

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

**Audited Financial Statements
and Other Financial Information**

June 30, 2019



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

Michael Lovato	Superintendent
Mike Vigil II	Business Manager

BASIC FINANCIAL STATEMENTS



Independent Auditors' Report

To Brian S. Colón, Esq.
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, 2019, 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, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedules of the District's Proportionate Share of the Net Pension Liability and Net OPEB Liability*, and *Schedules of District Contributions* on pages 47-51 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 as noted in the table of

contents, 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 as noted in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC as noted in the table of contents, 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 January 2, 2020 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
January 2, 2020

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 June 30, 2019**

	GOVERNMENTAL ACTIVITIES
	<hr/>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,405,996
Investments	277
Property taxes receivable	247,444
Due from other agencies	171,136
Inventory	-
<i>Total current assets</i>	<hr/> 2,824,853 <hr/>
Noncurrent Assets	
Restricted cash	1,521,951
Capital assets, non-depreciable	
Land	17,411
Construction in progress	187,721
<i>Total capital assets, non-depreciable</i>	<hr/> 205,132 <hr/>
Capital assets, net of accumulated depreciation	
Buildings and improvements	26,851,956
Equipment and vehicles	1,366,784
Land improvements	-
Vehicles	-
Less: accumulated depreciation	(14,120,270)
<i>Total capital assets, net of accumulated depreciation</i>	<hr/> 14,098,470 <hr/>
<i>Total noncurrent assets</i>	<hr/> 15,825,553 <hr/>
<i>Total assets</i>	<hr/> 18,650,406 <hr/>
DEFERRED OUTFLOWS	
Pension related	3,353,555
OPEB related	48,500
<i>Total deferred outflows</i>	<hr/> 3,402,055 <hr/>

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 June 30, 2019**

	GOVERNMENTAL ACTIVITIES
LIABILITIES	
Current liabilities	
Accounts payable	139,310
Accrued payroll liabilities	327,863
Accrued interest	78,770
Unearned revenue	-
Compensated leave	6,869
Current portion of long-term debt	430,000
<i>Total current liabilities</i>	<u>982,812</u>
Noncurrent Liabilities	
Compensated leave	6,869
Noncurrent portion of long-term debt	5,205,000
Net pension liability	11,736,744
Net OPEB liability	2,807,733
<i>Total noncurrent liabilities</i>	<u>19,756,346</u>
<i>Total liabilities</i>	<u>20,739,158</u>
DEFERRED INFLOWS	
Pension related	544,379
OPEB related	811,768
<i>Total deferred inflows</i>	<u>1,356,147</u>
NET POSITION	
Investment in capital assets	8,253,602
Restricted for:	
Instruction	117,424
Transportation	4,095
Food service-operations	4,464
Capital projects	1,620,293
Unrestricted	(10,042,722)
<i>Total net position</i>	<u>\$ (42,844)</u>

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STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2019

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	\$ 3,820,671	17,428	496,262	-	(3,306,981)
Support services					
Students	891,642	-	-	-	(891,642)
Instruction	71,421	-	-	-	(71,421)
General administration	524,171	-	-	-	(524,171)
School administration	467,148	-	-	-	(467,148)
Central services	471,029	-	-	-	(471,029)
Operation & maintenance of plant	839,153	-	-	-	(839,153)
Student transportation	286,793	-	238,611	-	(48,182)
Other	10,400	-	-	-	(10,400)
Food services-operations	274,000	4,464	250,097	-	(19,439)
Interest on long-term obligations	137,413				(137,413)
<i>Total governmental activities</i>	<u>\$ 7,793,841</u>	<u>21,892</u>	<u>984,970</u>	<u>-</u>	<u>(6,786,979)</u>
		General Revenues			
		Property taxes			
		Levied for general purpose			125,450
		Levied for capital projects			377,629
		Levied for debt service			702,599
		Rent			62,053
		State Equalization Guarantee Revenue			4,316,644
		Interest and investment earnings			26,115
		Miscellaneous			56,006
		<i>Total general revenues</i>			<u>5,666,496</u>
		Change in net position			(1,120,483)
		Net position - beginning			<u>1,077,639</u>
		Net position - ending			<u>\$ (42,844)</u>

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 BALANCE SHEETS - GOVERNMENTAL FUNDS
 June 30, 2019**

	GENERAL 11000-14000	CAPITAL IMRPOVEMENTS SB-9 LOCAL 31701	ED TECH 31900
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	\$ 210,247	799,200	46,155
Restricted cash	-	-	746,951
Investments	-	-	-
Accounts receivable			
Due from other governments	-	-	-
Property taxes	17,321	96,503	-
Interfund receivables	152,544	-	-
<i>Total assets</i>	<u>\$ 380,112</u>	<u>895,703</u>	<u>793,106</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
<i>Current liabilities</i>			
Accounts payable	\$ 63,498	75,812	-
Accrued liabilities	173,427	112,632	-
Interfund payables	-	-	-
<i>Total liabilities</i>	<u>236,925</u>	<u>188,444</u>	<u>-</u>
<i>Deferred Inflows</i>			
Unavailable revenue	16,752	92,761	-
<i>Total deferred inflows</i>	<u>16,752</u>	<u>92,761</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	26,999	614,498	793,106
Unassigned	99,436	-	-
<i>Total fund balance (deficit)</i>	<u>126,435</u>	<u>614,498</u>	<u>793,106</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 380,112</u>	<u>895,703</u>	<u>793,106</u>

DEBT SERVICES 41000	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
691,417	658,977	2,405,996
775,000	-	1,521,951
-	277	277
-	171,136	171,136
81,657	51,963	247,444
-	-	152,544
<u>1,548,074</u>	<u>882,353</u>	<u>4,499,348</u>
-	-	139,310
-	41,804	327,863
-	152,544	152,544
<u>-</u>	<u>194,348</u>	<u>619,717</u>
<u>76,364</u>	<u>49,737</u>	<u>235,614</u>
<u>76,364</u>	<u>49,737</u>	<u>235,614</u>
-	-	-
1,471,710	679,831	3,586,144
-	(41,563)	57,873
<u>1,471,710</u>	<u>638,268</u>	<u>3,644,017</u>
<u>1,548,074</u>	<u>882,353</u>	<u>4,499,348</u>

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**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 June 30, 2019**

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 3,644,017
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	14,303,602
Defined benefit pension plan and other post employment benefit deferred outflows are not financial resources and, therefore, are not reported in the funds	3,402,055
Some revenues will not be available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the governmental funds	235,614
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Bonds payable	(5,635,000)
Accrued interest on bonds	(78,770)
Compensated absences	(13,738)
Net pension liability	(11,736,744)
Net OPEB liability	(2,807,733)
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>(1,356,147)</u>
Net position of governmental activities	\$ <u><u>(42,844)</u></u>

**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, 2019**

	GENERAL 11000-14000	CAPITAL IMRPOVEMENTS SB-9 LOCAL 31701	ED TECH 31900
Revenues			
Residential/non-residential taxes	\$ 80,509	377,629	-
Rent and leases	62,053	-	-
Fees-activities	600	-	-
State grants	4,590,589	56	250
Federal grants	20,474	-	-
Interest income	148	153	16,219
Miscellaneous	56,006	-	-
<i>Total revenues</i>	<u>4,810,379</u>	<u>377,838</u>	<u>16,469</u>
Expenditures			
Current			
Instruction	2,179,999	-	-
Support services			
Students	654,657	-	-
Instruction	45,619	-	-
General administration	439,169	3,882	-
School administration	205,627	-	-
Central services	327,858	-	-
Operations & maintenance of plant	767,848	-	-
Student transportation	274,066	-	-
Other support services	10,400	-	-
Food services-operations	-	-	-
Capital outlay	-	464,101	55,444
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>4,905,243</u>	<u>467,983</u>	<u>55,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,864)</u>	<u>(90,145)</u>	<u>(38,975)</u>
Other financing sources (uses)			
Operating transfers	-	-	-
Bond proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(94,864)	(90,145)	(38,975)
Fund balances, beginning of year	<u>221,299</u>	<u>704,643</u>	<u>832,081</u>
Fund balances, end of year	<u>\$ 126,435</u>	<u>614,498</u>	<u>793,106</u>

DEBT SERVICES 41000	OTHER GOVERNMENTAL FUNDS	TOTAL
488,583	214,016	1,160,737
-	-	62,053
-	21,292	21,892
-	143,775	4,734,670
-	546,470	566,944
6	9,589	26,115
-	-	56,006
<u>488,589</u>	<u>935,142</u>	<u>6,628,417</u>
-	346,399	2,526,398
-	172,108	826,765
-	-	45,619
5,010	10,908	458,969
-	12,454	218,081
-	-	327,858
-	-	767,848
-	4,126	278,192
-	-	10,400
-	256,945	256,945
-	1,780	521,325
215,000	200,000	415,000
<u>122,708</u>	<u>14,739</u>	<u>137,447</u>
<u>342,718</u>	<u>1,019,459</u>	<u>6,790,847</u>
<u>145,871</u>	<u>(84,317)</u>	<u>(162,430)</u>
-	-	-
-	-	-
-	-	-
145,871	(84,317)	(162,430)
<u>1,325,839</u>	<u>722,585</u>	<u>3,806,447</u>
<u>1,471,710</u>	<u>638,268</u>	<u>3,644,017</u>

