

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

**Audited Financial Statements  
and Other Financial Information**

**June 30, 2018**



**PATTILLO, BROWN & HILL, LLP**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS



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**QUESTA INDEPENDENT SCHOOL DISTRICT  
OFFICIAL ROSTER**

BOARD OF EDUCATION

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

SCHOOL OFFICIALS

LeAnne Salazar	Superintendent
Jolene Jaramillo	Business Manager







## Independent Auditors' Report

To Wayne Johnson  
New Mexico State Auditor  
Board of Education  
Questa Independent School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison for the general fund of Questa Independent School District (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

The District's 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.

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque



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, the aggregate remaining fund information, and the respective budgetary comparison for the general fund of the District, as of June 30, 2018, and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note 19 to the financial statements, the District overstated unearned revenue and accounts payable during the fiscal year ended June 30, 2017. The beginning balance of net position and fund balance of the District have been restated for the correction of this misstatement. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Schedules of the District's Proportionate Share of the Net Pension Liability and Net OPEB Liability, and Schedules of District Contributions* on pages 49-52 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.

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

### *Other Information*

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

The other schedules required by 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 schedules required by 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, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Pattillo, Brown & Hill, L.L.P.  
Albuquerque, New Mexico  
November 13, 2018



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 2,272,357
Investments	277
Property taxes receivable	232,229
Due from other agencies	280,755
<i>Total current assets</i>	<u>2,785,618</u>
Noncurrent Assets	
Restricted cash	1,350,804
Capital assets, non-depreciable	
Land	17,411
Construction in progress	-
<i>Total capital assets, non-depreciable</i>	<u>17,411</u>
Capital assets, net of accumulated depreciation	
Buildings and improvements	26,841,915
Equipment and vehicles	1,197,679
Less: accumulated depreciation	(13,195,355)
<i>Total capital assets, net of accumulated depreciation</i>	<u>14,844,239</u>
<i>Total noncurrent assets</i>	<u>16,212,454</u>
<i>Total assets</i>	<u>18,998,072</u>
<b>DEFERRED OUTFLOWS</b>	
Pension related	3,287,796
OPEB related	55,149
<i>Total deferred outflows</i>	<u>3,342,945</u>

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET POSITION  
 June 30, 2018**

	GOVERNMENTAL ACTIVITIES
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	50,865
Bank overdraft	88,437
Accrued interest	82,753
Compensated leave	4,895
Current portion of long-term debt	415,000
<i>Total current liabilities</i>	<u>641,950</u>
Noncurrent Liabilities	
Compensated leave	4,894
Noncurrent portion of long-term debt	5,635,000
Net pension liability	9,888,764
Net OPEB liability	3,011,297
<i>Total noncurrent liabilities</i>	<u>18,539,955</u>
<i>Total liabilities</i>	<u>19,181,905</u>
<b>DEFERRED INFLOWS</b>	
Pension related	1,396,108
OPEB related	685,365
<i>Total deferred inflows</i>	<u>2,081,473</u>
<b>NET POSITION</b>	
Investment in capital assets	8,811,650
Restricted for:	
Instruction	152,920
Transportation	38,723
Food service-operations	137,941
Capital projects	3,317,016
Unrestricted	<u>(11,380,611)</u>
<i>Total net position</i>	<u>\$ 1,077,639</u>





STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary government					
Governmental activities					
Instruction	\$ 1,448,795	21,383	600,600	-	(826,812)
Support services					
Students	598,554	-	42,791	-	(555,763)
Instruction	141,757	-	-	-	(141,757)
General administration	401,409	-	-	-	(401,409)
School administration	502,638	-	-	-	(502,638)
Central services	338,795	-	-	-	(338,795)
Operation & maintenance of plant	791,841	-	-	-	(791,841)
Student transportation	265,042	-	294,258	-	29,216
Other	-	-	-	-	-
Food services-operations	251,895	3,471	236,088	-	(12,336)
Capital outlay	2,679,985	-	-	-	(2,679,985)
Interest on long-term obligations	108,341				(108,341)
<i>Total governmental activities</i>	<u>\$ 7,529,054</u>	<u>24,854</u>	<u>1,173,737</u>	<u>-</u>	<u>(6,330,463)</u>
		<b>General Revenues</b>			
		Property taxes			
					193,301
					412,176
					791,664
					78,656
					4,157,758
					8,956
					73,756
					<u>5,716,267</u>
					<u>(614,196)</u>
					3,878,401
					<u>(2,186,566)</u>
					<u>1,691,835</u>
					<u>\$ 1,077,639</u>

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 BALANCE SHEETS - GOVERNMENTAL FUNDS  
 June 30, 2018**

	GENERAL 11000-14000	Bond Building 31100	CAPITAL IMPROVEMENTS SB-9 LOCAL 31701
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 65,988	214,192	690,363
Restricted cash	-	-	-
Investments	-	277	-
Accounts receivable			
Due from other governments	6,182	-	-
Property taxes	16,256	-	90,569
Interfund receivables	258,656	-	-
Other receivable	-	-	-
<i>Total assets</i>	<u>\$ 347,082</u>	<u>214,469</u>	<u>780,932</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>			
<i>Current liabilities</i>			
Accounts payable	\$ 28,539	-	-
Bank overdraft	83,977	-	-
Unearned revenue	-	-	-
Interfund payables	-	-	-
<i>Total liabilities</i>	<u>112,516</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows</i>			
Unavailable revenue	13,267	-	76,289
<i>Total deferred inflows</i>	<u>13,267</u>	<u>-</u>	<u>76,289</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	56,745	214,469	704,643
Unassigned	164,554	-	-
<i>Total fund balance (deficit)</i>	<u>221,299</u>	<u>214,469</u>	<u>704,643</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 347,082</u>	<u>214,469</u>	<u>780,932</u>

ED TECH 31900	DEBT SERVICES 41000	TOTAL ED TECH DEBT SERVICES 43000	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
116,894	688,144	231,788	264,988	2,272,357
730,804	620,000	-	-	1,350,804
-	-	-	-	277
-	-	-	274,573	280,755
-	76,636	48,768	-	232,229
-	-	-	-	258,656
-	-	-	-	-
<u>847,698</u>	<u>1,384,780</u>	<u>280,556</u>	<u>539,561</u>	<u>4,395,078</u>
15,617	-	-	6,709	50,865
-	-	-	4,460	88,437
-	-	-	1,604	1,604
-	-	-	258,656	258,656
<u>15,617</u>	<u>-</u>	<u>-</u>	<u>271,429</u>	<u>399,562</u>
-	58,941	40,572	-	189,069
-	58,941	40,572	-	189,069
-	-	-	-	-
832,081	1,325,839	239,984	272,839	3,646,600
-	-	-	(4,707)	159,847
<u>832,081</u>	<u>1,325,839</u>	<u>239,984</u>	<u>268,132</u>	<u>3,806,447</u>
<u>847,698</u>	<u>1,384,780</u>	<u>280,556</u>	<u>539,561</u>	<u>4,395,078</u>



**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 3,806,447
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	14,861,650
Defined benefit pension plan and other post employment benefit deferred outflows are not financial resources and, therefore, are not reported in the funds	3,342,945
Some revenues will not be available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the governmental funds	190,673
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Bonds payable	(6,050,000)
Accrued interest on bonds	(82,753)
Compensated absences	(9,789)
Net pension liability	(9,888,764)
Net OPEB liability	(3,011,297)
Defined benefit pension plan and other post employment benefit deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds	<u>(2,081,473)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>1,077,639</u></b>

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2018**

	GENERAL 11000-14000	Bond Building 31100	CAPITAL IMRPOVEMENTS SB-9 LOCAL 31701
<b>Revenues</b>			
Residential/non-residential taxes	\$ 83,919	-	399,752
Rent and leases	78,656	-	-
Fees-activities	-	-	-
Fees-users	-	-	-
State grants	4,531,174	-	-
Federal grants	33,146	-	-
Interest income	326	-	411
Miscellaneous	7,217	-	-
<i>Total revenues</i>	<u>4,734,438</u>	<u>-</u>	<u>400,163</u>
<b>Expenditures</b>			
Current			
Instruction	2,156,115	-	-
Support services			
Students	492,729	-	-
Instruction	122,539	-	-
General administration	336,676	-	3,855
School administration	425,481	-	-
Central services	307,870	-	-
Operations & maintenance of plant	755,762	-	-
Student transportation	256,244	-	-
Food services-operations	-	-	-
Capital outlay	-	20,418	133,164
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>4,853,416</u>	<u>20,418</u>	<u>137,019</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(118,978)</u>	<u>(20,418)</u>	<u>263,144</u>
<b>Other financing sources (uses)</b>			
Operating transfers	-	-	-
Bond proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(118,978)	(20,418)	263,144
<b>Fund balances, beginning of year</b>	340,277	(989,687)	441,499
<i>Restatement, Note 19</i>	-	1,224,574	-
<b>Fund balances, beginning of year as restated</b>	<u>340,277</u>	<u>234,887</u>	<u>441,499</u>
<b>Fund balances, end of year</b>	<u>\$ 221,299</u>	<u>214,469</u>	<u>704,643</u>

ED TECH 31900	DEBT SERVICES 41000	TOTAL ED TECH DEBT SERVICES 43000	OTHER GOVERNMENTAL FUNDS	TOTAL
-	476,442	246,355	-	1,206,468
-	-	-	-	78,656
-	-	-	21,383	21,383
-	-	-	3,471	3,471
-	-	-	178,447	4,709,621
-	-	-	588,728	621,874
8,118	-	58	43	8,956
40,613	-	-	25,926	73,756
<u>48,731</u>	<u>476,442</u>	<u>246,413</u>	<u>817,998</u>	<u>6,724,185</u>
-	-	-	437,648	2,593,763
-	-	-	69,746	562,475
-	-	-	3,755	126,294
-	4,692	2,452	27,963	375,638
-	-	-	20,461	445,942
-	-	-	-	307,870
-	-	-	-	755,762
-	-	-	3,644	259,888
-	-	-	241,587	241,587
351,107	-	-	-	504,689
-	210,000	210,000	-	420,000
-	129,303	17,137	-	146,440
<u>351,107</u>	<u>343,995</u>	<u>229,589</u>	<u>804,804</u>	<u>6,740,348</u>
<u>(302,376)</u>	<u>132,447</u>	<u>16,824</u>	<u>13,194</u>	<u>(16,163)</u>
-	-	-	-	-
1,000,000	-	-	-	1,000,000
1,000,000	-	-	-	1,000,000
697,624	132,447	16,824	13,194	983,837
134,457	1,193,392	223,160	32,084	1,375,182
-	-	-	222,854	1,447,428
<u>134,457</u>	<u>1,193,392</u>	<u>223,160</u>	<u>254,938</u>	<u>2,822,610</u>
<u>832,081</u>	<u>1,325,839</u>	<u>239,984</u>	<u>268,132</u>	<u>3,806,447</u>





