	109,000
2021		109,000	109,000
2022		109,000	109,000
2023-2027	<u>2,000,000</u>	<u>490,500</u>	<u>2,490,500</u>
Total	<u>\$ 2,000,000</u>	<u>\$ 1,035,500</u>	<u>\$ 3,035,500</u>

In July, 2012, the school obtained a loan in the amount of \$1,000,000 with an interest rate of 2.00%. The future requirements for the loan are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2018	<u>210,000</u>	<u>1,943</u>	<u>211,943</u>
Total	<u>\$ 210,000</u>	<u>\$ 1,943</u>	<u>\$ 211,943</u>

**NOTE 4. OTHER INFORMATION**

***A. Post-Employment Benefits- State Retiree Healthcare Plan***

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

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**NOTE 4: OTHER INFORMATION - (Cont'd)**

***A. Post-Employment Benefits- State Retiree Healthcare Plan - (Cont'd)***

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

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

***Funding Policy***

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

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

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**NOTE 4: OTHER INFORMATION - (Cont'd)**

***A. Post-Employment Benefits- State Retiree Healthcare Plan - (Cont'd)***

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$50,677, \$55,840 and \$58,046 respectively, which equal the required contributions for each year.

***B. Risk Management***

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District is insured with the New Mexico Public School Insurance Authority (NMPSIA), a public entity currently operating as a common risk management and insurance program for member school districts. Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

The NMPSIA is self-insured for property and liability losses below \$250,000 and purchases excess insurance above the self-insured retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

***C. Contingent Liabilities***

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

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**NOTE 4: OTHER INFORMATION - (Cont'd)**

***D. Reconciliation of budgetary basis to GAAP basis Statements***

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

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

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Fund balances and reconciliation are located at the bottom of each budget actual.

***E. Surety Bond***

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

***F. Construction Commitments***

The District has various contracts they are committed to complete totaling approximately \$20,413 as of June 30, 2017. These contracts relate to the District's High School Renovations, Mini Pit Renovations, Alta Vista Renovations, etc., at multiple school sites.

***G. Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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**NOTE 4: OTHER INFORMATION - (Cont'd)**

***H. Joint Powers Agreements***

The District is part of the Northwest Regional Educational Cooperative No. 2 (REC) Joint Powers Agreement. The Cooperative was formed to establish and maintain a cooperative program of special educational services funded by each participating district's available IDEA-B Entitlement, Discretionary and Preschool funds. In addition to the District, there are six other districts participating, including Chama Valley Schools, Cuba Independent Schools, Dulce Independent Schools, Jemez Mountain Schools, Penasco Schools, and Mesa Vista Consolidated Schools.

A policy council, which consists of Superintendents of each school and the REC director, comprise the responsible parties for the operations of the Cooperative. The agreement runs from July 1st to June 30th of each year until a participating district or institution gives Notice of Intent to Terminate, pursuant to the agreement.

The REC reports revenues and expenditures to the New Mexico State Department of Education. The Cooperative is required to have an annual audit conducted according to the Independent Audit Requirements for Regional Education Cooperatives.

***I. Deficit fund balance of individual funds***

- a. Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

The following are the deficit fund balances of individual funds:

<u>Fund Names</u>	<u>Amounts</u>
Bond Building (31100)	\$ 989,687
Title I - IASA (24101)	\$ 95,575
Duel Credits (27103)	\$ 1,834
PreK Initiative (27107)	\$ 15,087
NM Reads to Lead (27114)	\$ 7,041
Pre K Initiative (27149)	\$ 22,908
Breakfast for Elem Students (27155)	\$ 1,326
Kindergarten - Three Plus (27166)	\$ 24,583
After School Enrichment (27168)	\$ 16,828
NM Grown FFV (27183)	\$ 425
Capital Improvements SB 9 - State (31700)	\$ 5,585

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**NOTE 4: OTHER INFORMATION - (Cont'd)**

***J. Lawsuit***

The District is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the District's counsel, the resolution of this matter will not have a material adverse effect on the financial condition of the District.

**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB)**

**General Information about the Pension Plan**

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

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

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

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 22-112, 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: the member's final average salary (FAS), the number of years of service credit, and 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.

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**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)**

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

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

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

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

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

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

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

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

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



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**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)**

- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

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

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.

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**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)**

**Contributions.** For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase Over Prior Year</u>
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$302,646 and \$396,530, which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2017, the District reported a liability of \$7,035,233 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was 0.09776% percent, which was a decrease of 0.00434% from its proportion measured as of June 30, 2015. For the year ended June 30, 2017, the District recognized pension expense of \$112,768. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows or 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	\$ 30,521	\$ 66,914
Changes of assumptions	143,209	0
Net difference between projected and actual earnings on pension plan investments	419,945	0
Changes in proportion and differences between District contributions and proportionate share of contributions	261,801	1,639,033
District contributions subsequent to the measurement date	<u>396,530</u>	<u>0</u>
Total	<u>\$ 1,252,006</u>	<u>\$ 1,705,947</u>

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JUNE 30, 2017

**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)**

\$396,530 reported as deferred outflows/inflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2018	\$ (457,045)
2019	(637,909)
2020	142,076
2021	<u>102,407</u>
Total	<u>\$ (850,471)</u>

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

Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service.
Average of Expected Remaining Service Lives	3.77 years.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)**

Mortality

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

**Healthy females:** Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.

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

**Active members:** RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

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

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

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

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**NOTE 5. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (ERB) - (Cont'd)**

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

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels.

Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

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

ERB Fund Division (A)	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ <u>9,318,003</u>	\$ <u>7,035,233</u>	\$ <u>5,141,179</u>

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

**Payables to the pension plan.** The District doesn't have any amount due to the plan as on June 30, 2017.

**SUPPLEMENTARY INFORMATION RELATED TO NON MAJOR  
GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO**  
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**NONMAJOR GOVERNMENTAL FUNDS**  
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**NON MAJOR FUNDS**

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

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

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

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

**IDEA-B Competitive (24108)**– The purpose of this program is to provide administrators and program directors with information and strategies that will support licensed and waived teachers in the areas of special education with day-to-day functions of the classroom. Authority for creation of this fund is Individuals with Disabilities Education Act (IDEA), Part B, Sections 611-617, and Part D Section 674 as amended, 20 U.S.C. 1411-1417 and 1420, Public Law 105-17.

**IDEA Preschool (24109)** - To provide grants to States to assist them in providing a free appropriate public education to all children with disabilities. Individuals with Disabilities Education Act (IDEA), Part B, Section 611-617, and part D, Section 674 as amended, 20 U. S. C. 1411-1417 and 1420. The fund was created by the authority of federal grant provisions.

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

**IDEA-B Results Plan (24132)** – Funding for support activities included the Education Plan for Student Success for Elementary Schools.

**English Language Acquisition (24153)** - To account for revenues and expenditures received from a federal grant provided to develop school-wide programs for limited English proficient students that reform, restructure, and upgrade all relevant programs. The fund was created by the Elementary and Secondary Education Act of 1965, as amended, Title VII, Part A.

**Improving Teacher Quality (24154)** - To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017

**NONMAJOR FUNDS - (Cont'd)**

**Safe & Drug Free Title (24157)** - To offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents and coordinated with related Federal, State, and community efforts and resources. Elementary and Secondary Education Act, Title IV, Part A, Subpart 1, as amended. 20 USC 7111-7118.

**Title I School Improvement (24162)** - To account for federal funds to provide family-center education projects to help parents become full partners in the education of their children and to assist children in reaching their full potential as leaders.

**Land of Enchantment Top Grant (25175)** - To provide professional development opportunities to people pursuing careers in Special Education or School Leadership. Funding authorized by the PL Public Law 110-115 HIGHER EDUCATION ACT, AS AMENDED IN 2008. The fund was created by the authority of federal grant provisions.

**Rural Education Achievement Program (25233)** - To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

**Project Lead the Way (26219)** - The objectives of this grant is to provide transformative learning experiences for K-12 students and teachers.

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

**PreK Initiative (27107)** - A public capital outlay allocation fund.

**PARCC Readiness (27108)** - is used to provide funding for infrastructure upgrades related to Partnership for Assessment of Readiness for College and Careers (PARCC) Readiness based upon supporting materials provided by the District to NMPED. To be used for the network mapping and performance assessments as submitted to NMPED by the District. The funding was made available through the state of New Mexico legislature, laws of 2014, HB55, Chapter 66, Section 47, Item no. 3 as a capital project.

**NM Reads to Lead (27114)** - K-3 Reading Initiative legislative funded.

**Technology for Education (27117)** - To account for funds received from the Technology for Education Grant created by the 1994 State Legislation to establish funding of any costs associated with educational technology. Funding provided by the State of New Mexico. (NMSA 22-15A-1-10).

**Truancy and Dropout Prevention (27141)** - To hire three truancy and dropout prevention coaches.

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

**Breakfast in Elementary (27155)** - To account for revenues and expenditures from a state grant for the purpose of providing a free breakfast to elementary students. The fund was created by state grant provisions.



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

**NONMAJOR FUNDS - (Cont'd)**

**Kindergarten - Three Plus (27166)** - The purpose of this program is to account for revenues and expenditures used for a pilot program for kindergarten through third-grade students. Funds can be used for teachers, education assistants, nurses, an academic coach, and PEcoach.

**After School Enrichment (27168)** – Grant to provide opportunities for students to attend quality after school and summer programs to include academic enrichment, physical activity, and nutrition education components.

**NM Grown FFV (27183)** – Funds under this award are to be used to purchase locally grown New Mexico fresh fruits and vegetables, to be made available at no charge to students.

**Teachers "Hard to Staff" Stipend (27195)** - To provide a stipend per year to qualified STEM (grades 7-12), Special Education (K–12), Bilingual (K–12), or other hard-to-staff teaching positions to serve in low performing (D/F), urban or rural schools **and** to provide funding to recruit hard-to-staff experts to teach in hard-to-staff schools or to attract and retain the teachers in low-performing schools.

**State Directed Activities (27200)** - To account for funds received from the New Mexico Public Education Department for the support and direct services, including technical assistance, preparation and professional development and training. To support capacity building activities and improve the delivery of services by local agencies to improve results for children with disabilities. The fund was created by state provisions.

**NM Highway Department (28120)** - Accounts for funds received from the NM Department of Transportation to assist with surface needs such as paving school parking areas and bus areas. The fund was created by the authority of state grant provisions.

**Capital Improvements SB 9 - State (31700)** - The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

**Educational Technology Equipment Act (31900).** To account for proceeds received from the issuance of Educational Technology Notes to be used for the acquisition of education technology equipment for use in classrooms and library and media centers. Authority for the creation of this fund is NMSA 1978, 6-15A-1 through 6-15A-16.