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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, 2019

	<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	\$ (162,430)
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.	(558,048)
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	44,941
Change in bonds/loans payable	415,000
Change in accrued interest	34
Change in other post employment benefit liability and net pension liability	<u>(859,980)</u>
Change in net position	\$ <u><u>(1,120,483)</u></u>

**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, 2019**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Residential/non-residential taxes	\$ 82,830	82,830	82,929	99
Rent and leases	63,324	63,324	75,533	12,209
Fees-activities	-	-	600	600
State grants	4,543,095	4,543,095	4,590,589	47,494
Federal grants	-	-	20,474	20,474
Interest income	-	-	148	148
Miscellaneous	-	-	62,188	62,188
<i>Total revenues</i>	<u>4,689,249</u>	<u>4,689,249</u>	<u>4,832,461</u>	<u>143,212</u>
Expenditures				
Current				
Instruction	2,073,504	2,190,121	2,175,770	14,351
Support services				
Students	554,766	598,370	640,975	(42,605)
Instruction	-	48,166	45,619	2,547
General administration	431,009	428,672	431,606	(2,934)
School administration	227,679	178,724	205,857	(27,133)
Central services	336,088	342,683	321,999	20,684
Operations & maintenance of plant	817,108	748,484	763,819	(15,335)
Student transportation	238,611	259,679	254,791	4,888
Other support services	91,402	102,089	10,400	91,689
<i>Total expenditures</i>	<u>4,770,167</u>	<u>4,896,988</u>	<u>4,850,836</u>	<u>46,152</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(80,918)</u>	<u>(207,739)</u>	<u>(18,375)</u>	<u>97,060</u>
Other financing sources				
Designated Cash	<u>306,622</u>	<u>330,696</u>	<u>-</u>	<u>330,696</u>
<i>Total other financing sources (uses)</i>	<u>306,622</u>	<u>330,696</u>	<u>-</u>	<u>330,696</u>
Net change in fund balances	<u>\$ 225,704</u>	<u>122,957</u>	<u>(18,375)</u>	<u>427,756</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			(21,909)	
Adjustments to expenditures			(54,580)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (94,864)</u>	

STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
June 30, 2019

	<u>AGENCY FUNDS</u>
ASSETS	
<i>Current assets</i>	
Cash and cash equivalents	\$ <u>61,096</u>
<i>Total assets</i>	\$ <u><u>61,096</u></u>
 LIABILITIES	
<i>Current liabilities</i>	
Deposits held in trust for others	\$ <u>61,096</u>
<i>Total liabilities</i>	\$ <u><u>61,096</u></u>

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019**

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, 2019**

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):

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.

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.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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."

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.

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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".

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$4,325,063 in state equalization guarantee distributions during the year ended June 30, 2019.

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 \$1,160,737 in tax revenues during the year ended June 30, 2019. 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 1st of each year to be paid in whole or in two installments by November 10th and April 10th 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 \$238,611 in transportation distributions during the year ended June 30, 2019.

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, 2019 totaled \$12,055.

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.

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$558,048 difference is as follows:

Capital Outlay	\$ 366,867
Depreciation Expense	<u>(924,915)</u>
Net adjustments to increase net changes in fund balances – total government funds to arrive at changes in net position of governmental activities	<u>\$ (558,048)</u>

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

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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.
- 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, 2019 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019.

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	Hillcrest Bank	Total
Total Deposits	\$ 2,701,137	2,701,137
Less: FDIC Coverage	(250,000)	(250,000)
Total uninsured public funds	2,451,137	2,451,137
Collateral requirement (50%)	1,225,569	1,225,569
Pledged Securities	2,883,833	2,883,833
(Over) Under collateralized	\$ 1,658,264	1,658,264

As of June 30, 2019 the District has \$1,521,951 of debt reserve funds which is included in the statement of net position and the balance sheets as restricted cash. Of this amount, \$746,951 is held with the New Mexico Finance Authority and \$775,000 is held with BOK Financial for the sinking fund.

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.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

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, 2019, \$2,451,137 of the District’s bank balance of \$2,701,137 was exposed to custodial credit risk. \$2,451,137 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 in 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, 2019 include the following:

New Mexico LGIP	AAAm Rated	[35] 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, 2019**

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	
Athletics	\$ 23,358
Title I	72,148
IDEA-B Entitlement	4,565
IDEA-B Results Plan	8,940
Teacher/Principal Training	8,827
Pre-K Initiative	14,663
Kindergarten – Three Plus	9,474
After School Enrichment	2,283
K3 Plus 4 & 5 Pilot	8,286
Total due to Operational Fund	\$ 152,544

The balance of \$152,544 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, 2019, as follows:

	Intergovernmental	Property Taxes	Totals
Operational Fund	\$ -	17,321	17,321
USDA	18,078	-	18,078
Title I	78,674	-	78,674
IDEA-B Entitlement	22,775	-	22,775
Pre-K Initiative	24,120	-	24,120
Kindergarten Three Plus	14,537	-	14,537
After School Enrichment	1,845	-	1,845
K3 Plus 4 & 5 Pilot	11,107	-	11,107
Capital Improvements SB-9 Local	-	96,503	96,503
Debt Service	-	81,657	81,657
Ed Tech Debt Service	-	51,963	51,963
Total due from other governments	\$ 171,136	247,444	418,580

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 6/30/2018	Increases	Transfers	Balance 6/30/2019
Capital assets, not depreciated				
Land	\$ 17,411	-	-	17,411
Construction in progress	-	187,721	-	187,721
Total not depreciated	17,411	187,721	-	205,132
Capital assets, depreciated				
Buildings & Improvements	26,841,915	10,041	-	26,851,956
Equipment, Vehicles, Software and Library Books	1,197,679	169,105	-	1,366,784
Total depreciated	28,039,594	179,146	-	28,218,740
Accumulated depreciation for				
Buildings & Improvements	12,357,049	840,415	-	13,197,464
Equipment, Vehicles, Software and Library Books	838,306	84,500	-	922,806
Total accumulated depreciation	13,195,355	924,915	-	14,120,270
Total capital assets, depreciated net	\$ 14,861,650	(558,048)	-	14,303,602

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

Instruction	\$ 795,427
Support Services – Instruction	1,850
Support Services – General Administration	22,198
Support Services – Operation of Plant	11,099
Food Services	2,775
Capital Outlay	91,566
Total depreciation expense	\$ 924,915

NOTE 9. UNEARNED REVENUE

Unearned Revenue represents advances on grants and property taxes which have not been earned at June 30, 2019:

Property taxes	\$ <u>235,614</u>
	Other Governmental

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. LONG-TERM DEBT

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

	Balance 6/30/2018	Additions	Reductions	Balance 6/30/2019	Amount Due Within One Year
Governmental activities:					
Education technology bonds	\$ 6,050,000	-	(415,000)	5,635,000	430,000
Total Notes	6,050,000	-	(415,000)	5,635,000	430,000
Other liabilities					
Compensated absences	9,789	52,139	(48,190)	13,738	6,869
Total other liabilities	9,789	52,139	(48,190)	13,738	6,869
Long-term liabilities	\$ 6,059,789	52,139	(463,190)	5,648,738	436,869

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.

Series	Maturity Date	Original Amount	Interest Rate	Balance
2009	3/3/2029	4,000,000	4.80%	\$ 2,835,000
2010	9/1/2026	2,000,000	0.00%	2,000,000
2017	8/1/2022	1,000,000	Various	800,000
				\$ 5,635,000

The annual requirements to amortize the general obligation bonds as of June 30, 2019, 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:

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. LONG-TERM DEBT (CONTINUED)

		Principal	Interest	Total Debt
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		275,000	70,196	345,196
2025-2029		1,580,000	169,133	1,749,133
Total	\$	2,835,000	619,852	3,454,852

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. As of June 30, 2019, the District had \$775,000 in the sinking fund held with BOK Financial. 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

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

NOTE 10. LONG-TERM DEBT (CONTINUED)

The future requirements for the loan are as follows:

		Principal	Interest	Total Debt
2020	\$	-	109,000	109,000
2021		-	109,000	109,000
2022		-	109,000	109,000
2023		-	109,000	109,000
2024		-	109,000	109,000
2025-2027		2,000,000	272,500	2,272,500
	\$	<u>2,000,000</u>	<u>817,500</u>	<u>2,817,500</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
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>800,000</u>	<u>23,136</u>	<u>823,136</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.

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

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.

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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QUESTA INDEPENDENT SCHOOL DISTRICT
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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.

Benefit Options – The Plan has three benefit options available.

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

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QUESTA INDEPENDENT SCHOOL DISTRICT
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JUNE 30, 2019**

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

- **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%.

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.