**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2018**

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statements of activities are different because:	
Net change in fund balances - total governmental funds	\$ 983,837
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	(731,384)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in deferred inflows related to property taxes	189,069
Change in unearned revenue	1,604
Change in bonds/loans payable	(580,000)
Change in accrued interest	38,099
Change in other post employment benefit liability and net pension liability	<u>(515,421)</u>
<b>Change in net position</b>	<b>\$ <u><u>(614,196)</u></u></b>



STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
 June 30, 2018

	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
<i>Current assets</i>	
Cash and cash equivalents	\$ <u>61,837</u>
<i>Total assets</i>	\$ <u><u>61,837</u></u>
 <b>LIABILITIES</b>	
<i>Current liabilities</i>	
Deposits held in trust for others	\$ <u>61,837</u>
<i>Total liabilities</i>	\$ <u><u>61,837</u></u>

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Reporting Entity**

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

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. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 80, *Blending Requirements for Certain Component Units*. 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 additional criteria of GASB Statement No. 80 also requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member.

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.

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

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the school district.

For the most part, the effect of interfund activity has been removed from these statements. The Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities which rely, to a significant extent, on fees and charges for support.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectable amounts, in the year for which they are levied. 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.

Ad valorem taxes (property taxes), franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted for special purposes.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

*BOND BUILDING FUND* – The Bond Building Fund is used to account for the accumulation of resources for the funds provided from the District's bond issues. Resources are used for the purpose of erecting, remodeling, making additions to, or furnishing public school buildings and purchasing or improving public school grounds. Financing is provided by ad valorem taxes as specified by Article of the Finance of Counties, Municipalities, and School Districts Act, and the payment of, general long-term debt principal, interest and related costs.

*CAPITAL IMPROVEMENT SB9 – LOCAL* – The Capital Improvement (SB-9) Fund is used to account for the expenditures of property taxes levied and state matching monies restricted to maintenance and capital improvement projects as adopted by school board resolution. Authority for the creation of this fund is NMSA 22-25-1 to 25-25-10.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*EDUCATIONAL TECHNOLOGY EQUIPMENT ACT* – To account for proceeds received from the issuance of Education 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.

*DEBT SERVICE* – 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.

*EDUCATION TECHNOLOGY BONDS* – 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.

The government also reports the following fund types:

Governmental funds:

*Nonmajor Special Revenue Funds* - The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund.

*Nonmajor Capital Projects Fund* - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary funds:

*Agency Funds* - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes.

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

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.

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

**Deposits and Investments:** 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.

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

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

The State Board of Finance shall set the rate of interest on non-demand interest-bearing accounts, 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 date 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. Investments for the District are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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



**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978, and an estimated useful life extending beyond a single reporting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction expenditures paid by the New Mexico Public Facilities Authority are included in the District's disclosures and financial statements when appropriate.

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

**Unearned Revenue:** The District recognizes grant revenue at the time 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 shows as unearned revenues.

**Compensated Absences:** The District has provided a compensated leave program to its twelve-month employees. Upon severance, a qualifying employee may receive payment for unused leave up to the amount accrued in each of the two prior years.

Accordance with the following scale:

<u>Years of Service</u>	<u>Days 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 THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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

**Salaries and Wages:** The District pays all salaries and wages due to teachers on or before June 30th of each year.

**Net Position or Fund Equity:** In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

*Net Investment in capital assets:* Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position:* 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. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects".

*Unrestricted Net Position:* All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

*Fund Balance* – the difference between assets and liabilities in the governmental fund financial statements. Fund balance is among the most widely and frequently used information in state and local

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

government financial reports. GASB developed Statement No. 54 to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standards establish a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used.

Statement No. 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

*Nonspendable* – portion of net resources that cannot be spent because of their form or because they must remain intact.

*Restricted* – amounts constrained by external parties, constitutional provision, or enabling legislation.

*Committed* – amounts constrained by a government using its highest level of decision-making authority. The Board of Education is the highest level of decision making authority.

*Assigned* – amounts a government intends to use for a particular purpose.

*Unassigned* – amounts that are not constrained at all will be reported in the general fund.

Statement No. 54 also clarifies the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy-day” amounts should be reported.

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

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

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

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenues**

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$4,225,617 in state equalization guarantee distributions during the year ended June 30, 2018.

**Tax Revenues:** The District receives mill levy and ad-valorem tax revenues primarily for 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'. The District recognized \$1,206,468 in tax revenues during the year ended June 30, 2018. Descriptions of the individual capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1<sup>st</sup> of each year to be paid in whole or in two installments by November 10<sup>th</sup> and April 10<sup>th</sup> of each year. Roosevelt County collects County, City, and School taxes and distributes them to each fund once per month except in June when 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 public school within the school district. The District received \$294,258 in transportation distributions during the year ended June 30, 2018.

**Instructional Materials:** The New Mexico Public Education Department (PED) received 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, 2018 totaled \$11,299.

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 is operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the Local School Board and the New Mexico Public Education Department. The District also receives reimbursement under the National School Lunch Program for its food services operations.

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

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

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$731,384 difference is as follows:

Capital Outlay	\$ 181,894
Depreciation Expense	<u>(913,278)</u>
Net adjustments to increase net changes in fund balances – total government funds to arrive at changes in net position of governmental activities	<u>\$ (731,384)</u>

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

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

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

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

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

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

- In April or May, the Superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
- In May or June, the budget is approved by the Board of Education.
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
- The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, the local Board of Education and the State of New Mexico Department of Education must approve any revisions that alter the total expenditures of any fund.
- Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

- The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2018 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

**NOTE 4. CASH AND TEMPORARY 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, 2018.

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.

The collateral pledged is listed in the table of contents of this report and as listed below. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico as limited by Section 6-10-16, NMSA 1978.

Type	Centinel Bank	People's Bank	Total
Total Deposits	\$ 2,767,850	57,134	2,824,984
Less: FDIC Coverage	(250,000)	(57,134)	(307,134)
Total uninsured public funds	2,517,850	-	2,517,850
Collateral requirement (50%)	1,258,925	-	1,258,925
Pledged Securities	1,744,556	-	1,744,556
(Over) Under collateralized	\$ (485,631)	-	(485,631)

As of June 30, 2018 the District has \$1,350,804 of debt reserve funds which is included in the statement of net position and the balance sheets as restricted cash.



**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4. CASH AND TEMPORARY INVESTMENTS (CONTINUED)**

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. Questa Independent School District's funds were not in an interest bearing account and therefore were subject to the Dodd Frank Act.

*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 for a 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.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$2,517,850 of the District's bank balance of \$2,824,984 was exposed to custodial credit risk. \$2,517,850 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$-0- was uninsured and uncollateralized.

**NOTE 5. 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 on hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution.

The New Mexico Local Governmental Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10-I through 6-10-10-P and Section 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F NMSA 1978, as the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in LGIP is voluntary.

*Interest Rate Risk and Credit Rating – Investment in LGIP.* The District does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The District's investments at June 30, 2017 include the following:

New Mexico LGIP	AAAm Rated	[50] day WAM(R)	\$ <u>277</u>
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**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**NOTE 6. DUE TO AND FROM OTHER FUNDS**

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

Due to Operational Fund		
Title I – IASA	\$	109,800
IDEA-B Entitlement		55,405
IDEA-B Results Plan		7,956
Teacher/Principal Training		1,750
2012 GO Bonds – Student Library		3,755
Truancy Initiative		19,019
Pre-K Initiative		38,624
Kindergarten – Three Plus		16,272
Teachers Hard to Staff Stipend		6,075
<b>Total due to Operational Fund</b>	<b>\$</b>	<b><u>258,656</u></b>

The balance of \$258,656 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year.

**NOTE 7. RECEIVABLES**

Receivables are deemed to be 100% collectible as of June 30, 2018, as follows:

	<u>Intergovernmental</u>	<u>Property Taxes</u>	<u>Totals</u>
Operational Fund	\$ 6,182	16,256	22,438
USDA	5,746	-	5,746
Title I	109,800	-	109,800
IDEA-B Entitlement	55,405	-	55,405
IDEA-B Results Plan	7,956	-	7,956
Teacher/Principal Training	1,750	-	1,750
2012 GO Bonds – Student Library	3,755	-	3,755
Truancy Initiative	19,019	-	19,019
Pre-K Initiative	38,624	-	38,624
Kindergarten – Three plus	16,272	-	16,272
Teachers Hard to Staff Stipend	6,075	-	6,075
Medicaid	10,171	-	10,171
Senate Bill 9	-	90,569	90,569
Debt Service	-	76,636	76,636
Ed Tech Debt Service	-	48,768	48,768
<b>Total due from other governments</b>	<b>\$ 280,755</b>	<b>232,229</b>	<b><u>512,984</u></b>

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**NOTE 8. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 6/30/2017	Increases	Transfers	Balance 6/30/2018
Capital assets, not depreciated				
Land	\$ 17,411	-	-	17,411
Construction in progress	1,262,018		(1,262,018)	-
<b>Total not depreciated</b>	<b>1,279,429</b>	<b>-</b>	<b>(1,262,018)</b>	<b>17,411</b>
Capital assets, depreciated				
Buildings & Improvements	25,398,003	1,443,912	-	26,841,915
Equipment, Vehicles, Software and Library Books	1,197,679	-	-	1,197,679
<b>Total depreciated</b>	<b>26,595,682</b>	<b>1,443,912</b>	<b>-</b>	<b>28,039,594</b>
Accumulated depreciation for				
Buildings & Improvements	11,528,526	828,523	-	12,357,049
Equipment, Vehicles, Software and Library Books	753,551	84,755	-	838,306
Total accumulated depreciation	12,282,077	913,278	-	13,195,355
<b>Total capital assets, depreciated net</b>	<b>\$ 15,593,034</b>	<b>530,634</b>	<b>(1,262,018)</b>	<b>14,861,650</b>