**Education Technology Bonds (43000)** - To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to Debt Reduction.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Food Services</u> <u>21000</u>	<u>Athletics</u> <u>22000</u>	<u>Title I -IASA</u> <u>24101</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 103,710	\$ 9,958	\$
Receivables:			
Property taxes			
Due from grantor	62,487		
Other receivable	<u>28</u>		
Total assets	<u><u>166,225</u></u>	<u><u>9,958</u></u>	<u><u>0</u></u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable			537
Interfund payable			<u>45,361</u>
Total liabilities			<u>45,898</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue			<u>49,677</u>
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>49,677</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds	166,225	9,958	
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds			<u>(95,575)</u>
Total fund balance	<u>166,225</u>	<u>9,958</u>	<u>(95,575)</u>
Total liabilities and fund balance	<u><u>\$ 166,225</u></u>	<u><u>\$ 9,958</u></u>	<u><u>\$ 0</u></u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Entitlement IDEA-B- 24106	IDEA-B Competitive 24108	Preschool IDEA-B- 24109
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$	\$	\$
Receivables:			
Property taxes			
Due from grantor	26,695	8,374	772
Other receivable			
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>26,695</u>	<u>8,374</u>	<u>772</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable			
Interfund payable	<u>26,167</u>	<u>8,374</u>	<u>772</u>
Total liabilities	<u>26,167</u>	<u>8,374</u>	<u>772</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue			
	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds	528		
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds			
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>528</u>	<u>0</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 26,695</u>	<u>\$ 8,374</u>	<u>\$ 772</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Fresh Fruits & Vegetables <u>24118</u>	IDEA B Results Plan <u>24132</u>	Improving Teacher Quality <u>24154</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,604	\$	\$
Receivables:			
Property taxes			
Due from grantor		7,526	2,685
Other receivable			
Total assets	<u>1,604</u>	<u>7,526</u>	<u>2,685</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable		6,300	1,004
Interfund payable		<u>1,226</u>	<u>1,681</u>
Total liabilities		<u>7,526</u>	<u>2,685</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	<u>1,604</u>		
Total deferred inflows of resources	<u>1,604</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds			
Total fund balance	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 1,604</u>	<u>\$ 7,526</u>	<u>\$ 2,685</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	TITLE IV-A SAFE & DRUG FREE SCHOOLS- 24157	Title I School Improvement 24162	TITLE XIX Medicaid 3/21 Years 25153
<b>ASSETS</b>			
Cash and cash equivalents	\$	\$	\$ 71,769
Receivables:			
Property taxes			
Due from grantor		35,432	
Other receivable			
	<u>0</u>	<u>35,432</u>	<u>71,769</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable		25,421	
Interfund payable		10,011	
		<u>35,432</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue			31,984
	<u>0</u>	<u>0</u>	<u>31,984</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			39,785
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds			
	<u>0</u>	<u>0</u>	<u>39,785</u>
Total fund balance	<u>0</u>	<u>0</u>	<u>39,785</u>
Total liabilities and fund balance	<u>\$ 0</u>	<u>\$ 35,432</u>	<u>\$ 71,769</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Land of Enchantment Top Grant <u>25175</u>	Rural Education Achievement Program <u>25233</u>	Project Lead the Way <u>26219</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,367	\$	\$ 7,912
Receivables:			
Property taxes			
Due from grantor		1,131	
Other receivable	<u>1,150</u>	<u>          </u>	<u>          </u>
Total assets	<u><u>5,517</u></u>	<u><u>1,131</u></u>	<u><u>7,912</u></u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable			
Interfund payable	<u>          </u>	<u>1,131</u>	<u>          </u>
Total liabilities	<u>          </u>	<u>1,131</u>	<u>          </u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	<u>1,050</u>	<u>          </u>	<u>5,598</u>
Total deferred inflows of resources	<u>1,050</u>	<u>0</u>	<u>5,598</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds	4,467		2,314
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>4,467</u>	<u>0</u>	<u>2,314</u>
Total liabilities and fund balance	<u><u>\$ 5,517</u></u>	<u><u>\$ 1,131</u></u>	<u><u>\$ 7,912</u></u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Duel Credits <u>27103</u>	PreK Initiative <u>27107</u>	PARCC Readiness <u>27108</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$	\$	\$
Receivables:			
Property taxes			
Due from grantor			80,167
Other receivable			
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>          0</u>	<u>          0</u>	<u>      80,167</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable			
Interfund payable			80,167
	<u>          </u>	<u>          </u>	<u>      80,167</u>
Total liabilities	<u>          </u>	<u>          </u>	<u>      80,167</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	1,834	15,087	
	<u>      1,834</u>	<u>     15,087</u>	<u>          </u>
Total deferred inflows of resources	<u>      1,834</u>	<u>     15,087</u>	<u>          0</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds	(1,834)	(15,087)	
	<u>     (1,834)</u>	<u>    (15,087)</u>	<u>          </u>
Total fund balance	<u>     (1,834)</u>	<u>    (15,087)</u>	<u>          0</u>
Total liabilities and fund balance	<u>      \$      0</u>	<u>      \$      0</u>	<u>      \$   80,167</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	NM Reads to Lead 27114	Technology For Education 27117	Truancy and Dropout Prevention 27141
<b>ASSETS</b>			
Cash and cash equivalents	\$	\$	\$
Receivables:			
Property taxes			
Due from grantor	4,166		12,760
Other receivable			
Total assets	<u>4,166</u>	<u>0</u>	<u>12,760</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable			
Interfund payable	<u>11,207</u>		<u>12,760</u>
Total liabilities	<u>11,207</u>		<u>12,760</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue			
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds	<u>(7,041)</u>		
Total fund balance	<u>(7,041)</u>	<u>0</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 4,166</u>	<u>\$ 0</u>	<u>\$ 12,760</u>