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 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

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

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

Contributions – For the fiscal year ended June 30, 2019 and 2018 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase over Prior Year
2019	7/1/18 to 6/30/19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7/1/18 to 6/30/19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7/1/17 to 6/30/18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7/1/17 to 6/30/18	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2019 and 2018, the District paid employee and employer contributions of \$595,879 and \$671,563, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the District reported a liability of \$11,736,744 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions at June 30, 2018, actuarially determined. At June 30, 2018, the District’s proportion was .09870%, which was an increase of 0.00972% from its proportion measured as of June 30, 2017.

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

For the year ended June 30, 2019, the District recognized pension expense of \$930,595. At June 30, 2019, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,566	223,369
Changes in assumptions	2,418,887	-
Net difference between projected and actual earnings on pension plan investments	25,982	-
Changes in proportion and differences between contributions and proportionate share of contributions	560,534	321,010
Employer contributions subsequent to the measurement date	<u>339,586</u>	<u>-</u>
Total	\$ <u>3,353,555</u>	<u>544,379</u>

\$339,586 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 1,370,697
2020	992,058
2021	106,493
2022	342
2023	-
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 border="0"> <tr> <td style="padding-right: 20px;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </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>Healthy males: Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, no set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.										
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.										
Payroll growth	3.00% per year (with no allowance for membership growth).										

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
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 JUNE 30, 2019**

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%	
Total	100%	7.25%

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

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

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
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NOTE 13. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.69 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.69 percent) or 1-percentage-point higher (6.69 percent) than the current rate:

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
Questa Independent School District’s proportionate share of the net pension liability	\$ 15,253,272	11,736,744	8,867,476

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.

Payables to the pension plan. The District did not accrue any payables for the pension plan at June 30, 2019. 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

Plan Description - Employees for 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.

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

**STATE OF NEW MEXICO
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 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

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

yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

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

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 \$73,333 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2019, the District reported a liability of \$2,807,733 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018. At June 30, 2018, the District’s proportion was 0.06457 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of \$(70,516). At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	166,236
Changes in assumptions	-	524,191
Changes in proportion	-	86,302
Net difference between projected and actual earnings on OPEB plan investments	-	35,039
Employer contributions subsequent to the measurement date	<u>48,500</u>	<u>-</u>
Total	\$ <u>48,500</u>	<u>811,768</u>

Deferred outflows of resources totaling \$48,500 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, 2020. 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	\$	(202,609)
2020		(202,609)
2021		(202,609)
2022		(160,630)
2023		<u>(43,311)</u>
Total	\$	<u><u>(811,768)</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
Asset valuation method	Market value of assets
Inflation	2.50% for ERB members; 2.25% for PERA members

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

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

Projected payroll increases	3.50% to 12.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB member: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females). PERA members: RP-2000 Combined Healthy Mortality.

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

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

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

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019**

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

Discount Rate – The discount rate used to measure the Fund’s total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher 3.87% was applied. Thus, 4.08% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

	<u>1% Decrease</u> <u>(3.08%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(4.08%)</u>	<u>1% Increase</u> <u>(5.08%)</u>
\$	<u>3,398,018</u>	<u>2,807,733</u>	<u>2,342,457</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 rates:

	<u>1% Decrease</u>	<u>Current Trend</u> <u>Rates</u>	<u>1% Increase</u>
\$	<u>2,373,519</u>	<u>2,807,733</u>	<u>3,148,166</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, 2018.

Payables changes in the net OPEB liability. At June 30, 2019, the District did not accrue any payables for OPEB. All 10-month teacher contracts for the school year are paid by fiscal year end.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15. DEFICIENT FUND BALANCES

The following funds had a deficient fund balance at June 30, 2019:

Athletics	\$ (23,358)
IDEA-B Results Plan	(8,940)
Teacher/Principal Training	(8,827)
After School Enrichment	(438)

The District is addressing the negative fund balances and is planning on taking the appropriate actions to eliminate the negative balances.

NOTE 16. SUBSEQUENT EVENTS

Events subsequent to June 30, 2019 have been evaluated by management through November 13, 2019, the date the financial statements were available for issuance. In the opinion of management, no events occurring after June 30, 2019 require adjustment or disclosure in the financial statement.

NOTE 17. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 required the district to disclose information on certain tax abatement agreements affecting the district. Certain tax abatement agreements affecting the district. Accordingly, the district did not have any tax abatements affecting the district during the yr. ended 6/30/2019.

NOTE 18. RECENT ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. Note disclosure about AROs are also addressed. GASB Statement No. 83 was effective for periods beginning after June 15, 2018. The District has adopted this statement for the year ending June 30, 2019; however, there were no AROs 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, 2019**

NOTE 18. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB Statement No. 88 was effective for periods beginning after June 15, 2018. The District adopted this statement and it did not have a significant impact on the District's financial statements.

NOTE 19. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2019.

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 87, *Leases*

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

GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*.

GASB Statement No. 91, *Conduit Debt Obligations*.

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

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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, 2019

New Mexico Educational Retirement Board Pension Plan
For Last 10 Fiscal Years*
(Dollar Amounts in Thousands)

	Fiscal Year	2019	2018	2017	2016	2015
	Measurement Date	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)		0.09870%	0.08898%	0.09776%	0.10210%	0.14853%
District's Proportionate Share of Net Pension Liability (Asset)	\$	11,737	9,888	7,035	6,613	8,475
District's Covered Payroll	\$	2,445	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		480.04%	358.52%	246.58%	237.20%	207.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		52.17%	52.95%	61.58%	63.97%	66.54%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for 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, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory Required Contributions	\$ 340	383	396	388	403
Contribution in Relation to the Statutorily Required Contributions	<u>340</u>	<u>383</u>	<u>396</u>	<u>388</u>	<u>403</u>
Annual Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for 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, 2019**

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

	Fiscal Year Measurement Date	30-Jun	
		2019 2018	2018 2017
District's Proportion of the Net OPEB liability (Asset)		0.06457%	0.06645%
District's Proportionate Share of Net Pension Liability (Asset)	\$	2,807,733	3,011,297
District's Covered-Employee Payroll	\$	2,770,451	2,768,073
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll		101.35%	108.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		13.14%	11.34%

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

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 June 30, 2019**

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

	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 100,901	211,010
Contributions in Relation to the Contractually Required Contribution	<u>96,669</u>	<u>105,903</u>
Contribution Deficiency (Excess)	\$ <u>4,232</u>	<u>105,107</u>
Employer's covered-employee payroll	\$ 2,770,451	2,768,073
Contributions as a percentage of covered-employee payroll	3.60%	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, 2019**

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, 2019.

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%.

Changes of benefit terms. The Retiree Health Care Authority (RHCA) COLA and age eligibility benefits changes in recent years are described in the Notes to the RHCA FY19 audit available at <http://saonm.org/> using the Audit Search function for agency 20125.

Changes of assumptions. The Retiree Health Care Authority (RHCA) of New Mexico Biennial Actuarial Valuation as of June 30, 2018 report is available at <http://saonm.org/> using the Audit Search function for agency 20125.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET-GENERAL FUND
 June 30, 2019**

	OPERATIONAL 11000	TEACHERAGE 12000
	<u> </u>	<u> </u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 171,017	12,231
Investments		
Accounts receivable		
Property taxes	17,321	-
Interfund receivables	152,544	-
	<u> </u>	<u> </u>
<i>Total assets</i>	<u>\$ 340,882</u>	<u>12,231</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
<i>Current liabilities</i>		
Accounts payable	\$ 63,498	-
Accrued liabilities	173,427	-
Interfund payables	-	-
	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>236,925</u>	<u>-</u>
<i>Deferred Inflows</i>		
Unavailable revenue	16,752	-
	<u> </u>	<u> </u>
<i>Total deferred inflows</i>	<u>16,752</u>	<u>-</u>
<i>Fund balances (deficit)</i>		
Nonspendable	-	-
Restricted	-	-
Unassigned	87,205	12,231
	<u> </u>	<u> </u>
<i>Total fund balance (deficit)</i>	<u>87,205</u>	<u>12,231</u>
 <i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	 <u>\$ 340,882</u>	 <u>12,231</u>

TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
4,095	22,904	210,247
-	-	-
-	-	17,321
-	-	152,544
<u>4,095</u>	<u>22,904</u>	<u>380,112</u>
-	-	63,498
-	-	173,427
-	-	-
-	-	<u>236,925</u>
-	-	16,752
-	-	<u>16,752</u>
-	-	-
4,095	22,904	26,999
-	-	99,436
<u>4,095</u>	<u>22,904</u>	<u>126,435</u>
<u>4,095</u>	<u>22,904</u>	<u>380,112</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, 2019**

	OPERATIONAL 11000	TEACHERAGE 12000
Revenues		
Residential/non-residential taxes	\$ 80,509	-
Rent and leases	44,441	17,612
Fees-activities	600	-
State grants	4,339,923	-
Federal grants	20,474	-
Interest income	148	-
Miscellaneous	56,006	-
<i>Total revenues</i>	<u>4,542,101</u>	<u>17,612</u>
Expenditures		
Current		
Instruction	2,172,826	-
Support services		
Students	654,657	-
Instruction	45,619	-
General administration	439,169	-
School administration	205,627	-
Central services	327,858	-
Operations & maintenance of plant	753,482	14,366
Student transportation	827	-
Other support services	10,400	-
Food services-operations	-	-
Capital outlay	-	-
<i>Total expenditures</i>	<u>4,610,465</u>	<u>14,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,364)</u>	<u>3,246</u>
Other financing sources (uses)		
Operating transfers	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>
Net change in fund balances	(68,364)	3,246
Fund balances, beginning of year	<u>155,569</u>	<u>8,985</u>
Fund balances, end of year	<u>\$ 87,205</u>	<u>12,231</u>

TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
-	-	80,509
-	-	62,053
-	-	600
238,611	12,055	4,590,589
-	-	20,474
-	-	148
-	-	56,006
<u>238,611</u>	<u>12,055</u>	<u>4,810,379</u>
-	7,173	2,179,999
-	-	654,657
-	-	45,619
-	-	439,169
-	-	205,627
-	-	327,858
-	-	767,848
273,239	-	274,066
-	-	10,400
-	-	-
-	-	-
<u>273,239</u>	<u>7,173</u>	<u>4,905,243</u>
<u>(34,628)</u>	<u>4,882</u>	<u>(94,864)</u>
-	-	-
-	-	-
(34,628)	4,882	(94,864)
<u>38,723</u>	<u>18,022</u>	<u>221,299</u>
<u>4,095</u>	<u>22,904</u>	<u>126,435</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, 2019**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Residential/non-residential taxes	\$ 82,830	82,830	82,929	99
Rent and leases	56,324	56,324	57,921	1,597
Fees-activities	-	-	600	600
State grants	4,292,429	4,292,429	4,339,923	47,494
Federal grants	-	-	20,474	20,474
Interest income	-	-	148	148
Miscellaneous	-	-	62,188	62,188
<i>Total revenues</i>	<u>4,431,583</u>	<u>4,431,583</u>	<u>4,564,183</u>	<u>132,600</u>
Expenditures				
Current				
Instruction	2,061,390	2,160,044	2,168,597	(8,553)
Support services				
Students	554,766	598,370	640,975	(42,605)
Instruction	0	48,166	45,619	2,547
General administration	431,009	428,672	431,606	(2,934)
School administration	227,679	178,724	205,857	(27,133)
Central services	336,088	342,683	321,999	20,684
Operations & maintenance of plant	802,183	732,414	749,368	(16,954)
Student transportation	0	1,620	827	793
Other support services	91,402	102,089	10,400	91,689
<i>Total expenditures</i>	<u>4,504,517</u>	<u>4,592,782</u>	<u>4,575,248</u>	<u>17,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(72,934)</u>	<u>(161,199)</u>	<u>(11,065)</u>	<u>115,066</u>
Other financing sources				
Designated Cash	<u>258,656</u>	<u>258,656</u>	<u>-</u>	<u>258,656</u>
<i>Total other financing sources (uses)</i>	<u>258,656</u>	<u>258,656</u>	<u>-</u>	<u>258,656</u>
Net change in fund balances	<u>\$ 185,722</u>	<u>97,457</u>	<u>(11,065)</u>	<u>373,722</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			(22,082)	
Adjustments to expenditures			(35,217)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (68,364)</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, 2019**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Rent and leases	\$ 7,000	7,000	17,612	10,612
<i>Total revenues</i>	<u>7,000</u>	<u>7,000</u>	<u>17,612</u>	<u>10,612</u>
Expenditures				
Current				
Support services				
Operations & maintenance of plant	14,925	16,070	14,451	1,619
<i>Total expenditures</i>	<u>14,925</u>	<u>16,070</u>	<u>14,451</u>	<u>1,619</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,925)</u>	<u>(9,070)</u>	<u>3,161</u>	<u>8,993</u>
Other financing sources				
Designated Cash	9,070	9,070	-	-
<i>Total other financing sources (uses)</i>	<u>9,070</u>	<u>9,070</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,145</u>	<u>-</u>	<u>3,161</u>	<u>3,161</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			85	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 3,246</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, 2019**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grants	\$ 238,611	238,611	238,611	-
<i>Total revenues</i>	<u>238,611</u>	<u>238,611</u>	<u>238,611</u>	<u>-</u>
Expenditures				
Current				
Support services				
Student transportation	238,611	258,059	253,964	4,095
Other support services	-	-	-	-
<i>Total expenditures</i>	<u>238,611</u>	<u>258,059</u>	<u>253,964</u>	<u>4,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(19,448)</u>	<u>(15,353)</u>	<u>4,095</u>
Other financing sources				
Designated Cash	38,896	38,896	-	-
<i>Total other financing sources (uses)</i>	<u>38,896</u>	<u>38,896</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 38,896</u>	<u>19,448</u>	<u>(15,353)</u>	<u>4,095</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			173	
Adjustments to expenditures			<u>(19,448)</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (34,628)</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, 2019**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grants	\$ 12,055	12,055	12,055	-
<i>Total revenues</i>	<u>12,055</u>	<u>12,055</u>	<u>12,055</u>	<u>-</u>
Expenditures				
Current				
Instruction	12,114	30,077	7,173	22,904
<i>Total expenditures</i>	<u>12,114</u>	<u>30,077</u>	<u>7,173</u>	<u>22,904</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(59)</u>	<u>(18,022)</u>	<u>4,882</u>	<u>22,904</u>
Other financing sources				
Designated Cash	-	24,074	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>24,074</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (59)</u>	<u>6,052</u>	<u>4,882</u>	<u>22,904</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 4,882</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

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.

PRESCHOOL IDEA-B (24109) – 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 Education Act, Part B, Sec. 611, as amended; 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).

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

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.

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.

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.

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.

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

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

K3 PLUS 4 & 5 PILOT (27198) – To account for funding provided for additional educational time for students in kindergarten through fifth grade with at least 25 instructional days. Authority for the creation of the fund is the New Mexico Public Education Department.

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:

BOND BUILDING FUND (31100) – 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.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the resources for, the payment of, principal, interest and related costs.

EDUCATION TECHNOLOGY BONDS (43000) – To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to debt reduction.

STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2019

	FOOD SERVICES 21000	ATHLETICS 22000	TITLE I 24101
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	\$ 116,032	-	-
Restricted cash	-	-	-
Investments	-	-	-
Accounts receivable			
Due from other governments	18,078	-	78,674
Property taxes	-	-	-
Interfund receivables	-	-	-
<i>Total assets</i>	<u>\$ 134,110</u>	<u>-</u>	<u>78,674</u>
LIABILITIES AND FUND BALANCES			
<i>Current liabilities</i>			
Accounts payable	\$ -	-	-
Accrued liabilities	9,699	-	6,346
Interfund payables	-	23,358	72,148
<i>Total liabilities</i>	<u>9,699</u>	<u>23,358</u>	<u>78,494</u>
<i>Deferred Inflows</i>			
Unavailable revenue	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	124,411	-	180
Unassigned	-	(23,358)	-
<i>Total fund balance (deficit)</i>	<u>124,411</u>	<u>(23,358)</u>	<u>180</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 134,110</u>	<u>-</u>	<u>78,674</u>

IDEA -B ENTITLEMENT 24106	Preschool IDEA - B 24109	FRES FRUITS & VEGETABLES 24118	IDEA-B RESULTS PLAN 24132	TEACHER/ PRINCIPAL TRAINING 24154
-	-	1,604	-	-
-	-	-	-	-
-	-	-	-	-
22,775	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>22,775</u>	<u>-</u>	<u>1,604</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
4,909	-	-	-	-
4,565	-	-	8,940	8,827
<u>9,474</u>	<u>-</u>	<u>-</u>	<u>8,940</u>	<u>8,827</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
13,301	-	1,604	-	-
-	-	-	(8,940)	(8,827)
<u>13,301</u>	<u>-</u>	<u>1,604</u>	<u>(8,940)</u>	<u>(8,827)</u>
<u>22,775</u>	<u>-</u>	<u>1,604</u>	<u>-</u>	<u>-</u>

STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2019

	TITLE XIX MEDICAID 3/21 YEARS 25153	LAND OF ENCHANTMENT TOP GRANT 25175	RURAL EDUCATION 25233
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	\$ 57,678	1,720	-
Restricted cash	-	-	-
Investments	-	-	-
Accounts receivable			
Due from other governments	-	-	-
Property taxes	-	-	-
Interfund receivables	-	-	-
<i>Total assets</i>	<u>\$ 57,678</u>	<u>1,720</u>	<u>-</u>
LIABILITIES AND FUND BALANCES			
<i>Current liabilities</i>			
Accounts payable	\$ -	-	-
Accrued liabilities	3,509	-	-
Interfund payables	-	-	-
<i>Total liabilities</i>	<u>3,509</u>	<u>-</u>	<u>-</u>
<i>Deferred Inflows</i>			
Unavailable revenue	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	54,169	1,720	-
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>54,169</u>	<u>1,720</u>	<u>-</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 57,678</u>	<u>1,720</u>	<u>-</u>