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

Instruction	\$ 788,859
Support Services – Instruction	2,009
Support Services – General Administration	21,643
Support Services – Operation of Plant	10,722
Food Services	2,702
Capital Outlay	87,343
<b>Total depreciation expense</b>	<b>\$ 913,278</b>

**NOTE 9. UNEARNED REVENUE**

Unearned Revenue represents advances on grants and property taxes which have not been earned at June 30, 2018:

	Other Governmental
Property tax	\$ 1,604
Federal grants	189,069
	<b>\$ 190,673</b>

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**NOTE 10. LONG-TERM DEBT**

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

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2018</u>	<u>Amount Due Within One Year</u>
Governmental activities:					
Education technology bonds	\$ 5,470,000	1,000,000	420,000	6,050,000	415,000
<b>Total Notes</b>	<b><u>5,470,000</u></b>	<b><u>1,000,000</u></b>	<b><u>420,000</u></b>	<b><u>6,050,000</u></b>	<b><u>415,000</u></b>
Other liabilities					
Compensated absences	13,209	16,480	19,900	9,789	4,895
<b>Total other liabilities</b>	<b><u>13,209</u></b>	<b><u>16,480</u></b>	<b><u>19,900</u></b>	<b><u>9,789</u></b>	<b><u>4,895</u></b>
<b>Long-term liabilities</b>	<b><u>\$ 5,483,209</u></b>	<b><u>1,016,480</u></b>	<b><u>439,900</u></b>	<b><u>6,059,789</u></b>	<b><u>419,895</u></b>

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.

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%	\$ 3,050,000
2010	9/1/2026	2,000,000	0.00%	2,000,000
2017	8/1/2022	1,000,000	Various	<u>1,000,000</u>
				<u>\$ 6,050,000</u>

The annual requirements to amortize the general obligation bonds as of June 30, 2018, 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:

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**NOTE 10. LONG-TERM DEBT (CONTINUED)**

		Principal	Interest	Total Debt
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		260,000	80,896	340,896
2024-2028		1,510,000	232,084	1,742,084
2029		345,000	7,245	352,245
<b>Total</b>	<b>\$</b>	<b><u>3,050,000</u></b>	<b><u>735,048</u></b>	<b><u>3,785,048</u></b>

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 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:

Sinking Fund Requirement	
September 1	Mandatory Sinking Fund Balance
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

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**NOTE 10. LONG-TERM DEBT (CONTINUED)**

The future requirements for the loan are as follows:

		Principal	Interest	Total Debt
2019	\$	-	109,000	109,000
2020		-	109,000	109,000
2021		-	109,000	109,000
2022		-	109,000	109,000
2023		-	109,000	109,000
2024-2027		2,000,000	381,500	2,381,500
	\$	<u>2,000,000</u>	<u>926,500</u>	<u>2,926,500</u>

In September, 2017, the district obtained a loan in the amount of \$1,000,000 with a variable interest rate and matures in August, 2022. The future requirements for the loan are as follows:

		Principal	Interest	Total Debt
2019	\$	200,000	14,469	214,469
2020		200,000	9,894	209,894
2021		200,000	6,797	206,797
2022		200,000	4,742	204,742
2023		200,000	1,703	201,703
	\$	<u>1,000,000</u>	<u>37,605</u>	<u>1,037,605</u>

**NOTE 11. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMPSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. Annual financial reports can be obtained from NMPSIA or viewed on their website at <https://nmpsia.com/information.html>.

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**NOTE 12. CONTINGENT LIABILITIES**

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

**NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD**

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

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

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

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**NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

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

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

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

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

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

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

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**NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

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

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

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

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

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



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**NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

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

**Contributions** – For the fiscal years ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, Questa Independent School District paid employee and employer contributions of \$383,320 and \$302,646, which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the Questa Independent School District reported a liability of \$9,888,764 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. The Questa Independent School

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**NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

District’s proportion of the net pension liability was based on a projection of the Questa Independent School District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the Questa Independent School District’s proportion was 0.08898%, which was a decrease of 0.00878% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Questa Independent School District recognized pension expense of \$463,577. At June 30, 2018, Questa Independent School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 17,751	152,346
Changes of assumptions	2,886,725	-
Net difference between projected and actual earnings on pension plan investments	-	1,357
Changes in proportion and differences between contributions and proportionate share of contributions	-	1,242,405
Employer contributions subsequent to the measurement date	383,320	-
<b>Total</b>	<b>\$ 3,287,796</b>	<b>1,396,108</b>

\$383,320 reported as deferred outflows of resources related to pensions resulting from Questa Independent School District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 124,541
2019	897,747
2020	567,507
2021	(81,427)
2022	-
Thereafter	-

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**NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

Inflation	2.50%										
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table> <thead> <tr> <th>Fiscal year</th> <th><u>2017</u></th> <th><u>2016</u></th> <th><u>2015</u></th> <th><u>2014</u></th> </tr> </thead> <tbody> <tr> <td>Service life in years</td> <td>3.35</td> <td>3.77</td> <td>3.92</td> <td>3.88</td> </tr> </tbody> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p><b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-living increases	1.90% per year, compounded annually.										
Payroll growth	3.00% per year (with no allowance for membership growth).										

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**NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

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

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

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

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

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

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

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**NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

**Sensitivity of the Questa Independent School District’s proportionate share of the net pension liability to changes in the discount rate.** The following presents the Questa Independent School District’s proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the Questa Independent School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	<b>1% Decrease (4.90%)</b>	<b>Current Discount Rate (5.90%)</b>	<b>1% Increase (6.90%)</b>
Questa Independent School District’s proportionate share of the net pension liability	\$ 12,872,712	9,888,764	7,449,630

**Pension plan fiduciary net position.** Detailed information about the pension plan’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 [www.nmerb.org/Annual\\_reports.html](http://www.nmerb.org/Annual_reports.html).

**Payables to the pension plan.** Questa Independent School District did not accrue any payables for the pension plan at June 30, 2018. All 10-month teacher contracts for the school year are paid by fiscal year end.

**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**General Information about the OPEB**

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

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

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
 (CONTINUED)**

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

**Employees covered by benefit terms** – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

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

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$55,149 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$3,011,297 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of the date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was 0.06645 percent.

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
 (CONTINUED)**

For the year ended June 30, 2018, the District recognized OPEB expense of \$119,719. At June 30, 2018 the Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	115,588
Changes in assumptions	-	526,487
Net difference between projected and actual earnings on OPEB plan investments	-	43,320
Employer contributions subsequent to the measurement date	<u>55,149</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>55,149</u></b>	<b><u>685,365</u></b>

Deferred outflows of resources totaling \$55,149 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	(145,713)
2020		(145,713)
2021		(145,713)
2022		(145,713)
2023		<u>(102,513)</u>
Total	\$	<u><u>(685,365)</u></u>

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

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN  
(CONTINUED)**

Asset valuation method                      Market value of assets

Actuarial assumptions:

Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

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

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

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

**Discount Rate** – The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their



STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 14. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

***Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.***

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate; percent) than the current discount rate:

	<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
\$	<u>3,652,656</u>	<u>3,011,297</u>	<u>2,508,093</u>

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
\$	<u>2,561,315</u>	<u>3,011,297</u>	<u>3,362,171</u>

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

***Payables changes in the net OPEB liability.*** At June 30, 2018, the District reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 15. DEFICIENT FUND BALANCES**

The following funds had a deficient fund balance at June 30, 2018:

Athletics	\$ (4,707)
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The District is addressing the negative fund balances and is planning on taking the appropriate actions to eliminate the negative balances.

**NOTE 16. 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 17. RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for OPEB. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee services. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. GASB Statement No. 75 was effective for periods after June 15, 2017. The District has adopted this statement for the year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interest. This statement requires that a government recognize revenue when the resources become applicable to the reporting period. GASB Statement No. 81 was effective for periods beginning after December 15, 2016. The District adopted this statement; however, there are no irrevocable split-interest agreements and the implementation of this statement had no effect on the District's financial statements.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 17. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement addresses practice issues that have been identified during the implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, good will, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 was effective for periods beginning after June 15, 2017. The adoption of GASB Statement No. 85 did not have a significant impact of the District's Financial Statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment issues*. This statement establishes essentially the same requirements as GASB Statement No.7, for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish debt. However, in financial statements using the economic resources measurement focus, Governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of defeasance. Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to the financial statements in the period of defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains at period-end should be disclosed. GASB Statement No. 86 was effective for periods beginning after June 15, 2017. The District adopted this statement; however, there were no debt extinguishments and the implementation of this statement had no effect on the District's financial statements.

**NOTE 18. NEW ACCOUNTING PRONOUNCEMENTS**

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.*

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.*

The District will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The District believes that the above listed new GASB pronouncements will not have a significant financial impact to the District or in issuing its financial statements.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 19. PRIOR YEAR RESTATEMENT**

The District has overstated unearned revenue and understated fund balance by \$222,854 in the 2017 financial statements. The unearned revenue balance was adjusted to recognize the prior year revenue, leading to a restatement of 2017 balances.

The District has overstated accounts payable and understated fund balance by \$1,224,574 in the 2017 financial statements. The accounts payable balance was adjusted to remove payables recorded twice, leading to a restatement of 2017 balances.