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



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Pre K Program Services <u>27149</u>	Breakfast for Elem Students <u>27155</u>	Kindergarten - Three Plus <u>27166</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$	\$ 36	\$
Receivables:			
Property taxes			
Due from grantor	2,021		
Other receivable			
Total assets	<u>2,021</u>	<u>36</u>	<u>0</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable			
Interfund payable	<u>24,929</u>		<u>9,814</u>
Total liabilities	<u>24,929</u>		<u>9,814</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue		<u>1,362</u>	<u>14,769</u>
Total deferred inflows of resources	<u>0</u>	<u>1,362</u>	<u>14,769</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds	<u>(22,908)</u>	<u>(1,326)</u>	<u>(24,583)</u>
Total fund balance	<u>(22,908)</u>	<u>(1,326)</u>	<u>(24,583)</u>
Total liabilities and fund balance	<u>\$ 2,021</u>	<u>\$ 36</u>	<u>\$ 0</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	After School Enrichment <u>27168</u>	NM Grown FFV <u>27183</u>	Teachers- Hard to Staff <u>27195</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$	\$	\$
Receivables:			
Property taxes			
Due from grantor			
Other receivable			
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>          0</u>	<u>          0</u>	<u>          0</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable			
Interfund payable	<u>      7,249</u>		
Total liabilities	<u>      7,249</u>		
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	<u>      9,579</u>	<u>          425</u>	
Total deferred inflows of resources	<u>      9,579</u>	<u>          425</u>	<u>          0</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds	<u>    (16,828)</u>	<u>      (425)</u>	
Total fund balance	<u>    (16,828)</u>	<u>      (425)</u>	<u>          0</u>
Total liabilities and fund balance	<u>\$          0</u>	<u>\$          0</u>	<u>\$          0</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Staff Directed Activities <u>27200</u>	NM Highway Dep 28120 <u>          </u>	Capital Improvements SB 9 - State <u>31700</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$	\$	\$
Receivables:			
Property taxes			7,298
Due from grantor			
Other receivable			
Total assets	<u>0</u>	<u>0</u>	<u>7,298</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable			
Interfund payable			<u>12,883</u>
Total liabilities			<u>12,883</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue			
Total deferred inflows of resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			
Debt service			
Capital improvements			
Unassigned - reported in:			
Special revenue funds			<u>(5,585)</u>
Total fund balance	<u>0</u>	<u>0</u>	<u>(5,585)</u>
Total liabilities and fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,298</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**NONMAJOR FUNDS**  
**COMBINING BALANCE SHEET**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Ed Tech 31900	Total Ed Tech Debt Service Subfund - 43000	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 229,828	\$ 216,081	\$ 645,265
Receivables:			
Property taxes		35,169	42,467
Due from grantor			244,216
Other receivable			1,178
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>229,828</u>	<u>251,250</u>	<u>933,126</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	95,371		128,633
Interfund payable			253,732
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>95,371</u>	<u>          </u>	<u>382,365</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue		28,090	161,059
	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows of resources	<u>0</u>	<u>28,090</u>	<u>161,059</u>
<b>FUND BALANCES</b>			
Restricted-reported in:			
Special revenue funds			223,277
Debt service		223,160	223,160
Capital improvements	134,457		134,457
Unassigned - reported in:			
Special revenue funds			(191,192)
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>134,457</u>	<u>223,160</u>	<u>389,702</u>
Total liabilities and fund balance	<u>\$ 229,828</u>	<u>\$ 251,250</u>	<u>\$ 933,126</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	Food Services <u>21000</u>	Athletics <u>22000</u>	Title I - IASA <u>24101</u>
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income	45		
Fees	4,242	22,227	
State & local grants			
Federal grants	229,763		196,179
Miscellaneous		<u>9,250</u>	
Total revenues	<u>234,050</u>	<u>31,477</u>	<u>196,179</u>
<b>EXPENDITURES</b>			
Current:			
Instruction		25,763	156,812
Support services-students			
Support services-instruction			
Support services-general administration			13,761
Support services-school administration			25,606
Central services			
Operation & maintenance of plant			
Student transportation			
Food services operations	234,049		
Capital outlay			
Principal			
Interest			
Total expenditures	<u>234,049</u>	<u>25,763</u>	<u>196,179</u>
Excess (deficiency) of revenues over expenditures	<u>1</u>	<u>5,714</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In		1,040	
Transfer (Out)	<u>(35,299)</u>		<u>(95,575)</u>
Total other financing sources (uses)	<u>(35,299)</u>	<u>1,040</u>	<u>(95,575)</u>
Net change in fund balance	(35,298)	6,754	(95,575)
Fund balances at beginning of year	<u>201,523</u>	<u>3,204</u>	<u>0</u>
Fund balance end of year	<u>\$ 166,225</u>	<u>\$ 9,958</u>	<u>\$ (95,575)</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	Entitlement IDEA-B- 24106	IDEA-B Competitive 24108	Preschool IDEA-B- 24109
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants			
Federal grants	85,557	8,374	1,503
Miscellaneous			
Total revenues	85,557	8,374	1,503
<b>EXPENDITURES</b>			
Current:			
Instruction	47,740	8,374	1,503
Support services-students	31,855		
Support services-instruction			
Support services-general administration	5,962		
Support services-school administration			
Central services			
Operation & maintenance of plant			
Student transportation			
Food services operations			
Capital outlay			
Principal			
Interest			
Total expenditures	85,557	8,374	1,503
Excess (deficiency) of revenues over expenditures	0	0	0
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	1		
Transfer (Out)			
Total other financing sources (uses)	1	0	0
Net change in fund balance	1	0	0
Fund balances at beginning of year	527	0	0
Fund balance end of year	\$ 528	\$ 0	\$ 0