PROJECT LEAD THE WAY 26219	2012 GO BONDS LIBRARY 27107	TRUANCY AND DROPOUT PREVENTION 27141	PRE-K INITIATIVE 27149	BREAKFAST FOR ELEMENTARY STUDENTS 27155
25,114	-	-	-	36
-	-	-	-	-
-	-	-	-	-
-	-	-	24,120	-
-	-	-	-	-
-	-	-	-	-
25,114	-	-	24,120	36
-	-	-	-	-
-	-	-	9,457	-
-	-	-	14,663	-
-	-	-	24,120	-
-	-	-	-	-
-	-	-	-	-
25,114	-	-	-	36
-	-	-	-	-
25,114	-	-	-	36
25,114	-	-	24,120	36

STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2019

	KINDERGARTEN THREE PLUS 27166	AFTER SCHOOL ENRICHMENT 27168	TEACHERS HARD TO STAFF 27195
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	\$ -	-	-
Restricted cash	-	-	-
Investments	-	-	-
Accounts receivable			
Due from other governments	14,537	1,845	-
Property taxes	-	-	-
Interfund receivables	-	-	-
<i>Total assets</i>	<u>\$ 14,537</u>	<u>1,845</u>	<u>-</u>
LIABILITIES AND FUND BALANCES			
<i>Current liabilities</i>			
Accounts payable	\$ -	-	-
Accrued liabilities	5,063	-	-
Interfund payables	9,474	2,283	-
<i>Total liabilities</i>	<u>14,537</u>	<u>2,283</u>	<u>-</u>
<i>Deferred Inflows</i>			
Unavailable revenue	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	-	-	-
Unassigned	-	(438)	-
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>(438)</u>	<u>-</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 14,537</u>	<u>1,845</u>	<u>-</u>

K3 Plus 4 & 5 Pilot 27198	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	Bond Building 31100	Total Ed Tech Debt Services 43000	TOTAL NONMAJOR GOVERNMENTAL FUNDS
-	202,184	212,412	244,381	658,977
-	-	-	-	-
-	-	277	-	277
11,107	171,136	-	-	171,136
-	-	-	51,963	51,963
-	-	-	-	-
<u>11,107</u>	<u>373,320</u>	<u>212,689</u>	<u>296,344</u>	<u>882,353</u>
-	-	-	-	-
2,821	41,804	-	-	41,804
8,286	152,544	-	-	152,544
<u>11,107</u>	<u>194,348</u>	<u>-</u>	<u>-</u>	<u>194,348</u>
-	-	-	49,737	49,737
-	-	-	49,737	49,737
-	-	-	-	-
-	220,535	212,689	246,607	679,831
-	(41,563)	-	-	(41,563)
-	178,972	212,689	246,607	638,268
<u>11,107</u>	<u>373,320</u>	<u>212,689</u>	<u>296,344</u>	<u>882,353</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, 2019**

	FOOD SERVICES 21000	ATHLETICS 22000	TITLE I 24101
Revenues			
Residential/non-residential taxes	\$ -	-	-
Fees-activities	4,464	16,828	-
State grants	-	1,574	-
Federal grants	232,060	-	129,917
Interest income	43	-	-
<i>Total revenues</i>	<u>236,567</u>	<u>18,402</u>	<u>129,917</u>
Expenditures			
Current			
Instruction	-	37,053	107,252
Students	-	-	11,319
General administration	-	-	8,419
School administration	-	-	2,747
Student transportation	-	-	-
Food services-operations	250,097	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>250,097</u>	<u>37,053</u>	<u>129,737</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,530)</u>	<u>(18,651)</u>	<u>180</u>
Other financing sources (uses)			
Operating transfers	-	-	-
Bond proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(13,530)	(18,651)	180
Fund balances, beginning of year	<u>137,941</u>	<u>(4,707)</u>	<u>-</u>
Fund balances, end of year	<u>\$ 124,411</u>	<u>(23,358)</u>	<u>180</u>

IDEA-B ENTITLEMENT 24106	Preschool IDEA - B 24109	FRESH FRUITS & VEGETABLES 24118	IDEA-B RESULTS PLAN 24132	TEACHER/ PRINCIPAL TRAINING 24154
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
151,427	2,637	2,441	-	-
-	-	-	-	-
<u>151,427</u>	<u>2,637</u>	<u>2,441</u>	<u>-</u>	<u>-</u>
43,754	2,637	-	8,940	8,827
94,372	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	837	-	-
-	-	-	-	-
-	-	-	-	-
<u>138,126</u>	<u>2,637</u>	<u>837</u>	<u>8,940</u>	<u>8,827</u>
13,301	-	1,604	(8,940)	(8,827)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
13,301	-	1,604	(8,940)	(8,827)
-	-	-	-	-
<u>13,301</u>	<u>-</u>	<u>1,604</u>	<u>(8,940)</u>	<u>(8,827)</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, 2019**

	TITLE XIX MEDICAID 3/21 YEARS 25153	LAND OF ENCHANTMENT TOP GRANT 25175	RURAL EDUCATION 25233
Revenues			
Residential/non-residential taxes	\$ -	-	-
Fees-activities	-	-	-
State grants	-	-	-
Federal grants	27,988	-	-
Interest income	-	-	-
<i>Total revenues</i>	<u>27,988</u>	<u>-</u>	<u>-</u>
Expenditures			
Current			
Instruction	15,350	-	-
Students	66,417	-	-
General administration	289	-	-
School administration	-	-	-
Student transportation	-	-	-
Food services-operations	-	-	-
Capital outlay	-	-	-
Debt service			
Principal			-
Interest			-
<i>Total expenditures</i>	<u>82,056</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,068)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Operating transfers	-	-	-
Bond proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(54,068)	-	-
Fund balances, beginning of year	<u>108,237</u>	<u>1,720</u>	<u>-</u>
Fund balances, end of year	<u>\$ 54,169</u>	<u>1,720</u>	<u>-</u>

PROJECT LEAD THE WAY 26219	2012 GO BONDS LIBRARY 27107	TRUANCY AND DROPOUT PREVENTION 27141	PRE-K INITIATIVE 27149	BREAKFAST FOR ELEMENTARY STUDENTS 27155
-	-	-	-	-
-	-	-	-	-
209	-	-	80,852	6,011
-	-	-	-	-
-	-	-	-	-
<u>209</u>	<u>-</u>	<u>-</u>	<u>80,852</u>	<u>6,011</u>
-	-	-	80,852	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	6,011
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>80,852</u>	<u>6,011</u>
209	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
209	-	-	-	-
24,905	-	-	-	36
<u>25,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36</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, 2019**

	KINDERGARTEN THREE PLUS 27166	AFTER SCHOOL ENRICHMENT 27168	TEACHERS HARD TO STAFF 27195
Revenues			
Residential/non-residential taxes	\$ -		-
Fees-activities	-	-	-
State grants	42,176	1,845	-
Federal grants	-	-	-
Interest income	-	-	-
<i>Total revenues</i>	<u>42,176</u>	<u>1,845</u>	<u>-</u>
Expenditures			
Current			
Instruction	28,343	2,283	-
Students	-	-	-
General administration	-	-	-
School administration	9,707	-	-
Student transportation	4,126	-	-
Food services-operations	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>42,176</u>	<u>2,283</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(438)</u>	<u>-</u>
Other financing sources (uses)			
Operating transfers	-	-	-
Bond proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(438)	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>(438)</u>	<u>-</u>

K3 Plus 4 & 5 Pilot 27198	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	Bond Building 31100	Total Ed Tech Debt Services 43000	TOTAL NONMAJOR GOVERNMENTAL FUNDS
-	-	-	214,016	214,016
-	21,292	-	-	21,292
11,108	143,775	-	-	143,775
-	546,470	-	-	546,470
-	43	-	9,546	9,589
<u>11,108</u>	<u>711,580</u>	<u>-</u>	<u>223,562</u>	<u>935,142</u>
11,108	346,399	-	-	346,399
-	172,108	-	-	172,108
-	8,708	-	2,200	10,908
-	12,454	-	-	12,454
-	4,126	-	-	4,126
-	256,945	-	-	256,945
-	-	1,780	-	1,780
-	-	-	200,000	200,000
-	-	-	14,739	14,739
<u>11,108</u>	<u>800,740</u>	<u>1,780</u>	<u>216,939</u>	<u>1,019,459</u>
-	(89,160)	(1,780)	6,623	(84,317)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(89,160)	(1,780)	6,623	(84,317)
-	268,132	214,469	239,984	722,585
-	178,972	212,689	246,607	638,268

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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, 2019