In addition beginning net position at June 30, 2018 was restated in the amount of \$3,633,994. This restatement was due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**June 30, 2018**

<b>New Mexico Educational Retirement Board Pension Plan</b>						
<b>For Last 10 Fiscal Years*</b>						
<b>(Dollar Amounts in Thousands)</b>						
	<b>Fiscal Year</b>		<b>2017</b>		<b>2015</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>Measurement Date</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
District's Proportion of the Net Pension Liability (Asset)		0.08898%	0.09776%	0.10210%	0.14853%	
District's Proportionate Share of Net Pension Liability (Asset)	\$	9,888	7,035	6,613	8,475	
District's Covered Payroll	\$	2,758	2,853	2,788	4,094	
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		358.52%	246.58%	237.20%	207.01%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		52.95%	61.58%	63.97%	66.54%	

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

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 June 30, 2018**

**New Mexico Educational Retirement Board Pension Plan  
 Last Ten Fiscal Years\*  
 (Dollar Amounts in Thousands)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutory Required Contributions	\$ 383	396	388	403
Contribution in Relation to the Statutorily Required Contributions	383	396	388	403
Annual 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 Questa Independent School District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO**  
**QUESTA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**June 30, 2018**

**New Mexico Retiree Health Care Authority**  
**For Last 10 Fiscal Years\***  
**(Dollars in Thousands)**

	<b>Fiscal Year</b>	<b>30-Jun</b>
	<b>Measurement Date</b>	<b>2018</b>
		<b>2017</b>
District's Proportion of the Net OPEB liability (Asset)		0.06645%
District's Proportionate Share of Net Pension Liability (Asset)	\$	3,011,297
District's Covered-Employee Payroll	\$	2,768,073
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		108.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		11.34%

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



**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 June 30, 2018**

**New Mexico Retiree Health Care Authority  
 Last Ten Fiscal Years\*  
 (Dollar Amounts in Thousands)**

	<b>2018</b>
Contractually Required Contribution	\$ 211,010
Contributions in Relation to the Contractually Required Contribution	105,903
Contribution Deficiency (Excess)	\$ 105,107
Employer's covered-employee payroll	\$ 2,768,073
Contributions as a percentage of covered-employee payroll	3.80%

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



**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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

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



STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 GENERAL FUND - 11000, 12000, 13000, 14000  
 STATEMENT OF REVENUES AND EXPENDITURES -  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>Revenues</b>				
Residential/non-residential taxes	\$ 79,799	79,799	82,475	2,676
Rent and leases	62,596	62,596	65,176	2,580
Fees-activities	-	-	-	-
Fees-users	-	-	-	-
State grants	4,418,289	4,456,034	4,531,174	75,140
Federal grants	20,500	43,623	33,146	(10,477)
Interest income	350	350	326	(24)
Miscellaneous	-	-	1,035	1,035
<i>Total revenues</i>	<u>4,581,534</u>	<u>4,642,402</u>	<u>4,713,332</u>	<u>70,930</u>
<b>Expenditures</b>				
Current				
Instruction	2,195,978	2,220,052	2,152,048	68,004
Support services				
Students	609,086	609,086	489,703	119,383
Instruction	123,992	123,992	122,539	1,453
General administration	237,374	298,242	334,668	(36,426)
School administration	426,729	426,729	425,251	1,478
Central services	267,438	267,438	304,134	(36,696)
Operations & maintenance of plant	718,495	718,495	748,300	(29,805)
Student transportation	294,556	294,556	263,701	30,855
Other support services	-	-	-	-
Food service - operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>4,873,648</u>	<u>4,958,590</u>	<u>4,840,344</u>	<u>118,246</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(292,114)</u>	<u>(316,188)</u>	<u>(127,012)</u>	<u>(47,316)</u>
<b>Other financing sources</b>				
Designated Cash	<u>291,395</u>	<u>315,469</u>	<u>-</u>	<u>315,469</u>
<i>Total other financing sources (uses)</i>	<u>291,395</u>	<u>315,469</u>	<u>-</u>	<u>315,469</u>
<b>Net change in fund balances</b>	<u>\$ (719)</u>	<u>(719)</u>	<u>(127,012)</u>	<u>(127,012)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			21,106	
Adjustments to expenditures			(13,072)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (118,978)</u>	



## **SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET-GENERAL FUND  
 June 30, 2018

	OPERATIONAL 11000	TEACHERAGE 12000
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ -	9,070
Investments		
Accounts receivable		
Due from other governments	6,182	-
Property taxes	16,256	-
Interfund receivables	258,656	-
Other receivable	-	-
	<u>                    </u>	<u>                    </u>
<i>Total assets</i>	<u>\$ 281,094</u>	<u>9,070</u>
 <b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 28,281	85
Bank overdraft	83,977	
Unearned revenue	13,267	-
Interfund payables	-	-
	<u>                    </u>	<u>                    </u>
<i>Total liabilities</i>	<u>125,525</u>	<u>85</u>
 <i>Deferred Inflows</i>		
Unavailable revenue	-	-
	<u>                    </u>	<u>                    </u>
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>
 <i>Fund balances (deficit)</i>		
Nonspendable	-	-
Restricted	-	-
Unassigned	155,569	8,985
	<u>                    </u>	<u>                    </u>
<i>Total fund balance (deficit)</i>	<u>155,569</u>	<u>8,985</u>
 <i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 281,094</u>	<u>9,070</u>



TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
38,896	18,022	65,988
		-
-	-	6,182
-	-	16,256
-	-	258,656
-	-	-
<u>38,896</u>	<u>18,022</u>	<u>347,082</u>
173	-	28,539
		83,977
-	-	13,267
-	-	-
<u>173</u>	<u>-</u>	<u>125,783</u>
-	-	-
-	-	-
-	-	-
38,723	18,022	56,745
-	-	164,554
<u>38,723</u>	<u>18,022</u>	<u>221,299</u>
<u>38,896</u>	<u>18,022</u>	<u>347,082</u>

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES -- GENERAL FUND  
 For the Year Ended June 30, 2018**

	OPERATIONAL 11000	TEACHERAGE 12000
<b>Revenues</b>		
Residential/non-residential taxes	\$ 83,919	-
Rent and leases	70,153	8,503
Fees-activities	-	-
Fees-users	-	-
State grants	4,225,617	-
Federal grants	33,146	-
Interest income	326	-
Miscellaneous	7,217	-
<i>Total revenues</i>	<u>4,420,378</u>	<u>8,503</u>
<b>Expenditures</b>		
Current		
Instruction	2,138,764	-
Support services		
Students	492,729	-
Instruction	122,539	-
General administration	336,676	-
School administration	425,481	-
Central services	307,870	-
Operations & maintenance of plant	747,159	8,603
Student transportation	-	-
Other support services	-	-
Food services-operations	-	-
Capital outlay	-	-
<i>Total expenditures</i>	<u>4,571,218</u>	<u>8,603</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(150,840)</u>	<u>(100)</u>
<b>Other financing sources (uses)</b>		
Operating transfers	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(150,840)	(100)
<b>Fund balances, beginning of year</b>	<u>306,409</u>	<u>9,085</u>
<b>Fund balances, end of year</b>	<u>\$ 155,569</u>	<u>8,985</u>

TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
-	-	83,919
-	-	78,656
-	-	-
-	-	-
294,258	11,299	4,531,174
-	-	33,146
-	-	326
-	-	7,217
<u>294,258</u>	<u>11,299</u>	<u>4,734,438</u>
-	17,351	2,156,115
-	-	492,729
-	-	122,539
-	-	336,676
-	-	425,481
-	-	307,870
-	-	755,762
256,244	-	256,244
-	-	-
-	-	-
-	-	-
<u>256,244</u>	<u>17,351</u>	<u>4,853,416</u>
<u>38,014</u>	<u>(6,052)</u>	<u>(118,978)</u>
-	-	-
-	-	-
38,014	(6,052)	(118,978)
709	24,074	340,277
<u>38,723</u>	<u>18,022</u>	<u>221,299</u>

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 OPERATIONAL FUND - 11000  
 STATEMENT OF REVENUES AND EXPENDITURES -  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>Revenues</b>				
Residential/non-residential taxes	\$ 79,799	79,799	82,475	2,676
Rent and leases	57,796	57,796	56,673	(1,123)
Fees-activities	-	-	-	-
Fees-users	-	-	-	-
State grants	4,113,674	4,151,419	4,225,617	74,198
Federal grants	20,500	43,623	33,146	(10,477)
Interest income	350	350	326	(24)
Miscellaneous	-	-	1,035	1,035
<i>Total revenues</i>	<u>4,272,119</u>	<u>4,332,987</u>	<u>4,399,272</u>	<u>66,285</u>
<b>Expenditures</b>				
Current				
Instruction	2,185,621	2,185,621	2,134,697	50,924
Support services				
Students	609,086	609,086	489,703	119,383
Instruction	123,992	123,992	122,539	1,453
General administration	237,374	298,242	334,668	(36,426)
School administration	426,729	426,729	425,251	1,478
Central services	267,438	267,438	304,134	(36,696)
Operations & maintenance of plant	703,480	703,480	739,782	(36,302)
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food service - operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>4,553,720</u>	<u>4,614,588</u>	<u>4,550,774</u>	<u>63,814</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(281,601)</u>	<u>(281,601)</u>	<u>(151,502)</u>	<u>130,099</u>
<b>Other financing sources</b>				
Designated Cash	281,601	281,601	-	281,601
<i>Total other financing sources (uses)</i>	<u>281,601</u>	<u>281,601</u>	<u>-</u>	<u>281,601</u>
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>-</u>	<u>(151,502)</u>	<u>(151,502)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			21,106	
Adjustments to expenditures			(20,444)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (150,840)</u>	

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 TEACHERAGE FUND - 12000  
 STATEMENT OF REVENUES AND EXPENDITURES -  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>Revenues</b>				
Residential/non-residential taxes	\$ -	-	-	-
Rent and leases	4,800	4,800	8,503	3,703
Fees-activities	-	-	-	-
Fees-users	-	-	-	-
State grants	-	-	-	-
Federal grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,800</u>	<u>4,800</u>	<u>8,503</u>	<u>3,703</u>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operations & maintenance of plant	15,015	15,015	8,518	6,497
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food service - operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>15,015</u>	<u>15,015</u>	<u>8,518</u>	<u>6,497</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(10,215)</u>	<u>(10,215)</u>	<u>(15)</u>	<u>10,200</u>
<b>Other financing sources</b>				
Designated Cash	<u>9,085</u>	<u>9,085</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>9,085</u>	<u>9,085</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (1,130)</u>	<u>(1,130)</u>	<u>(15)</u>	<u>(15)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			<u>(85)</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (100)</u>	