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Fresh Fruits &amp; Vegetables 24118</u>	<u>IDEA B Results Plan 24132</u>	<u>Improving Teacher Quality 24154</u>
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants			
Federal grants	6,325	28,276	13,171
Miscellaneous			
Total revenues	<u>6,325</u>	<u>28,276</u>	<u>13,171</u>
<b>EXPENDITURES</b>			
Current:			
Instruction		28,276	12,323
Support services-students			
Support services-instruction			
Support services-general administration			848
Support services-school administration			
Central services			
Operation & maintenance of plant			
Student transportation			
Food services operations	6,325		
Capital outlay			
Principal			
Interest			
Total expenditures	<u>6,325</u>	<u>28,276</u>	<u>13,171</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In			
Transfer (Out)			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	0	0	0
Fund balances at beginning of year	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Title IV-A Safe &amp; Drug Free Schools- 24157</u>	<u>Title I School Improvement 24162</u>	<u>TITLE XIX Medicaid 3/21 Years 25153</u>
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants			
Federal grants		46,427	15,317
Miscellaneous			
Total revenues	<u>0</u>	<u>46,427</u>	<u>15,317</u>
<b>EXPENDITURES</b>			
Current:			
Instruction		46,427	1,682
Support services-students			12,427
Support services-instruction			
Support services-general administration			1,067
Support services-school administration			
Central services			141
Operation & maintenance of plant			
Student transportation			
Food services operations			
Capital outlay			
Principal			
Interest			
Total expenditures	<u>0</u>	<u>46,427</u>	<u>15,317</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	540		
Transfer (Out)			(26,425)
Total other financing sources (uses)	<u>540</u>	<u>0</u>	<u>(26,425)</u>
Net change in fund balance	540	0	(26,425)
Fund balances at beginning of year	<u>(540)</u>	<u>0</u>	<u>66,210</u>
Fund balance end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 39,785</u>

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



**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Land of Enchantment Top Grant 25175</u>	<u>Rural Education Achievement Program 25233</u>	<u>Project Lead the Way 26219</u>
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants			26,723
Federal grants		27,765	
Miscellaneous			
Total revenues	<u>0</u>	<u>27,765</u>	<u>26,723</u>
<b>EXPENDITURES</b>			
Current:			
Instruction		25,830	26,723
Support services-students			
Support services-instruction			
Support services-general administration		1,935	
Support services-school administration			
Central services			
Operation & maintenance of plant			
Student transportation			
Food services operations			
Capital outlay			
Principal			
Interest			
Total expenditures	<u>0</u>	<u>27,765</u>	<u>26,723</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	4,467		
Transfer (Out)			
Total other financing sources (uses)	<u>4,467</u>	<u>0</u>	<u>0</u>
Net change in fund balance	4,467	0	0
Fund balances at beginning of year	<u>0</u>	<u>0</u>	<u>2,314</u>
Fund balance end of year	<u>\$ 4,467</u>	<u>\$ 0</u>	<u>\$ 2,314</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Duel Credits</u> <u>27103</u>	<u>PreK Initiative</u> <u>27107</u>	<u>PARCC</u> <u>Readiness</u> <u>27108</u>
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants	4,172		80,167
Federal grants			
Miscellaneous	<u>          </u>	<u>730</u>	<u>          </u>
Total revenues	<u>4,172</u>	<u>730</u>	<u>80,167</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	4,172		80,167
Support services-students			
Support services-instruction		730	
Support services-general administration			
Support services-school administration			
Central services			
Operation & maintenance of plant			
Student transportation			
Food services operations			
Capital outlay			
Principal			
Interest			
Total expenditures	<u>4,172</u>	<u>730</u>	<u>80,167</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In			
Transfer (Out)	<u>(7,818)</u>	<u>          </u>	<u>          </u>
Total other financing sources (uses)	<u>(7,818)</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(7,818)	0	0
Fund balances at beginning of year	<u>5,984</u>	<u>(15,087)</u>	<u>0</u>
Fund balance end of year	<u><u>\$ (1,834)</u></u>	<u><u>\$ (15,087)</u></u>	<u><u>\$ 0</u></u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>NM Reads to Lead 27114</u>	<u>Technology For Education 27117</u>	<u>Truancy and Dropout Prevention 27141</u>
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants	47,208		50,000
Federal grants			
Miscellaneous			
Total revenues	<u>47,208</u>	<u>0</u>	<u>50,000</u>
<b>EXPENDITURES</b>			
Current:			
Instruction			
Support services-students			50,000
Support services-instruction			
Support services-general administration			
Support services-school administration	47,208		
Central services			
Operation & maintenance of plant			
Student transportation			
Food services operations			
Capital outlay			
Principal			
Interest			
Total expenditures	<u>47,208</u>	<u>0</u>	<u>50,000</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In		51	
Transfer (Out)			
Total other financing sources (uses)	<u>0</u>	<u>51</u>	<u>0</u>
Net change in fund balance	0	51	0
Fund balances at beginning of year	<u>(7,041)</u>	<u>(51)</u>	<u>0</u>
Fund balance end of year	<u><u>\$ (7,041)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Pre K Program Services 27149</u>	<u>Breakfast for Elem Students 27155</u>	<u>Kindergarten - Three Plus 27166</u>
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants	83,927	6,845	41,469
Federal grants			
Miscellaneous			
Total revenues	<u>83,927</u>	<u>6,845</u>	<u>41,469</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	83,001		30,211
Support services-students			
Support services-instruction			
Support services-general administration	926		
Support services-school administration			8,715
Central services			
Operation & maintenance of plant			
Student transportation			2,543
Food services operations		6,845	
Capital outlay			
Principal			
Interest			
Total expenditures	<u>83,927</u>	<u>6,845</u>	<u>41,469</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In			
Transfer (Out)			
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	0	0	0
Fund balances at beginning of year	<u>(22,908)</u>	<u>(1,326)</u>	<u>(24,583)</u>
Fund balance end of year	<u><u>\$ (22,908)</u></u>	<u><u>\$ (1,326)</u></u>	<u><u>\$ (24,583)</u></u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>After School Enrichment 27168</u>	<u>NM Grown FFV 27183</u>	<u>Teachers- Hard to Staff 27195</u>
<b>REVENUES</b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants	22,975		6,075
Federal grants			
Miscellaneous		963	
Total revenues	<u>22,975</u>	<u>963</u>	<u>6,075</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	17,755		6,075
Support services-students			
Support services-instruction			
Support services-general administration	5,220		
Support services-school administration			
Central services			
Operation & maintenance of plant			
Student transportation			
Food services operations		963	
Capital outlay			
Principal			
Interest			
Total expenditures	<u>22,975</u>	<u>963</u>	<u>6,075</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	1		
Transfer (Out)			
Total other financing sources (uses)	<u>1</u>	<u>0</u>	<u>0</u>
Net change in fund balance	1	0	0
Fund balances at beginning of year	<u>(16,829)</u>	<u>(425)</u>	<u>0</u>
Fund balance end of year	<u>\$ (16,828)</u>	<u>\$ (425)</u>	<u>\$ 0</u>