	BALANCE 6/30/2018	ADDITIONS	DEDUCTIONS	BALANCE 6/30/2019
General Activity Fund	\$ 1,323	2,070	2,792	601
Scholarship Fund	334	-	600	(266)
HS Office Assistant	378	563	632	309
JRHS Honor Society	2,063	675	1,025	1,713
HS Student Council	1,795	410	-	2,205
Library Fund	862	89	-	951
HS Cheerleaders Fund	1,873	7,644	10,697	(1,180)
Ski Club Fund	(791)	10,324	11,317	(1,784)
Rio Costilla Elementary Fund	611	167	1,433	(655)
AV 7-8 Grade Fund	100	-	-	100
Interest on CD's	206	-	-	206
AV Yearbook Fund	2,020	665	-	2,685
AV K-6	34	-	-	34
AV Cheerleader Fund	219	-	80	139
Athletic General Fund	744	-	-	744
AV Reading Lab	25	-	-	25
HS Soccer Club	102	28	-	130
JR High Volleyball	111	-	-	111
Volleyball Fund	100	7,116	6,886	330
Rent & Lease Deposit Fund	4,156	-	-	4,156
HS Football Fund	1,079	-	-	1,079
JR High Football	122	-	-	122
AV Library Fund	150	3,457	3,457	150
JR High Student Council Fund	2,382	-	-	2,382
HS Yearbook	40	2,634	933	1,741
AV Office Fund	993	10	69	934
Insurance Refunds	1,977	1,758	141	3,594
Alta Vista Music Program	530	-	-	530
Mariachi Fund	-	395	557	(162)
Drama Club	(192)	-	-	(192)
MNRSC Pepsi Fund	58	-	-	58
AV Student Council Fund	1,888	298	-	2,186
Science Fair Club Fund	-	300	-	300
HS Boys Basketball Fund	450	-	-	450
HS Girls Basketball Fund	639	-	-	639
Class of 2008	2,239	-	-	2,239
Positive Incentive Program	2,327	180	-	2,507
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	(1,345)	-	-	(1,345)
Science Levinson Fund	(934)	-	-	(934)

STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-- AGENCY FUNDS
For the Year Ended June 30, 2019

	BALANCE 6/30/2018	ADDITIONS	DEDUCTIONS	BALANCE 6/30/2019
AV PAC	(5)	-	-	(5)
Chevron Mining, Inc.	140	-	-	140
Chess Club	108	-	-	108
HS Ski Club	105	2,936	3,083	(42)
HS Track-Girls	3,231	-	-	3,231
Art Department Fees	-	35	-	35
Class of 2018	1,460	547	91	1,916
Class of 2019	4,947	155	3,381	1,721
Class of 2020	7,602	960	4,064	4,498
Class of 2021	778	1,867	197	2,448
Class of 2022	813	1,222	769	1,266
Future Educators of America	673	-	-	673
Taos Soil and Water Conservation	255	-	-	255
JH Girls Basketball	140	-	-	140
ELEM Jaguar BB Team	9	-	-	9
Class of 2024-Preschool 2011-12	-	550	281	269
End of year event	1,930	-	1	1,929
Class of 2023 (K 2010-2011)	788	14	-	802
Culinary Arts Program	1,773	39	39	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	61	-	-	61
Baseball (2017)	1,903	-	-	1,903
RLAS Study	1,000	500	-	1,500
NYC Trip	536	-	-	536
Positive Incentive Program - JR/SR Hiç	500	-	291	209
Class of 2031	-	1,332	1,727	(395)
Class of 2032	-	2,314	1,608	706
Class of 2027	-	953	736	217
Class of 2028	-	779	217	562
Class of 2029	-	1,685	152	1,533
Class of 2026	-	2,446	341	2,105
Class of 2025	-	1,301	1,246	55
Class of 2030	-	-	316	(316)
<i>Total</i>	\$ 61,837	58,418	59,159	61,096

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF CASH
 For the Year Ended June 30, 2019**

	<u>Bank Balance</u>
Deposits in Hillcrest Bank	
General operational	2,603,184
Athletic fund account	19,784
Activity funds account	78,169
Total bank balance	<u>2,701,137</u>
Reconciling items:	
Outstanding checks	(234,361)
Deposits in transit	316
Bank Overdraft	-
Total adjustments	<u>(234,045)</u>
Total book balance	2,467,092
Less: Agency Funds	<u>(61,096)</u>
Total cash and investments per book (general ledger)	\$ <u>2,405,996</u>

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF PLEDGED COLLATERAL
 Year Ended June 30, 2019**

	Hillcrest Bank	Totals
FUNDS ON DEPOSIT		
Interest bearing savings	\$ 2,701,137	2,701,137
Non-interest bearing deposits	-	-
<i>Total on deposit</i>	2,701,137	2,701,137
Less: FDIC insurance	(250,000)	(250,000)
<i>Total uninsured public funds</i>	\$ 2,451,137	2,451,137
PLEDGED COLLATERAL REQUIRED		
50% on deposits	\$ 1,225,569	1,225,569
<i>Pledged collateral required</i>	1,225,569	1,225,569
Pledged collateral at June 30, 2019	2,883,833	2,883,833
<i>Total over (under) collateralized:</i>	\$ 1,658,264	1,658,264
SECURITY TYPE, MATURITY DATE, IDENTIFIER		
FHR 4170 TC		
CUSIP# 33137AYZ95, 2/15/2028	\$ 1,993,977	
FNR 2017-104 LA		
CUSIP# 3136B0LR5, 11/25/2047	889,855	
	\$ 2,883,832	

Securities Held by FTN Financial

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 CASH RECONCILIATION
 JUNE 30, 2019**

	<u>OPERATIONAL 11000</u>	<u>TEACHERAGE 12000</u>	<u>TRANSPORTATION 13000</u>
Cash, June 30, 2018	\$ 161,198	9,070	38,896
Add:			
2018-19 revenues	4,564,172	17,612	238,611
Less:			
Prior Year Warrants Voided	-	-	-
Total cash available	<u>4,725,370</u>	<u>26,682</u>	<u>277,507</u>
Less:			
2018-19 expenditures	(4,575,238)	(14,451)	(253,964)
Other reconciling items	257,619	-	(19,448)
Outstanding Loans	<u>(143,740)</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2019	<u>\$ 264,011</u>	<u>12,231</u>	<u>4,095</u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	\$ (92,994)	-	-
Cash per Books	<u>171,017</u>	<u>12,231</u>	<u>4,095</u>
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	<u>(20,314)</u>	<u>-</u>	<u>-</u>
Fund Balance , Modified Accrual Basis	<u>\$ 150,703</u>	<u>12,231</u>	<u>4,095</u>

INSTRUCTIONAL MATERIALS 14000	FOOD SERVICES 21000	ATHLETICS 22000	FEDERAL FLOW-THROUGH 24000	FEDERAL DIRECT FUND 25000
18,023	137,736	(4,459)	(159,829)	100,708
12,055	224,234	18,401	344,800	38,158
-	-	-	-	-
30,078	361,970	13,942	184,971	138,866
(7,174)	(255,636)	(37,299)	(289,104)	(82,977)
-	13,144	-	15,319	4,594
-	-	23,357	88,814	-
<u>22,904</u>	<u>119,478</u>	<u>-</u>	<u>-</u>	<u>60,483</u>
-	(3,446)	-	1,604	(1,085)
<u>22,904</u>	<u>116,032</u>	<u>-</u>	<u>1,604</u>	<u>59,398</u>
-	8,379	(23,358)	(4,286)	(3,509)
<u>22,904</u>	<u>124,411</u>	<u>(23,358)</u>	<u>(2,682)</u>	<u>55,889</u>

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 CASH RECONCILIATION
 JUNE 30, 2019**

	LOCAL GRANTS FUND 26000	TITLE XIX STATE FLOW-THROUGH 27000	BOND BUILDING 31100
Cash, June 30, 2018	\$ 24,905	(83,709)	214,192
Add:			
2018-19 revenues	209	174,127	-
Less:			
Prior Year Warrants Voided	-	-	-
Total cash available	<u>25,114</u>	<u>90,418</u>	<u>214,192</u>
Less:			
2018-19 expenditures	-	(142,429)	(1,780)
Other reconciling items	-	20,442	-
Outstanding Loans	-	31,569	-
Cash, June 30, 2019	<u>\$ 25,114</u>	<u>-</u>	<u>212,412</u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	\$ -	36	-
Cash per Books	<u>25,114</u>	<u>36</u>	<u>212,412</u>
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	-	(438)	277
Fund Balance , Modified Accrual Basis	<u>\$ 25,114</u>	<u>(402)</u>	<u>212,689</u>

CAPITAL IMPROVEMENT SB9 LOCAL 31701	ED. TECH EQUIP ACT 31900	DEBT SERVICE FUND 41000	ED TECH DEBT SERVICE FUND 43000	TOTAL
690,364	847,698	1,308,144	231,788	3,534,725
388,375	322	500,991	219,986	6,742,053
-	-	-	-	-
1,078,739	848,020	1,809,135	451,774	10,276,778
(392,171)	(71,061)	(497,718)	(216,939)	(6,837,941)
112,632	-	-	-	404,302
-	-	-	-	-
<u>799,200</u>	<u>776,959</u>	<u>1,311,417</u>	<u>234,835</u>	<u>3,843,139</u>
-	16,147	155,000	9,546	84,808
<u>799,200</u>	<u>793,106</u>	<u>1,466,417</u>	<u>244,381</u>	<u>3,927,947</u>
(108,890)	-	5,293	2,226	(144,620)
<u>690,310</u>	<u>793,106</u>	<u>1,471,710</u>	<u>246,607</u>	<u>3,783,327</u>

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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 Brian S. Colón, Esq.
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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 2, 2020.

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 of this section 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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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

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consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 to be material weaknesses.