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 TRANSPORTATION FUND - 13000  
 STATEMENT OF REVENUES AND EXPENDITURES -  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>Revenues</b>				
Residential/non-residential taxes	\$ -	-	-	-
Rent and leases	-	-	-	-
Fees-activities	-	-	-	-
Fees-users	-	-	-	-
State grants	294,258	294,258	294,258	-
Federal grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>294,258</u>	<u>294,258</u>	<u>294,258</u>	<u>-</u>
<b>Expenditures</b>				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operations & maintenance of plant	-	-	-	-
Student transportation	294,556	294,556	263,701	30,855
Other support services	-	-	-	-
Food service - operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>294,556</u>	<u>294,556</u>	<u>263,701</u>	<u>30,855</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(298)</u>	<u>(298)</u>	<u>30,557</u>	<u>30,855</u>
<b>Other financing sources</b>				
Designated Cash	<u>709</u>	<u>709</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>709</u>	<u>709</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ 411</u>	<u>411</u>	<u>30,557</u>	<u>30,557</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			<u>7,457</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 38,014</u>	

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 INSTRUCTIONAL MATERIALS FUND - 14000  
 STATEMENT OF REVENUES AND EXPENDITURES -  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>Revenues</b>				
Residential/non-residential taxes	-	-	-	-
Rent and leases	-	-	-	-
Fees-activities	-	-	-	-
Fees-users	-	-	-	-
State grants	\$ 10,357	10,357	11,299	942
Federal grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	10,357	10,357	11,299	942
<b>Expenditures</b>				
Current				
Instruction	10,357	34,431	17,351	17,080
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operations & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food service - operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	10,357	34,431	17,351	17,080
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	(24,074)	(6,052)	18,022
<b>Other financing sources</b>				
Designated Cash	-	24,074	-	-
<i>Total other financing sources (uses)</i>	-	24,074	-	-
<b>Net change in fund balances</b>	\$ -	-	(6,052)	(6,052)
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (6,052)	

**NONMAJOR GOVERNMENTAL FUNDS**



**SPECIAL REVENUE FUNDS**

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

**SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for Federal, State, and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

**FOOD SERVICE (21000)** – To account for funding for the school hot lunch program. Funding is provided by fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, New Mexico Statutes Annotated, State Law 22-13-13.

**ATHLETICS (22000)** – To account for revenues received from non-instructional activities for use in the District's athletic and other non-instructional programs. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Authority for this fund is the New Mexico Administrative Code 6.20.2.

**IASA TITLE I (24101)** – To account for funding for remedial instruction in language arts for educationally deprived students in low income areas. Funds are received from the Federal Government through the New Mexico State Department of Education under the Elementary and Secondary Education Act of 1965, Title I, Chapter I, part A, 20 U.S.C. 2701 et seq.

**IDEA-B ENTITLEMENT (24106)** – To account for a federal grant restricted for the operation and maintenance of meeting the special education needs of children with disabilities. Authority for the creation of this fund is the Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630, and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

**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.

**TEACHER/PRINCIPAL TRAINING (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).

**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.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**TITLE XIX MEDICAID 3/21 YEARS (25153)** – To account for monies received from the State of New Mexico to be used to provide direct services to 4 year old children in Pre-Kindergarten programs.

**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 (25233)** – To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in rural schools. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

**PROJECT LEAD THE WAY (26219)** – The objectives of this grant is to provide transformative learning experiences for K-12 students and teachers.

**DUAL CREDIT TEXTBOOKS (27103)** – To purchase college textbooks for students who dual enroll in college credit courses while still attending high school. Authority for the creation of this fund is New Mexico state statute.

**2012 GO BONDS LIBRARY (27107)** – To account for funds provided for the purpose of acquiring library books, equipment, and library resources for public school and state-supported school libraries statewide. Authority for the creation of this fund is the New Mexico Public Education Department.

**NM READS TO LEAD (27114)** – To account for funds received to 1) increase the quality of reading instruction; 2) provide a screening assessment for use in planning data-driven instruction; 3) provide quality professional development for administrators, reading coaches, and teachers; 4) ensure that districts/charter schools have a comprehensive plan for addressing literacy instruction; and 5) reach out to parents and families with free resources in English and Spanish to support children’s reading at home. Authority for the creation of this fund is New Mexico House Bill 2.

**TRUANCY AND DROPOUT PREVENTION (27141)** – To hire three truancy and dropout prevention coaches.

**PRE K INITIATIVE (27149)** – To account for monies received from the State of New Mexico to be used to provide direct services to 4 year old children in Pre-Kindergarten programs.

**BREAKFAST FOR ELEMENTARY STUDENTS (27155)** – The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

**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 PE coach.



**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**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.

**CAPITAL PROJECTS FUNDS**

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction for major capital facilities. The District has the following separate funds classified as Capital Projects Funds:

**CAPITAL IMPROVEMENTS SB 9 STATE (31700)** – To account for a 2.0 mill levy restricted by board resolution for erecting, remodeling, making additions to, providing equipment for, and furnishing school buildings, improving school grounds and maintenance of school buildings and grounds, exclusive of salary expense of employees. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10. Reported as a capital projects fund.

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
 SPECIAL REVENUE FUNDS  
 June 30, 2018

	FOOD SERVICES 21000	ATHLETICS 22000	TITLE I 24101	IDEA -B ENTITLEMENT 24106
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 137,735	-	-	-
Restricted cash	-	-	-	-
Accounts receivable				
Due from other governments	5,746	-	109,800	55,405
Property taxes	-	-	-	-
Interfund receivables	-	-	-	-
Other receivable	-	-	-	-
<i>Total assets</i>	<u>\$ 143,481</u>	<u>-</u>	<u>109,800</u>	<u>55,405</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Current liabilities</i>				
Accounts payable	\$ 5,540	247	-	-
Bank overdraft	-	4,460	-	-
Unearned revenue	-	-	-	-
Interfund payables	-	-	109,800	55,405
<i>Total liabilities</i>	<u>5,540</u>	<u>4,707</u>	<u>109,800</u>	<u>55,405</u>
<i>Fund balances (deficit)</i>				
Nonspendable	-	-	-	-
Restricted	137,941	-	-	-
Unassigned	-	(4,707)	-	-
<i>Total fund balance (deficit)</i>	<u>137,941</u>	<u>(4,707)</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 143,481</u>	<u>-</u>	<u>109,800</u>	<u>55,405</u>

FRES FRUITS & VEGETABLES 24118	IDEA-B RESULTS PLAN 24132	TEACHER/ PRINCIPAL TRAINING 24154	TITLE I SCHOOL IMPROVEMENT 24162	TITLE XIX MEDICAID 3/21 YEARS 25153
1,604	-	-	-	98,988
-	-	-	-	-
-	7,956	1,750	-	10,171
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,604</u>	<u>7,956</u>	<u>1,750</u>	<u>-</u>	<u>109,159</u>
-	-	-	-	922
-	-	-	-	-
1,604	-	-	-	-
-	7,956	1,750	-	-
<u>1,604</u>	<u>7,956</u>	<u>1,750</u>	<u>-</u>	<u>922</u>
-	-	-	-	-
-	-	-	-	108,237
-	-	-	-	-
-	-	-	-	108,237
<u>1,604</u>	<u>7,956</u>	<u>1,750</u>	<u>-</u>	<u>109,159</u>

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
 SPECIAL REVENUE FUNDS  
 June 30, 2018

	LAND OF ENCHANTMENT TOP GRANT 25175	RURAL EDUCATION 25233	PROJECT LEAD THE WAY 26219	DUAL CREDIT TESTBOOKS 27103
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 1,720	-	24,905	-
Restricted cash	-	-	-	-
Accounts receivable				
Due from other governments	-	-	-	-
Property taxes	-	-	-	-
Interfund receivables	-	-	-	-
Other receivable	-	-	-	-
<i>Total assets</i>	<u>\$ 1,720</u>	<u>-</u>	<u>24,905</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Current liabilities</i>				
Accounts payable	\$ -	-	-	-
Bank overdraft	-	-	-	-
Unearned revenue	-	-	-	-
Interfund payables	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>				
Nonspendable	-	-	-	-
Restricted	1,720	-	24,905	-
Unassigned	-	-	-	-
<i>Total fund balance (deficit)</i>	<u>1,720</u>	<u>-</u>	<u>24,905</u>	<u>-</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 1,720</u>	<u>-</u>	<u>24,905</u>	<u>-</u>



2012 GO BONDS LIBRARY 27107	NM READ TO LEAD 27114	TRUANCY AND DROPOUT PREVENTION 27141	PRE-K INITIATIVE 27149	BREAKFAST FOR ELEMENTARY STUDENTS 27155
-	-	-	-	36
-	-	-	-	-
3,755	-	19,019	38,624	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>3,755</u>	<u>-</u>	<u>19,019</u>	<u>38,624</u>	<u>36</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,755	-	19,019	38,624	-
<u>3,755</u>	<u>-</u>	<u>19,019</u>	<u>38,624</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	36
-	-	-	-	-
-	-	-	-	36
<u>3,755</u>	<u>-</u>	<u>19,019</u>	<u>38,624</u>	<u>36</u>

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS  
 SPECIAL REVENUE FUNDS  
 June 30, 2018

	KINDERGARTEN THREE PLUS 27166	AFTER SCHOOL ENRICHMENT 27168	NM GROWN FFV 27183	TEACHERS HARD TO STAFF 27195
<b>ASSETS</b>				
<i>Current assets</i>				
Cash and cash equivalents	\$ -	-	-	-
Restricted cash	-	-	-	-
Accounts receivable				
Due from other governments	16,272	-	-	6,075
Property taxes	-	-	-	-
Interfund receivables	-	-	-	-
Other receivable	-	-	-	-
<i>Total assets</i>	<u>\$ 16,272</u>	<u>-</u>	<u>-</u>	<u>6,075</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<i>Current liabilities</i>				
Accounts payable	\$ -	-	-	-
Bank overdraft	-	-	-	-
Unearned revenue	-	-	-	-
Interfund payables	16,272	-	-	6,075
<i>Total liabilities</i>	<u>16,272</u>	<u>-</u>	<u>-</u>	<u>6,075</u>
<i>Fund balances (deficit)</i>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 16,272</u>	<u>-</u>	<u>-</u>	<u>6,075</u>