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

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT**

**NONMAJOR FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>State Directed Activities 27200</u>	<u>NM Highway Dep 28120</u>	<u>Capital Improvements SB 9 - State 31700</u>
<b><i>REVENUES</i></b>			
Property taxes	\$	\$	\$
Investment income			
Fees			
State & local grants		51,928	
Federal grants			
Miscellaneous			
Total revenues	<u>0</u>	<u>51,928</u>	<u>0</u>
<b><i>EXPENDITURES</i></b>			
Current:			
Instruction			
Support services-students			
Support services-instruction			
Support services-general administration			
Support services-school administration			
Central services			
Operation & maintenance of plant			19,506
Student transportation			
Food services operations			
Capital outlay		51,928	
Principal			
Interest			
Total expenditures	<u>0</u>	<u>51,928</u>	<u>19,506</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(19,506)</u>
<b><i>OTHER FINANCING SOURCES (USES)</i></b>			
Transfer In	47,038		
Transfer (Out)			(582,840)
Total other financing sources (uses)	<u>47,038</u>	<u>0</u>	<u>(582,840)</u>
Net change in fund balance	47,038	0	(602,346)
Fund balances at beginning of year	<u>(47,038)</u>	<u>0</u>	<u>596,761</u>
Fund balance end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,585)</u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**

NONMAJOR FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2017

	Ed Tech 31900	Total Ed. Tech. Debt Services Sub Fund 43000	Total
<b>REVENUES</b>			
Property taxes	\$	\$ 397,720	\$ 397,720
Investment income	291		336
Fees			26,469
State & local grants			421,489
Federal grants			658,657
Miscellaneous			10,943
Total revenues	291	397,720	1,515,614
<b>EXPENDITURES</b>			
Current:			
Instruction			602,834
Support services-students			94,282
Support services-instruction			730
Support services-general administration		3,930	33,649
Support services-school administration			81,529
Central services			141
Operation & maintenance of plant	258,684		278,190
Student transportation			2,543
Food services operations			248,182
Capital outlay	91,302		143,230
Principal		205,000	205,000
Interest		5,443	5,443
Total expenditures	349,986	214,373	1,695,753
Excess (deficiency) of revenues over expenditures	(349,695)	183,347	(180,139)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In		160,424	213,562
Transfer (Out)	(124)		(748,081)
Total other financing sources (uses)	(124)	160,424	(534,519)
Net change in fund balance	(349,819)	343,771	(714,658)
Fund balances at beginning of year	484,276	(120,611)	1,104,360
Fund balance end of year	\$ 134,457	\$ 223,160	\$ 389,702

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

## **OTHER SUPPLEMENTAL INFORMATION**



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**AGENCY FUNDS ACTIVITY**  
**SCHEDULE OF CHANGES IN ASSETS & LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**FIDUCIARY FUND**

**Activity Trust Fund**

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

<u>ASSETS</u>	<u>Balance</u> <u>6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2017</u>
600 General Activity Fund	\$ 294	\$ 9,786	\$ 8,188	\$ 1,892
702 Scholarship Fund	634	1,734	1,634	734
703 HS Office Assistant	241	1,094	1,335	
704 HS Pepsi Fund	91		91	
709 JRHS Honor Society	1,408	1,788	1,408	1,788
710 HS Student Council	1,674	2,557	2,458	1,773
712 FHA Fund	(476)	476		
714 Science Club Fund	173	173	346	
715 Library Fund	1,008	1,374	1,740	642
716 HS Cheerleaders Fund	1,783	13,845	13,911	1,717
719 Music Fund	60		60	
722 Ski Club Fund	1,378	10,473	10,466	1,385
724 Rio Costilla Elementary Fund	292	2,278	2,570	
725 AV 7-8 Grade Fund	103	100	103	100
727 Interest on NOW Accounts	185		185	
728 Interest on CD's	(120)	372	126	126
734 AV Yearbook Fund	2,283	3,170	3,433	2,020
736 FFA Fund	477		477	
739 AV K-3	243	436	645	34
743 AV Office Fund	3		3	
745 AV 4/5/6 Grades Fund	95		95	
749 AV 4/6 Office Fund	240		240	
751 AV Cheerleader Fund	1,315	3,494	4,084	725
752 Athletic General Fund	181	740	581	340
753 AV Reading Lab		25		25
754 HS Soccer Club	667	3,898	3,869	696
760 JR High Volleyball	(356)	3,761	3,274	131
761 Night School	23		23	
762 Volleyball Fund	4,235	13,117	16,813	539
763 Rent & lease Deposit Fund	4,056	4,656	4,556	4,156
764 HS Football Fund	914	1,617	1,452	1,079
765 JR High Football	122	122	122	122
766 Av Library Fund	(240)	5,150	4,793	117
795 JR High Student Council Fund	880	2,413	911	2,382