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 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, 2019-013, 2019-014, 2019-015, and 2019-016.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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
January 2, 2020

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SUMMARY OF AUDIT RESULTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

A. FINANCIAL STATEMENT FINDINGS

2019-001 [Previously reported as finding 2016-002] Internal Control over Cash

Disbursements (Material Weakness) – Repeated and modified

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

- For 1 transaction totaling \$3,648.38 out of a sample of 25 transactions tested, the invoice did not agree to the check amount.
- For 1 transaction totaling \$346.75 out of a sample of 25 transactions tested, the invoice exceeded the purchase order amount.
- For 6 transactions totaling \$35,333.75 out of a sample of 25 transactions tested, the disbursement was not properly supported by an invoice.
- For 2 transactions totaling \$1,231.47 out of a sample of 25 transactions tested, the District was unable to provide supporting documents.
- For 2 transactions totaling \$1,534.67 out of a sample of 25 transactions tested, the invoice was dated before the purchase order.
- For 1 transaction totaling \$2,138.56 out of a sample of 25 transactions tested, the invoice submitted for bus services was not properly approved.
- For 1 transaction totaling \$3,648.38 out of a sample of 25 transactions tested, the revised purchase order was not properly approved.

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: Management is aware of these issues and will review district policies and procedures to make a determination whether or not they are sufficient or need to be updated. Once that is determined, any updates will be recommended to the school board as necessary.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent, Business Manager, Finance Assistant review by January 2020; School Board presented update recommendations March 2020 (if necessary).

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-002 [Previously reported as finding 2018-001] Inadequate Supporting Documentation for Journal Entries (Material Weakness) - Repeated and modified

CONDITION: During our review of journal entries made throughout the year under audit we noted the following:

- 6 journal entries totaling \$91,405, out of 22 journal entries tested did not contain adequate supporting documentation.
- 10 journal entries totaling \$165,936, out of 22 journal entries tested did not contain evidence of proper approval.

The District has not made progress on this finding.

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: The District was not reviewing journal entries to verify adequate support and approval.

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 contracted with a new business manager in March 2019. The new business manager's team has its own internal control requiring review by another licensed business manager not assigned directly with the school district. Additionally, the finance and audit committees will be asked if it would be wise to present posted journal entries to the finance committee as a detective measure.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Business Manager & Finance/Audit Committee January 2020.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

B. SECTION 12-6-5 NMSA 1978 FINDINGS

2019-003 [Previously reported as finding 2018-003] Personnel Files (Other Non-Compliance) - Repeated and modified

CONDITION: In a payroll test of 25 personnel files we noted the following:

- 9 personnel files, out of 25 personnel files tested did not contain an FY19 contract
- 4 personnel files, out of 25 personnel files tested did not contain a background check
- 5 personnel files, out of 25 personnel files tested did not have a complete Federal Form I-9
- 9 contracts, out of 25 contracts tested were not paid according to the rates set in the approved salary schedule
- 9 teacherage contracts, out of 9 contracts tested were incomplete as they did not contain the property address being rented
- 1 teacherage contract, out of 9 contracts tested was not signed by the employee
- 1 teacherage contract, out of 9 contracts tested was not signed by the District
- 1 out of 25 personnel files whose hourly timesheet did not include the employee's supervisors' signature.

The District has not made progress on this finding.

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. Per NMSA 22-10A-5, the school shall develop policies and procedures to require background checks on an applicant who has been offered employment.

EFFECT: The District is not in compliance with New Mexico State Statutes in regard 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: Management will select a time and date to begin a regular process of review of current personnel files to ensure that all necessary documentation is included and completed. The business manager will provide a personnel file checklist that can aid in this regular review.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent, Business Manager & Finance Assistant February 2020.

**STATE OF NEW MEXICO
 QUESTA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND RESPONSES
 JUNE 30, 2019**

2019-004 [Previously reported as finding 2018-005] Budgetary Condition (Other Non-Compliance) – Repeated and modified

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

Operational (Fund 11000)	
Instruction (Function 1000)	\$ 8,551
Athletics (Fund 22000)	
Instruction (Function 1000)	17,299
K3 Plus 4&5 Pilot	
Instruction (Function 1000)	360
Ed. Tech. Debt Service	
Support Services (Function 2000)	16

The District has not made progress on this finding.

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 not 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 takes responsibility for ensuring that all necessary BARs are completed and submitted to the school board for approval and subsequently to the PED for approval by the deadlines that are set. The business manager will also work with the finance committee to ensure that its review of presented financial documents on a monthly basis ensure a monthly review and that the review includes questioning potential budgetary compliance issues.

RESPONSIBLE PARTY/TIMELINE TO: Business Manager, Finance Committee January 2020

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-005 [Previously reported as finding 2018-007] Chief Procurement Officer (Other Non-Compliance) - Repeated and modified

CONDITION: It was noted that the District did not have an active Chief Procurement Officer in place for the year ended June 30, 2019.

The District has not made progress on this finding.

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: It is current management's understanding that the former superintendent was a CPO and was in that capacity as of 6/30/19. The Interim Superintendent is not tasked with ensuring that role is filled currently. A finance assistant was hired in October 2019 and is likely to fill that role once a class for the CPO exam opens up again.

RESPONSIBLE PARTY/TIMELINE TO: Superintendent & Finance Assistant December 2019 determine when next CPO class is, June 2020 have a CPO license listed with State Purchasing.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-006 Fuel and Procurement Cards (Other-Noncompliance)

CONDITION: During our testing of fuel and Procurement cards we noted the following:

- The District does not have a formal fuel and procurement card policy.
- 5 fuel transactions totaling \$1,730.30 out of 5 fuel card transactions tested, did not contain evidence of review and approval.
- 3 fuel transactions totaling \$1,514.04 out of 5 fuel card transactions tested, did not have supporting receipts.
- 1 procurement card transaction totaling \$230.31 out of 1 procurement card transaction tested, did not have supporting receipts or evidence of approval.

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. In addition, the District requires a receipt be submitted when the fuel card is used.

EFFECT: Not being in compliance with state purchasing requirements and District policies places the District at risk for possible abuse or misappropriation of assets.

CAUSE: District personnel did not follow established fuel card procedures for the District.

RECOMMENDATION: We recommend the District implement policies and procedures over fuel and procurement cards. We also recommend the District train all staff on the policies and procedures governing these transactions. In addition, we recommend the District implement a review process to verify all fuel and procurement card purchases are supported by a receipt or an affidavit for lost receipts.

MANAGEMENT'S RESPONSE: Management is aware of these issues and will review district policies and procedures to make a determination whether or not they are sufficient or need to be updated. Once that is determined, any updates will be recommended to the school board as necessary.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent, Business Manager, Finance Assistant review by January 2020; School Board presented update recommendations March 2020 (if necessary).

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-007 Education Retirement Board (ERB) - (Other-Noncompliance)

CONDITION: During our review of ERB contributions we noted that one of twelve monthly ERB contributions was not submitted to the New Mexico Education Retirement Board by the fifteenth of the subsequent month.

CRITERIA: ERB instructions for preparing the contribution form 100 report states that the contributions covered by the report are to be transmitted no later than the 15th day of the subsequent month.

EFFECT: The District is not in compliance with ERB rules for transmitting and reporting contributions on a timely basis.

CAUSE: Proper internal controls were not in place to ensure that ERB requirements were met.

RECOMMENDATION: We recommend the District implement internal controls to ensure that monthly ERB contributions are remitted to the Education Retirement Board by the due dates.

MANAGEMENT'S RESPONSE: Management is aware of deadlines for all employee deductions/withholdings. The new contracted business manager's company has a team with cross checking and reviews in place. The finance committee will also be made aware of all deadlines so that they can detect if all payments are made by the deadlines as they review the financial reports.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Business Manager current, informing finance committee January 2020.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-008 Procurement Code - (Material-Noncompliance)

CONDITION: During our procurement testwork we noted that the District was unable to provide documentation supporting the procurement process was followed for multiple vendors exceeding the procurement threshold. The total amount disbursed to these vendors in FY19 was \$422,375.

CRITERIA: Section NMAC 6.20.2.17(A), requires that each school 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, state and federal regulations.

EFFECT: The District is not in compliance with their purchasing policies and procedures and could be overpaying for goods and services.

CAUSE: Internal controls were not in place to ensure the District's purchasing policies and procedures were followed.

RECOMMENDATION: We recommend the District establish proper internal controls to ensure the District follows the proper purchasing policies and solicits the proper number of vendors when required.

MANAGEMENT'S RESPONSE: Management is aware of the procurement code and requirements of purchasing processes at different threshold amounts. These amounts were added to requisitions as a reminder in July 2019.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Business Manager, Superintendent July 2019 completed

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-009 Athletic Equity Act - (Other-Noncompliance)

CONDITION: It was determined that the District was subject to the School Athletics Equity Act. During our review of the requirements under this Act, we noted that the District did not comply with the annual assurance requirement.

CRITERIA: In accordance with Public Education Department requirements and 22-31-5 NMSA 1978, the district is required, no later than August 31st each year to submit an assurance of compliance with Title 9 to its governing body and provide a copy to the Department.