TOTAL NONMAJOR SPECIAL REVENUE FUNDS	SENATE BILL 9 31700	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
264,988	-	-	264,988
-	-	-	-
274,573	-	-	274,573
-	-	-	-
-	-	-	-
<u>539,561</u>	<u>-</u>	<u>-</u>	<u>539,561</u>
6,709	-	-	6,709
4,460	-	-	4,460
1,604	-	-	1,604
<u>258,656</u>	<u>-</u>	<u>-</u>	<u>258,656</u>
<u>271,429</u>	<u>-</u>	<u>-</u>	<u>271,429</u>
-	-	-	-
272,839	-	-	272,839
(4,707)	-	-	(4,707)
<u>268,132</u>	<u>-</u>	<u>-</u>	<u>268,132</u>
<u>539,561</u>	<u>-</u>	<u>-</u>	<u>539,561</u>

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
 IN FUND BALANCE-CAPITAL PROJECT FUNDS  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2018

	FOOD SERVICES 21000	ATHLETICS 22000	TITLE I 24101	IDEA-B ENTITLEMENT 24106
<b>Revenues</b>				
Fees-activities	\$ -	21,383	-	-
Fees-users	3,471	-	-	-
State grants	-	-	-	-
Federal grants	204,291	-	188,235	91,092
Interest income	43	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>207,805</u>	<u>21,383</u>	<u>188,235</u>	<u>91,092</u>
<b>Expenditures</b>				
Current				
Instruction	-	36,048	158,666	68,420
Support services				
Students	-	-	10,831	16,413
Instruction	-	-	-	-
General administration	-	-	13,957	6,787
School administration	-	-	3,246	-
Student transportation	-	-	1,177	-
Food services-operations	236,088	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>236,088</u>	<u>36,048</u>	<u>187,877</u>	<u>91,620</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(28,283)</u>	<u>(14,665)</u>	<u>358</u>	<u>(528)</u>
<b>Other financing sources (uses)</b>				
Operating transfers	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(28,283)</u>	<u>(14,665)</u>	<u>358</u>	<u>(528)</u>
<b>Fund balances, beginning of year</b>	166,224	9,958	(95,575)	528
<i>Restatement, Note 19</i>	-	-	95,217	-
<b>Fund balances, beginning of year as restated</b>	<u>166,224</u>	<u>9,958</u>	<u>(358)</u>	<u>528</u>
<b>Fund balances, end of year</b>	\$ <u>137,941</u>	<u>(4,707)</u>	<u>-</u>	<u>-</u>

FRESH FRUITS & VEGETABLES 24118	IDEA-B RESULTS PLAN 24132	TEACHER/ PRINCIPAL TRAINING 24154	TITLE I SCHOOL IMPROVEMENT 24162	TITLE XIX MEDICAID 3/21 YEARS 25153
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	18,557	3,623	10,477	71,555
-	-	-	-	-
-	-	-	-	-
-	18,557	3,623	10,477	71,555
-	18,557	3,281	10,477	30,010
-	-	-	-	2,879
-	-	-	-	-
-	-	342	-	2,198
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	18,557	3,623	10,477	35,087
-	-	-	-	36,468
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	36,468
-	-	-	-	39,785
-	-	-	-	31,984
-	-	-	-	71,769
-	-	-	-	108,237

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
 IN FUND BALANCE-CAPITAL PROJECT FUNDS  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2018

	LAND OF ENCHANTMENT TOP GRANT 25175	RURAL EDUCATION 25233	PROJECT LEAD THE WAY 26219	DUAL CREDIT TEXTBOOKS 27103
<b>Revenues</b>				
Fees-activities	\$ -	-	-	-
Fees-users	-	-	-	-
State grants	1,050	-	-	2,418
Federal grants	-	898	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	25,926	-
<i>Total revenues</i>	<u>1,050</u>	<u>898</u>	<u>25,926</u>	<u>2,418</u>
<b>Expenditures</b>				
Current				
Instruction	3,797	898	3,335	2,418
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Student transportation	-	-	-	-
Food services-operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>3,797</u>	<u>898</u>	<u>3,335</u>	<u>2,418</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(2,747)</u>	<u>-</u>	<u>22,591</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Operating transfers	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(2,747)	-	22,591	-
<b>Fund balances, beginning of year</b>	4,467	-	2,314	(1,834)
<i>Restatement, Note 19</i>	-	-	-	1,834
<b>Fund balances, beginning of year as restated</b>	<u>4,467</u>	<u>-</u>	<u>2,314</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 1,720</u>	<u>-</u>	<u>24,905</u>	<u>-</u>

2012 GO BONDS LIBRARY 27107	NM Read to Lead 27114	TRUANCY AND DROPOUT PREVENTION 27141	PRE-K INITIATIVE 27149	BREAKFAST FOR ELEMENTARY STUDENTS 27155
-	-	-	-	-
-	-	-	-	-
3,755	-	42,791	77,862	5,499
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3,755	-	42,791	77,862	5,499
-	-	-	76,351	-
-	-	39,623	-	-
3,755	-	-	-	-
-	-	3,168	1,511	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	5,499
-	-	-	-	-
3,755	-	42,791	77,862	5,499
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(15,087)	(7,041)	-	(22,908)	(1,326)
15,087	7,041	-	22,908	1,362
-	-	-	-	36
-	-	-	-	36

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
 IN FUND BALANCE-CAPITAL PROJECT FUNDS  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2018

	KINDERGARTEN THREE PLUS 27166	AFTER SCHOOL ENRICHMENT 27168	NM GROWN FFV 27183	TEACHERS HARD TO STAFF 27195
<b>Revenues</b>				
Fees-activities	\$ -	-	-	-
Fees-users	-	-	-	-
State grants	38,997	-	-	6,075
Federal grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>38,997</u>	<u>-</u>	<u>-</u>	<u>6,075</u>
<b>Expenditures</b>				
Current				
Instruction	19,315	-	-	6,075
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	17,215	-	-	-
Student transportation	2,467	-	-	-
Food services-operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>38,997</u>	<u>-</u>	<u>-</u>	<u>6,075</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses)</b>				
Operating transfers	-	-	-	-
Bond proceeds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	-	-	-
<b>Fund balances, beginning of year</b>	(24,583)	(16,828)	(425)	-
<i>Restatement, Note 19</i>	24,583	16,828	425	-
<b>Fund balances, beginning of year as restated</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>



TOTAL NONMAJOR SPECIAL REVENUE FUNDS	SENATE BILL 9 31700	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
21,383	-	-	21,383
3,471	-	-	3,471
178,447	-	-	178,447
588,728	-	-	588,728
43	-	-	43
25,926	-	-	25,926
<u>817,998</u>	<u>-</u>	<u>-</u>	<u>817,998</u>
437,648	-	-	437,648
69,746	-	-	69,746
3,755	-	-	3,755
27,963	-	-	27,963
20,461	-	-	20,461
3,644	-	-	3,644
241,587	-	-	241,587
-	-	-	-
<u>804,804</u>	<u>-</u>	<u>-</u>	<u>804,804</u>
13,194	-	-	13,194
-	-	-	-
-	-	-	-
-	-	-	-
13,194	-	-	13,194
37,669	(5,585)	(5,585)	32,084
217,269	5,585	5,585	222,854
254,938	-	-	254,938
<u>268,132</u>	<u>-</u>	<u>-</u>	<u>268,132</u>



## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-- AGENCY FUNDS  
 For the Year Ended June 30, 2018**

	BALANCE 6/30/2017	ADDITIONS	DEDUCTIONS	BALANCE 6/30/2018
General Activity Fund	\$ 1,892	376	945	1,323
Scholarship Fund	734	500	900	334
HS Office Assistant	-	659	281	378
JRHS Honor Society	1,788	556	281	2,063
HS Student Council	1,772	318	295	1,795
Library Fund	642	220	-	862
HS Cheerleaders Fund	1,717	10,119	9,963	1,873
Ski Club Fund	1,385	8,483	10,659	(791)
Rio Costilla Elementary Fund	-	611	-	611
AV 7-8 Grade Fund	100	-	-	100
Interest on CD's	126	80	-	206
AV Yearbook Fund	2,020	-	-	2,020
AV K-6	34	-	-	34
AV Cheerleader Fund	725	-	506	219
Athletic General Fund	340	404	-	744
AV Reading Lab	25	-	-	25
HS Soccer Club	696	46	640	102
JR High Volleyball	131	2,500	2,520	111
Volleyball Fund	539	6,773	7,212	100
Rent & Lease Deposit Fund	4,156	250	250	4,156
HS Football Fund	1,079	-	-	1,079
JR High Football	122	-	-	122
AV Library Fund	117	5,717	5,684	150
JR High Student Council Fund	2,382	-	-	2,382
HS Yearbook	-	40	-	40
AV Office Fund	656	337	-	993
Insurance Refunds	1,678	5,118	4,819	1,977
Alta Vista Music Program	604	150	224	530
Drama Club	2,226	165	2,583	(192)
MNRSC Pepsi Fund	254	-	196	58
AV Student Council Fund	1,555	1,748	1,415	1,888
HS Boys Basketball Fund	160	331	41	450
HS Girls Basketball Fund	849	-	210	639
Class of 2008	2,239	-	-	2,239
Positive Incentive Program	380	3,473	1,526	2,327
Class of 2010	363	-	-	363
Class of 2011	101	-	-	101
Class of 2012	261	-	-	261
Class of 2013	2	-	-	2
Class of 2014	1,107	-	-	1,107
Class of 2015	122	-	-	122
Class of 2016	2	-	-	2
Class of 2017	436	-	1,781	(1,345)
Science Levinson Fund	724	300	1,958	(934)
AV PAC	74	-	79	(5)
Chevron Mining, Inc.	1,000	-	860	140
Chess Club	108	-	-	108
HS Ski Club	-	3,097	2,992	105
HS Track-Girls	2,690	738	197	3,231
Class of 2018	1,887	6,371	6,798	1,460
Class of 2019	3,322	5,965	4,340	4,947
Class of 2020	6,746	1,351	495	7,602
Class of 2021	683	115	20	778