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**AGENCY FUNDS ACTIVITY**  
**SCHEDULE OF CHANGES IN ASSETS & LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>ASSETS</u>	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
801 HS Yearbook	2,858	6,314	9,172	
802 AV Office Fund	(195)	3,013	2,163	655
803 Travel Club Fund	20		20	
804 Insurance Refunds	1,765	7,516	7,603	1,678
805 Alta Vista Music Program	627	3,781	3,804	604
810 Drama Club	1,072	3,069	1,915	2,226
811 NMRSC Pepsi Fund	155	1,093	993	255
812 AV Pepsi Fund	540		540	
815 AV Student Council Fund	2,936	5,103	6,484	1,555
816 Science Fair Club Fund	729		729	
819 Project 540 Fund	126		126	
821 HS Boys Basketball Fund	180	1,477	1,497	160
822 HS Girls Basketball Fund	26	950	127	849
823 Class of 2008	2,239	2,239	2,239	2,239
827 Positive Incentive Program	1,984	2,563	4,167	380
828 Class of 2010	363	363	363	363
829 Class of 2011	101	101	101	101
830 Class of 2012	277	261	277	261
831 Class of 2013	1	3	2	2
832 Class of 2014	1,108	1,107	1,108	1,107
833 Class of 2015	(1,694)	1,938	122	122
834 Class of 2016	13	2	13	2
835 Class of 2017	5,184	6,258	11,006	436
837 Science Levinson Fund	1,026	2,828	3,130	724
838 AV PAC	512	362	800	74
839 Chevron Mining, Inc.	1,000	1,500	1,500	1,000
840 Chess Club	108	108	108	108
842 HS Track-Girls	158	158	158	158
843 Art Department Fees	5,136	5,733	8,339	2,530
845 Class of 2018	2,492	5,308	5,913	1,887
846 Class of 2019	1,954	3,710	2,342	3,322
847 Class of 2020	4,272	7,973	5,500	6,745
848 Class of 2021	80	683	80	683
849 Class of 2022	959	958	958	959
850 Future Educators of America	673	673	673	673
851 Athletic Field Dedication	674		674	
852 Taos Soil and Water Conservation	302	601	599	304
854 JH Girls Basketball	(275)	578	163	140
855 ELEM Jaguar BB Team	9	9	9	9

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**AGENCY FUNDS ACTIVITY**  
**SCHEDULE OF CHANGES IN ASSETS & LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>ASSETS</u>	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
857 End of year event	1,978	2,279	2,863	1,394
858 Class Of 2023 (K 2010-2011)	206	206	206	206
859 Culinary Arts Program	1,011	2,064	2,330	745
860 Envirothon Club	288	288	288	288
861 AVE Cheerleaders	1	1	1	1
862 Appleby Students in Need	524	524	524	524
863 SHAC	3,226	1,400	3,226	1,400
865 NM DCDT Transition Award	251	250	250	251
866 Cash AV PTA		110		110
867 Baseball (2017)		3,206	1,623	1,583
868 RLAS Study		500		500
869 NYC Trip		1,431	1,539	(108)
Total assets	<u>70,846</u>	<u>179,241</u>	<u>188,359</u>	<u>61,728</u>
<b>LIABILITIES</b>				
Deposits held for others	<u>70,846</u>	<u>179,241</u>	<u>188,359</u>	<u>61,728</u>
Total liabilities	<u>\$ 70,846</u>	<u>\$ 179,241</u>	<u>\$ 188,359</u>	<u>\$ 61,728</u>

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**CASH RECONCILIATIONS - ALL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

		Beginning Balance <u>6/30/2016</u>	Revenue	Expenditures	Prior Year Warrants Voided/Other Adjustments	Due to / (from) due to pooled cash	Ending Cash Balance <u>6/30/2017</u>
Operational	11000	\$ 198,856	\$,635,603	\$ 4,619,669	\$	\$ 97,627	\$ 312,417
Teacherage	12000	7,323	7,660	12,897		6,999	9,085
Transportation	13000	7,223	310,920	310,435	(112)	(6,999)	597
Instructional materials	14000	18,489	22,561	16,975		(1)	24,074
Food services	21000	97,131	240,596	234,049		32	103,710
Athletics	22000	4,244	31,477	25,763			9,958
Federal flowthrough	24000	(33,618)	336,902	352,550	7,818	(50,539)	(91,987)
Federal direct	25000	15,855	99,585	43,082		(1)	72,357
Local grants	26000	2,314	32,321	26,723			7,912
State flowthrough	27000	(35,126)	288,474	344,530	(7,818)	(47,089)	(146,089)
State direct	28000		51,928	51,928			
Local or state	29000	(1)					(1)
Bond building	31100	1,106,228	555,934	1,299,777		(26)	362,359
Senate bill nine-State	31700	575,443		12,883	(575,442)	(1)	(12,883)
Senate bill nine-Local	31701		386,455	470,186	575,442	1	491,712
Ed tech	31900	484,150	291	254,613			229,828
Debt service	41000	978,691	544,712	495,508	155,000		1,182,895
Debt service-ED tech	43000	37,473	392,984	214,373		(3)	216,081
Agency funds		<u>70,846</u>	<u>179,241</u>	<u>188,359</u>			<u>61,728</u>
<b>Total</b>		<u><u>\$3,535,521</u></u>	<u><u>\$,117,644</u></u>	<u><u>\$ 8,974,300</u></u>	<u><u>\$ 154,888</u></u>	<u><u>\$</u></u>	<u><u>\$2,833,753</u></u>
Add: Petty Cash							<u>5,226</u>
<b>Total cash as per Financial Statement</b>							<u><u>\$2,838,979</u></u>