EFFECT: The District is not in compliance with PED requirements and State Statutes.

CAUSE: The District did not comply with PED requirements and State Statutes.

RECOMMENDATION: We recommend the District review its policies over the athletics program to ensure they comply with 22-31-5 NMSA 1978 and follow the requirements for the School Athletics Equity Act.

MANAGEMENT'S RESPONSE: The Interim Superintendent will ensure that this report is submitted in accordance with all statutes.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent, January 2020.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-010 Audit Committee - (Other-Noncompliance)

CONDITION: During our test-work, we noted that the District did not have all four required audit committee members during the year.

CRITERIA: Per NM State Statute 22-8-12.3: "Each local school board shall appoint an audit committee that consists of two board members, one volunteer member who is a parent of a student attending that school district and one volunteer member who has experience in accounting or financial matters. The superintendent and the school district business manager shall serve as ex-officio members of the committee."

EFFECT: The District is not in compliance with State Statutes.

CAUSE: The District has failed to recruit all required audit committee members during the fiscal year.

RECOMMENDATION: We recommend the District all required members as soon as possible for the audit committee to meet state statutes requirements.

MANAGEMENT'S RESPONSE: The Business Manager will inform the school board of the statutory requirements and the Superintendent will aid the board in filling all required members.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: School Board, Superintendent March 2020.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-011 Annual Inventory - (Other-Noncompliance)

CONDITION: The District did not perform an annual inventory of its capital assets during fiscal year 2019.

CRITERIA: Section 12-6-10 (A) NMSA 1978 requires each agency to conduct an annual physical inventory of moveable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the District's auditors. The District must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB 34 and Section 12-2-10 NMSA 1978.

EFFECT: The District is not in compliance with state requirements regarding capital asset inventory.

CAUSE: Internal controls are not in place to ensure an annual inventory is performed.

RECOMMENDATION: We recommend the District complete an inventory of the District's capital assets on an annual basis.

MANAGEMENT'S RESPONSE: The Superintendent will assign an individual to conduct an initial inventory and establish a process and timeline to ensure that inventory is conducted on an annual basis at minimum.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent March 2020.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-012 Travel and Per Diem - (Other-Noncompliance)

CONDITION: During our testwork we noted 5 travel disbursements totaling \$2,229.96, out of 10 travel disbursements tested did not contain evidence of approval.

CRITERIA: Per NMAC 2.42.2.9 (B)(3) Reimbursement of Actual Expenses in Lieu of Per Diem Rates – Receipts Required, an “employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer of employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.” The District’s travel and per diem policy required a reimbursement request and receipts for all travel.

EFFECT: The District is in violation of New Mexico Statutes and their own travel and per diem policy.

CAUSE: District personnel did not follow established travel and per diem policies of the District.

RECOMMENDATION: We recommend the District train all staff on current travel and per diem policies. We also recommend the District implement a review process to ensure all travel requests are properly approved and supported.

MANAGEMENT’S RESPONSE: Management is aware of these issues and will review district policies and procedures to make a determination whether or not they are sufficient or need to be updated. Once that is determined, any updates will be recommended to the school board as necessary.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent, Business Manager, Finance Assistant review by January 2020; School Board presented update recommendations March 2020 (if necessary).

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-013 Timely Deposits - (Other-Noncompliance)

CONDITION: During our testwork, we noted that the District did not maintain all supporting documentation for deposits. We noted the District's receipt books contained large gaps in dates and deposit slips were not maintained. In addition, for 3 out of 3 cash receipts tested, the District did not deposit funds within 24 hours.

CRITERIA: NMAC 6.20.2.14.B states "The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book. In addition, NMAC 6.20.2.14.C states "money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day."

EFFECT: The District did not comply with State Statutes. In addition, cash could go missing or be misappropriated.

CAUSE: The District is not following cash receipt policies and procedures.

RECOMMENDATION: We recommend the District implement procedures to ensure that deposits are properly supported and that those deposits are made in a timely manner.

MANAGEMENT'S RESPONSE: Management is aware of these issues and will review district policies and procedures to make a determination whether or not they are sufficient or need to be updated. Once that is determined, any updates will be recommended to the school board as necessary.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent, Business Manager, Finance Assistant review by January 2020; School Board presented update recommendations March 2020 (if necessary).

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-014 Untimely Payment of Federal Withholdings and Insurance Premiums - (Other-Noncompliance)

CONDITION: During our testing we noted supporting documentation regarding the District incurring a penalty and interest charge totaling \$1,226.96 associated with untimely federal withholdings. In addition, we noted the District did not make timely payments for employee's elected insurance coverage resulting in notices of pending cancellation from the plan administrator.

CRITERIA: The District has a fiduciary responsibility to properly withhold elected contributions for employees and remit them in a timely manner, in accordance with the plan administrator's requirements. Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP.

EFFECT: Failure to uphold fiduciary responsibilities. The District did not comply with State Statutes.

CAUSE: Lack of management oversight.

RECOMMENDATION: We recommend the District establish a process to ensure payroll withholdings are accurate and submission is made timely.

MANAGEMENT'S RESPONSE: Management is aware of the federal withholding penalty and is working toward rectifying that situation. The business manager also worked with the elected insurance coverage provider to reconcile amounts to withhold from employees for their elected benefits.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent, Finance Assistant January 2020 to contact IRS; Business Manager elected coverage reconciliation already completed.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-015 Board Meetings (Other-Noncompliance)

CONDITION: During our review of board minutes we noted the District was unable to provide board minutes for meetings held in January, February, March and April 2019.

CRITERIA: The Open Meetings Act (OMA) is a state law (NMSA 1978, Chapter 10, Article 15), which provides the statutory guidelines for conducting public meetings. The Attorney General has the statutory authority to enforce OMA and to ensure that those public meetings covered by OMA are in compliance with state law. The Board must keep written minutes of all its meetings. The minutes shall include as a minimum the date, time and place of the meeting, the names of members in attendance and those absent, the substance of the proposals considered and a record of any decisions and votes taken that show how each member votes. All minutes are open to public inspection. Draft minutes shall be prepared within ten working days after the meeting and shall be approved, amended or disapproved at the next meeting where quorum is present. Minutes shall not become official until approved by the policymaking body.

EFFECT: The District does not appear to be in compliance with state statutes.

CAUSE: The District was unable to locate the minutes book for the missing dates.

RECOMMENDATION: We recommend the District establish a process to ensure all minutes are properly recorded and available for public inspection.

MANAGEMENT'S RESPONSE: The superintendent will establish an individual to be responsible for board minute book(s) and hold them accountable as needed.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: Superintendent January 2020.

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

2019-016 Late Audit Report (Other-Noncompliance)

CONDITION: The audit report for the year ended June 30, 2019 was submitted to the New Mexico State Auditor after the required deadline of November 15, 2019.

CRITERIA: Audits of School Districts must be submitted by November 15 in accordance with the New Mexico State Audit Rule 2.2.2.9A.

EFFECT: Delays in submission of the audit report affect the District's ability to report timely financial information to other state agencies and local governments.

CAUSE: The District scheduled an exit conference for November 13, 2019; however, the New Mexico Public Education Department suspended the Local School Board on November 12, 2019. As a result of the suspension the District did not have anyone charged with governance available to attend the exit conference before the reporting deadline. The change in those charged with governance resulted in a delay in the exit conference and review of the draft to be submitted.

RECOMMENDATION: We recommend the district implement procedures to ensure the audit report is submitted by the deadline.

MANAGEMENT'S RESPONSE: Management is aware of the circumstances that caused the delay in the audit exit conference and, therefore, the resulting late submission of the audit to the Office of the State Auditor. The local school board's suspension is set to be lifted as of January 1, 2020. Additionally, the school board is expected to name a permanent Superintendent in early 2020 as well to further the amount of stabilization at the district in key areas.

RESPONSIBLE PARTY/TIMELINE TO CORRECT: January 2020, Superintendent and School Board

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2019**

STATUS OF PRIOR YEAR FINDINGS

2016-002	Internal Control over Cash Disbursements (Significant Deficiency)	Repeated and modified
2018-001	Inadequate Supporting Documentation for Journal Entries (Significant Deficiency)	Repeated and modified
2018-002	Prior Period Adjustment (Material Weakness)	Resolved
2018-003	Personnel Files (Other Non-Compliance)	Repeated and modified
2018-004	Lack of Controls over Payroll (Other Non-Compliance)	Resolved
2018-005	Budgetary Condition (Other Non-Compliance)	Repeated and modified
2018-006	Retirement Health Care (RHC) (Other Non-Compliance)	Resolved
2018-007	Chief Procurement Officer (Other Non-Compliance)	Repeataed and modified

**STATE OF NEW MEXICO
QUESTA INDEPENDENT SCHOOL DISTRICT,
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was conducted on November 18, 2019 with the following individuals:

Questa Independent School District:

Cathy Gallegos, Interim Superintendent
Mike Vigil II, Business Manager
Tom Sullivan, Interim Board Member (NM PED)

Pattillo, Brown & Hill, LLP:

Chris Garner, CPA, Partner
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.