Class of 2022	958	175	320	813
Future Educators of America	673	-	-	673
Taos Soil and Water Conservation	303	-	48	255
JH Girls Basketball	140	-	-	140
ELEM Jaguar BB Team	9	-	-	9
End of year event	1,394	1,500	964	1,930
Class of 2023 (K 2010-2011)	206	2,292	1,710	788
Culinary Arts Program	745	2,197	1,169	1,773
Envirothon Club	288	-	-	288
AVE Cheerleaders	1	-	-	1
Appleby Students in Need	524	-	-	524
SHAC	1,400	-	-	1,400
NM DCDT Transition Award	251	-	-	251
Cash AV PTA	110	-	49	61
Baseball (2017)	1,583	1,112	792	1,903
RLAS Study	500	500	-	1,000
NYC Trip	(108)	3,793	3,149	536
Positive Incentive Program - JR/SR H	-	500	-	500
<i>Total</i>	\$ <u>61,728</u>	<u>78,980</u>	<u>78,871</u>	<u>61,837</u>



**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF CASH  
 For the Year Ended June 30, 2018**

	<u>Bank Balance</u>
<b>Deposits in Centinel Bank</b>	
Payroll clearing	\$ 38,052
Accounts payable clearing	67,084
Cafeteria	194,665
General operational	606,642
Ed technology	345,406
Federal project	516,568
Capital project	979,433
Questa Ind. Schools	10,000
Questa Ind. Schools	10,000
<b>Deposits in People's Bank</b>	
Athletic fund account	4,390
Activity funds account	52,744
<b>Total bank balance</b>	<u>2,824,984</u>
<b>Reconciling items:</b>	
Outstanding checks	(579,912)
Deposits in transit	685
Bank Overdraft	88,437
<b>Total adjustments</b>	<u>(490,790)</u>
<b>Total book balance</b>	2,334,194
<b>Less: Agency Funds</b>	(61,837)
<b>Total cash and investments per book (general ledger)</b>	\$ <u><u>2,272,357</u></u>





STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF PLEDGED COLLATERAL  
 Year Ended June 30, 2018

	<u>Centinel Bank</u>	<u>People's Bank</u>	<u>Totals</u>
<b>FUNDS ON DEPOSIT</b>			
Interest bearing savings	\$ 2,767,850	57,134	2,824,984
Non-interest bearing deposits			
<i>Total on deposit</i>	<u>2,767,850</u>	<u>57,134</u>	<u>2,824,984</u>
Less: FDIC insurance	<u>(250,000)</u>	<u>(57,134)</u>	<u>(307,134)</u>
<i>Total uninsured public funds</i>	<u>\$ 2,517,850</u>	<u>-</u>	<u>2,517,850</u>
<b>PLEDGED COLLATERAL REQUIRED</b>			
50% on deposits	\$ <u>1,258,925</u>	<u>-</u>	<u>1,258,925</u>
<i>Pledged collateral required</i>	1,258,925	-	1,258,925
Pledged collateral at June 30, 2018	<u>1,744,556</u>	<u>-</u>	<u>1,744,556</u>
<i>Total over (under) collateralized:</i>	<u>\$ 485,631</u>	<u>-</u>	<u>485,631</u>
<b>SECURITY TYPE, MATURITY DATE, IDENTIFIER</b>			
FHLB			
CUSIP# 3133EABS6, 2/1/2019	\$ 1,744,556		
		-	
	<u>\$ 1,744,556</u>		

Securities Held by TIB



STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DEPOSITS  
 Year Ended June 30, 2018

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
<b>Centinel Bank</b>						
	Checking	Payroll clearing	\$ 38,052	380,602	-	(342,550)
	Checking	Accounts payable clearing	67,084	199,310	-	(132,226)
	Checking	Cafeteria	194,665	-	-	194,665
	Checking	General operational	606,642	-	-	606,642
	Checking	Debt service	-	-	-	-
	Checking	Ed technology	345,406	-	-	345,406
	Checking	Federal project	516,568	-	-	516,568
	Checking	Capital project	979,433	-	-	979,433
	Checking	Questa Ind. Schools	10,000	-	-	10,000
	Checking	Questa Ind. Schools	10,000	-	-	10,000
<b>People's Bank</b>						
	Checking	Activity Fund account	52,744	-	685	53,429
	Checking	Athletic fund account	4,390	-	-	4,390
			<u>\$ 2,824,984</u>	<u>579,912</u>	<u>685</u>	<u>2,245,757</u>
					Plus Bank Overdraft:	88,437
					Less Agency Funds:	<u>\$ 61,837</u>
					<b>Total Cash</b>	<u><u>2,272,357</u></u>

**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 CASH RECONCILIATION  
 JUNE 30, 2018**

	<u>OPERATIONAL 11000</u>	<u>TEACHERAGE 12000</u>	<u>TRANSPORTATION 13000</u>
Cash, June 30, 2017	\$ 314,884	9,085	709
Add:			
2017-18 revenues	4,399,272	8,503	294,259
Less:			
Prior Year Warrants Voided	<u>(2,183)</u>	<u>-</u>	<u>7,927</u>
Total cash available	4,711,973	17,588	302,895
Less:			
2017-18 expenditures	(4,550,774)	(8,518)	(263,701)
Transfers to/from other funds	-	-	(298)
Outstanding Loans	<u>(161,199)</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2018	<u><u>\$ -</u></u>	<u><u>9,070</u></u>	<u><u>38,896</u></u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	<u>\$ -</u>	<u>-</u>	<u>-</u>
Cash per Books	<u><u>-</u></u>	<u><u>9,070</u></u>	<u><u>38,896</u></u>
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	<u>155,569</u>	<u>(85)</u>	<u>(173)</u>
Fund Balance , Modified Accrual Basis	<u><u>\$ 155,569</u></u>	<u><u>8,985</u></u>	<u><u>38,723</u></u>

<b>INSTRUCTIONAL MATERIALS 14000</b>	<b>FOOD SERVICES 21000</b>	<b>ATHLETICS 22000</b>	<b>FEDERAL FLOW-THROUGH 24000</b>
24,074	103,710	9,958	(91,987)
11,299	264,547	21,383	277,576
-	28	-	-
35,373	368,285	31,341	185,589
(17,351)	(230,550)	(35,801)	(334,420)
-	-	-	(10,995)
-	-	4,460	161,430
<u>18,022</u>	<u>137,735</u>	<u>-</u>	<u>1,604</u>
-	-	-	-
<u>18,022</u>	<u>137,735</u>	<u>-</u>	<u>1,604</u>
-	206	(4,707)	(1,604)
<u>18,022</u>	<u>137,941</u>	<u>(4,707)</u>	<u>-</u>

STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 CASH RECONCILIATION  
 JUNE 30, 2018

	FEDERAL DIRECT FUND 25000	LOCAL GRANTS FUND 26000	TITLE XIX STATE FLOW-THROUGH 27000	BOND BUILDING 31100
Cash, June 30, 2017	\$ 72,357	7,912	(146,089)	362,359
Add:				-
2017-18 revenues	63,413	20,328	239,777	-
Less:				
Prior Year Warrants Voided	-	-	-	-
Total cash available	135,770	28,240	93,688	362,359
Less:				
2017-18 expenditures	(35,062)	(3,335)	(177,397)	(148,167)
Transfers to/from other funds	-	-	-	-
Outstanding Loans	-	-	83,745	-
Cash, June 30, 2018	\$ <u>100,708</u>	<u>24,905</u>	<u>36</u>	<u>214,192</u>
Fund Balance Reconciliations to GAAP Basis:				
Audit reclassifications to cash	\$ -	-	-	-
Cash per Books	<u>100,708</u>	<u>24,905</u>	<u>36</u>	<u>214,192</u>
Fund Balance Reconciliation to GAAP Basis:				
Modified Accrual Adjustments	9,249	-	-	277
Fund Balance , Modified Accrual Basis	\$ <u>109,957</u>	<u>24,905</u>	<u>36</u>	<u>214,469</u>

<b>CAPITAL IMPROVEMENT SB9 31700</b>	<b>CAPITAL IMPROVEMENT SB9 LOCAL 31701</b>	<b>ED. TECH EQUIP ACT 31900</b>	<b>DEBT SERVICE FUND 41000</b>	<b>ED TECH DEBT SERVICE FUND 43000</b>	<b>TOTAL</b>
(12,883)	491,712	229,828	1,182,895	216,081	2,774,605
12,883	385,883	317,926	469,244	245,296	7,031,589
-	-	-	-	-	5,772
-	877,595	547,754	1,652,139	461,377	9,811,966
-	(187,232)	(430,860)	(498,994)	(229,589)	(7,151,751)
-	-	-	(465,000)	-	(476,293)
-	-	-	(88,436)	-	-
-	690,363	116,894	599,709	231,788	2,183,922
-	-	730,804	708,435	-	1,439,239
-	690,363	847,698	1,308,144	231,788	3,623,161
-	14,280	(15,617)	17,695	8,196	183,286
-	704,643	832,081	1,325,839	239,984	3,806,447





## **COMPLIANCE SECTION**

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

To Wayne Johnson  
New Mexico State Auditor  
Board of Education  
Questa Independent School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of Questa Independent School District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2018.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2018-002 to be a material weakness.

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**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2016-002 and 2018-001 to be significant deficiencies.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2018-003, 2018-004, 2018-005, 2018-006 and 2018-007.

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

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned cost. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Pattillo, Brown & Hill, LLP  
Albuquerque, New Mexico  
November 13, 2018

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**A. FINANCIAL STATEMENT FINDINGS**

**2016-002 Internal Control over Cash Disbursements (Significant Deficiency) – repeated and revised**

**CONDITION:** During our testing of cash disbursements we noted the following:

- For 5 transaction totaling \$20,135 out of a sample of 25 transactions tested, the purchase did not have a purchase requisition.
- For 1 transaction totaling \$129 out of a sample of 25 transactions tested, the purchase did not contain odometer mileage for the feeder service as required by the District's procedures
- For 3 transactions totaling \$5,155 out of a sample of 25 transactions tested, the invoice did not agree to the check amounts.
- For 1 transaction totaling \$209 out of a sample of 25 transactions tested, the invoice exceeded the purchase order amount.
- For 8 transactions totaling \$20,496 out of a sample of 25 transactions tested, the District did not complete a purchase order.