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017

Educational Retirement Board (ERB) Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.09776%	0.10210%	0.14853%
District's proportionate share of the net pension liability (asset)	\$ 7,035,233	\$ 6,613,289	\$ 8,474,713
District's covered-employee payroll	2,852,810	2,787,657	4,094,105
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	246.61%	237.23%	207.00%
Plan fiduciary net position as a percentage of the total pension liability	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 District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
 SCHEDULE OF QUESTA INDEPENDENT SCHOOL DISTRICT CONTRIBUTIONS  
 FOR THE YEAR ENDED JUNE 30, 2017

<u>Educational Retirement Board (ERB) Pension Plan</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	396,530	388,084	403,421
Contributions in relation to the contractually required contribution	396,530	388,084	403,421
Contribution deficiency (excess)	-	-	-

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

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

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

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

## **COMPLIANCE SECTION**



**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 AUDITORS REPORT**

Mr. Timothy Keller  
State Auditor of the State of New Mexico  
The Office of Management and Budget  
Board Members of the Questa Independent School District  
Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund of the Questa Independent School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds of the District, presented as supplemental information, and have issued our report thereon dated November 13, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2016-002 we consider to be significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

### **The District's Response to Findings**

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

### **Purpose of this Report**

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

**Harshwal & Company LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Albuquerque, New Mexico**  
**November 13, 2017**

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<b>SECTION I</b>	<b>PRIOR YEAR AUDIT FINDINGS</b>	<b>STATUS</b>
<u>Financial Statement Findings:</u>		
2016-001	Internal Control over Cash Receipts-Significant Deficiency	Resolved
2016-002	Internal Control over Cash Disbursement-Significant Deficiency -	Repeated and Modified
2016-003	Deficiencies in Accounting for Capital Assets - (Material Weakness)	Resolved

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS**

**2016-002 Internal Control over Cash Disbursement (Repeated & Modified) -Significant Deficiency**

**Condition**

During our testwork of cash disbursements, we noted the following:

- In 2 out of 40 samples totaling \$6,815, the dates on the purchase orders were subsequent to the invoice date.
- In 1 out of 40 sample amounting \$1,350, the dates on the purchase requisition was subsequent to the invoice date.
- In 1 out of 40 sample amounting \$1,050, the dates on the purchase requisition was subsequent to the purchase order.

The District made some progress in resolving this finding.

**Criteria**

Good accounting and internal control practices require that all disbursements must originate with authorizing documents, and be supported by properly approved documents such as purchase orders, bills, petty cash reimbursement forms, payroll and time records, leases, contracts, or other supporting documents. In addition, according to NMSA 1978 Section 6-6-3, the District is expected to conform to the rules and regulations that they have adopted relating to internal controls.

**Cause**

Policies and procedures that the District has adopted for cash disbursement transactions are not being enforced. The District staff failed to ensure all of the required documentation to support expenditures were in place prior to final disbursement of funds. The purchase order completed after the purchase has been made, defeats the purpose of the purchase order and requisition. Such documents should be completed prior to the purchase.

**Effect**

The lack of enforcing the District's policies and procedures may result in the non-authorized or incorrect calculations of invoices. Also, when purchases are made without proper authorization, items could be procured that are inappropriate and/or unallowed and the risk of misappropriation is increased.

**Recommendation**

The District must enforce policies and procedures that are set in place for the purchase of goods and/or services and ensure the vendor invoices are being checked for accuracy prior to payment. In addition, we recommend giving training employees on the purchasing procedure.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**SECTION II - AUDIT FINDING IN RELATION TO FINANCIAL STATEMENTS- (Cont'd)**

**2016-002 Internal Control over Cash Disbursement (Repeated & Modified) -Significant Deficiency- (Cont'd)**

**Management Response**

The District has in place the Internal Control Procedures Manual which has been issued to all District staff employees which outlines the purchasing procedures and specifically states, “*Purchases made without prior approval will not be processed for payment and will be considered a donation by the individual making the purchase prior to an approved purchase order.*” The business office staff will remind District employees to follow procedures set in place and also review the Purchasing Flow Chart which is also included in the Internal Control Procedures Manual. District site administrators will be required to assist in enforcing the policies and procedures that are set in place for the purchase of goods and/or services. Also, business staff will ensure vendor invoices are being checked for accuracy prior to payment and accompanied by an approved purchase order prior to purchases. In addition, we will continue to give training and/or assistance to employees regarding purchasing procedures.

**Estimated Completion Date**

November 30, 2017.

**Responsible party**

Superintendent, site administrators, and business office staff.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**OTHER DISCLOSURES**  
**JUNE 30, 2017**

**A. PREPARATION OF FINANCIAL STATEMENTS**

The combining and individual fund financial statements and notes to the financial statements for the year ended June 30, 2017, were prepared by Harshwal & Company LLP, CPA, based on management's chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

**B. EXIT CONFERENCE**

An exit conference was held on November 14, 2017. The following individuals were in attendance:

**Questa Independent School District New Mexico**

Susie Martinez, Business Manager

David Albert Phd, Superintendent

Linda Sanchez, Payroll Clerk

Vanessa Garcia, Accounts Payable Clerk

**Harshwal & Company LLP**

Sanwar Harshwal, CPA, Managing Partner

Mariem Tall, Audit Manager

Albert Hwu, CPA, Senior Auditor