The District has not made progress on this finding from the prior year.

**CRITERIA:** Section NMAC 6.20.2.17 (A), requires that each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978. An internal control structure over purchasing shall be established and maintained to assure compliance with school policy, and state and federal regulations. Also, the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, states that “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services or construction.”

**EFFECT:** Not being in compliance with their policies places the District at risk for fraud or misuse of public funds.

**CAUSE:** District personnel did not follow established procurement procedures for the District.

**RECOMMENDATION:** District personnel should be reminded of purchasing policies and procedures. The District should maintain documentation for all change orders requested.

**MANAGEMENT'S RESPONSE:** The District has changed procedures due to change in business manager services. The business office has drafted Accounting Procedures that include reconciliation, review, and approval processes.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The Business Manager will finalize the Accounting Procedure document and it will be issued by the Superintendent to all staff no later than November 30, 2018.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**2018-001 Inadequate Supporting Documentation for Journal Entries (Significant Deficiency)**

**CONDITION:** During our review of journal entries made throughout the year under audit, it was noted that 3 journal entries totaling \$33,185 out of a sample of 10 entries tested, lacked proper review and approval.

**CRITERIA:** PSAB18 Student Activities and NMAC 6.20.2.11 Section B part C states: "An internal control structure is required to demonstrate the school district's ability to record, process, summarize and report financial data consistent with the following financial statement assertions: (1) rights and ownership; (2) existence and occurrence; (3) valuation and allocations; (4) completeness; and, (5) presentation and disclosure."

**EFFECT:** The District appears to be non-compliant with state statutes and inadequate internal controls could result in misstated financial information and/or misappropriation of assets.

**CAUSE:** Under the prior business manager the District procedures did not include having journal entries reviewed.

**RECOMMENDATION:** We recommend the District implement written accounting policies and procedures including requirements for journal entries. We recommend all finance staff be trained on the new policies and procedures. We also recommend the District's finance department review and approve journal entries.

**MANAGEMENT'S RESPONSE:** The District has changed procedures due to a change in business manager services. The business office has drafted Accounting Procedures that include review and approval of Adjusting Journal Entries. The journal entries are made and posted by the business manager. All journal entries, along with support, should be reviewed by the Superintendent.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** This procedure has already been implemented by the business office.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**2018-002 Prior Period Adjustment (Material Weakness)**

**CONDITION:** The District overstated unearned revenue and accounts payable and understated fund balance by \$1,447,428 in the 2017 financial statements which resulted in a prior period adjustment in the current year.

**CRITERIA:** In accordance with generally accepted accounting principles, all revenue and expense transactions should be properly recorded and recognized.

**EFFECT:** The District's under recognized revenue resulted in a material misstatement in the financial statements.

**CAUSE:** In prior years the District erroneously recorded unearned grant revenue. The amounts should have been recorded as grant receivables which caused an understatement of grant revenue.

**RECOMMENDATION:** We recommend that the District review all revenue transactions prior to posting to ensure that they are valid. We recommend that the District reconcile outstanding reimbursement requests at year end to the financial statements to ensure transactions are properly recorded.

**MANAGEMENT'S RESPONSE:** The audited financial statements are reviewed by the business manager to ensure accuracy. This balance was issued by prior auditor and identified as an error by the current business manager and auditor.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The draft financial statements are being reviewed by business manager for accuracy prior to submittal to the state auditor.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**B. SECTION 12-6-5 NMSA 1978 FINDINGS**

**2018-003 Personnel Files (Other Non-Compliance)**

**CONDITION:** In a payroll test of 25 personnel files, four personnel files were missing evidence of a background check.

**CRITERIA:** NMAC 6.20.2.18 requires that school districts maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (Federal Form I-9), federal and state withholding certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

**EFFECT:** The District is not in compliance with New Mexico State Statutes in regards to employee record documentation.

**CAUSE:** District personnel failed to obtain the required documentation verifying employee background checks.

**RECOMMENDATION:** The District should review all personnel files to ensure that required documentation required by NMAC 6.20.2.18 is available.

**MANAGEMENT'S RESPONSE:** The District will review all personnel files to ensure that the background check has been requested and filed. The district also plans to merge personnel files to ensure completeness. The office has also implemented a checklist for new employees to make sure that all items have been received for new employees.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** The District plans to finalize review of personnel files by November 30, 2018 and obtain missing background checks, if any, by December 31, 2018.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**2018-004 Lack of Controls over Payroll (Other Non-Compliance)**

**CONDITION:** During our testing of payroll it was noted that the District paid its administrative employees prior to the pay period ending for each pay period. This results in employees being paid wages prior to the services being rendered.

**CRITERIA:** NMAC 30.23.02 requires that New Mexico governmental entities shall not pay wages prior to services rendered.

**EFFECT:** The District is not in compliance with New Mexico State Statutes which could cause misuse of public funds.

**CAUSE:** The District payroll calendar was created with pay dates occurring prior to the services being rendered as the District was unaware of the state statute.

**RECOMMENDATION:** The District should change the payroll calendar to ensure employees are not being paid prior to services being rendered.

**MANAGEMENT'S RESPONSE:** The District has changed the pay schedule for all 12-month employees in FY2019 to prevent pre-payment of services.

**RESPONSIBLE PARTY/TIMELINE TO CORRECT:** This has already been implemented to address issue.



**STATE OF NEW MEXICO  
 QUESTA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND RESPONSES  
 JUNE 30, 2018**

**2018-005 Budgetary Condition (Other Non-Compliance)**

**CONDITION:** The District had funds where actual expenditures exceeded budgetary authority:

Operational (Fund 11000)	
Support Services (Function 2000)	\$33,749
Athletics (Fund 22000)	
Instruction (Function 1000)	7,457
Capital Improvements SB-9 Local	
Support Services (Function 2000)	116
Debt Service	
Support Services (Function 2000)	240
Ed. Tech. Debt Service	
Support Services (Function 2000)	332

**CRITERIA:** Sound financial management and 6.20.2.8 (A) NMAC and 22-8-5 through 22-8-12.2 NMSA 1978 require that budgets not be exceeded at the legal level of control. For school districts the function is the legal level of control.

**EFFECT:** The District is not in compliance with New Mexico State Statutes and the control established by the use of budgets has been compromised.

**CAUSE:** A budget adjustment request was never submitted to account for the additional expenditures incurred.

**RECOMMENDATION:** The District should establish a policy of budgetary review at year-end and make the necessary budgetary adjustments.

**MANAGEMENT'S RESPONSE:** The business manager will review budget on a monthly basis and recommend budget adjustments to the board for approval.

**RESPONSIBLE PARTY/TIMELINE TO:** This procedure has been implemented by the business office and will continue to be reviewed with the finance committee.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**2018-006 Retirement Health Care (RHC) (Other Non-Compliance)**

**CONDITION:** During our review of RHC contributions, we noted one of twelve monthly RHC payments were not remitted to the New Mexico Retiree Health Care Authority by the tenth day of the subsequent month.

**CRITERIA:** Monthly contributions to RHC are required to be remitted no later than the 10<sup>th</sup> of the following month per NMSA 1978 10-7C-15.

**EFFECT:** The District is not in compliance with New Mexico State Statutes in regards to RHC contributions.

**CAUSE:** Proper internal controls were not in place to ensure that RHC requirements were followed.

**RECOMMENDATION:** The District should implement internal controls to ensure that monthly RHC contributions are remitted to RHCA by the due date.

**MANAGEMENT'S RESPONSE:** The District has changed procedures due to a change in business manager services. The business office has drafted Accounting Procedures that include review and approval of Payroll Liabilities to ensure that RHC is submitted timely.

**RESPONSIBLE PARTY/TIMELINE TO:** This procedure has already been implemented by the business office.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**2018-007 Chief Procurement Officer (Other Non-Compliance)**

**CONDITION:** It was noted that the District did not have a Chief Procurement Officer in place for the year ended June 30, 2018.

**CRITERIA:** Per 13-1-95.2.A NMSA 1978, "On or before January 1 of each year beginning in 2014, and every time a chief procurement officer is hired, each state agency and local public body shall provide to the state purchasing agent the name of the state agency's or local public body's chief procurement officer and information identifying the state agency's or local public body's central purchasing office, if applicable." Section 13-1-95.2 D NMSA 1978 also requires that the Chief Procurement Officer obtain an initial certification as well as recertification every two years.

**EFFECT:** The District is not in compliance with New Mexico State Statutes requiring the training, certification, and reporting of a Chief Procurement Officer.

**CAUSE:** The District did not have a certified Chief Procurement Officer.

**RECOMMENDATION:** The School should designate an individual with the appropriate skill set and position within the school to be its Chief Procurement Officer. This individual should obtain the necessary certification as soon as possible. Upon certification of a Chief Procurement Officer, the school should register this individual on the New Mexico General Services Department website.

**MANAGEMENT'S RESPONSE:** The District went through a period with no CPO due to a change in personnel. The District currently has a CPO as of August 2018 and is in the process of identifying a backup CPO.

**RESPONSIBLE PARTY/TIMELINE TO:** The District is meeting the current requirement of CPO. The District plans to identify backup CPO by December 2018.

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**C. STATUS OF PRIOR YEAR FINDINGS**

2016-002 Internal Control over Cash Disbursements

Revised and Repeated

**STATE OF NEW MEXICO  
QUESTA INDEPENDENT SCHOOL DISTRICT,  
EXIT CONFERENCE  
JUNE 30, 2018**

An exit conference was conducted on November 13, 2018 with the following individuals:

Questa Independent School District:

LeAnne Salazar, Superintendent  
Jolene Jaramillo, Business Manager  
Vanessa Garcia, Audit Committee Member

Pattillo, Brown & Hill, LLP:

Heather Lucero, Audit Supervisor

Pattillo, Brown & Hill, LLP prepared the GAAP-basis financial statements and footnotes of Questa Independent School District from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.