



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**

**ANNUAL FINANCIAL REPORT**  
June 30, 2011

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Melrose, New Mexico



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Table of Contents  
 For the Year Ended June 30, 2011

---

	<u>Page</u>
Official Roster.....	6
Independent Auditor's Report.....	7-8

**FINANCIAL SECTION**

Basic Financial Statements

Government Wide Financial Statements

Statement of Net Assets.....	10
Statement of Activities.....	11

Fund Financial Statements

Government Funds - Balance Sheet.....	12-14
Reconciliation of the Governmental of Net Assets.....	15

Statement of Revenues, Expenditures, and Changes in Fund Balances.....	16-18
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	19

**General Funds**

**Operational Fund-11000**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	20-21
--	-------

**Transportation-13000**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	22
--	----

**Instructional Material-14000**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	23
--	----

Statement of Fiduciary Net Assets and Liabilities-Agency Funds .....	24
--	----

Notes to Financial Statements.....	25-38
------------------------------------	-------

**SUPPLEMENTAL INFORMATION RELATED TO MAJOR FUNDS**

**Senate Bill Nine-31700**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	40
--	----

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Table of Contents  
 For the Year Ended June 30, 2011

---

	<u>Page</u>
<b>Education Techology-31900</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	41
<b>Debt Service-41000</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	42
<b>SUPPLEMENTAL INFORMATION RELATED TO NON MAJOR FUNDS</b>	
<b>Non-major Special Revenue Funds</b>	
Combining Balance Sheet.....	46-52
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	53-59
<b>Food Service-21000</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	60
<b>Athletics-22000</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	61
<b>Title I-24101</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	62
<b>IDEA, Part B, Entitlement-24106</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	63
<b>IDEA, Preschool-24109</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	64
<b>Teacher Principal Training-24154</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	65
<b>Safe &amp; Drug Free Schools</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	66
<b>Title I Recovery Act-24201</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	67
<b>IDEA Part B Recovery Act-24206</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	68
<b>IDEA Preschool Recovery Act-24209</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	69

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Table of Contents  
 For the Year Ended June 30, 2011

---

	<u>Page</u>
<b>Title XIX-Medicaid-25153</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	70
<b>Rural Education Achievement Program-25233</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	71
<b>State Fiscal Stabilization Program Fund-25250</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	72
<b>Education Jobs Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	73
<b>Duel Credit Instructional Materials</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	74
<b>2008 GO Library Bonds-27105</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	75
<b>Technology for Education-27117</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	76
<b>Incentives for School Improvement-27138</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	77
<b>Beginning Teacher Mentoring-27154</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance- Budget (Budgetary Basis) and Actual.....	78
<b>Debt Service Education Technology-43000</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	79
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
<b>Agency Funds-Activity</b>	
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds .....	82
Cash Reconciliations-All Funds.....	83

	<u>Page</u>
<b>FEDERAL COMPLIANCE</b>	
Schedule of Expenditures of Federal Awards.....	85
Notes to the Schedule of Expenditures of Federal Awards.....	86
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	87-88
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	89-90
Schedule of Findings and Questioned Costs.....	91-93

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
Official Roster  
June 30, 2011

---

**BOARD OF EDUCATION**

Robin Parks	President
Ed Vinson	Vice-President
Steve Dirks	Secretary
James Fields	Member
Gary Tregembo	Member

**SCHOOL OFFICIALS**

Shirley Crawford	Superintendent
Frances Traylor	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Capitan Municipal Schools

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund of Capitan Municipal Schools, (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental and the budgetary comparisons for the major capital project funds, major debt service fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital project funds, major debt service fund and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and the combining and individual financial statements and budgetary comparisons presented as supplemental information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*De'Ann Willoughby CPA PC*

October 7, 2011



## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Government-Wide Statement of Net Assets  
 June 30, 2011

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 2,962,006
Inventory	3,365
Total Current Assets	<u>2,965,371</u>
Noncurrent Assets	
Capital Assets	14,974,784
Less: Accumulated Depreciation	<u>(6,407,420)</u>
Total Noncurrent Assets	<u>8,567,364</u>
Total Assets	<u>11,532,735</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	2,576
Accrued Interest	25,378
Compensated Absences	4,994
Current Portion of Long-Term Debt	<u>375,000</u>
Total Current Liabilities	<u>407,948</u>
Noncurrent Liabilities	
Compensated Absences	9,520
Bonds and Notes, Net	<u>1,369,728</u>
Total Noncurrent Liabilities	<u>1,379,248</u>
Total Liabilities	<u>1,787,196</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	6,822,636
Restricted for:	
Capital Projects	444,225
Debt Service	25,169
Unrestricted	<u>2,453,509</u>
Total Net Assets	<u>\$ 9,745,539</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Governmental Activities</b>					
Instruction	\$ 3,130,343	\$ 24,921	\$ 401,831	\$ 0	\$ (2,703,591)
Support Services-Students	250,887	23,500	47,547	0	(179,840)
Support Services-Instruction	215,686	0	9,382	0	(206,304)
General Administration	203,981	0	35,332	0	(168,649)
School Administration	248,129	0	10,132	0	(237,997)
Central Services	153,118	0	0	0	(153,118)
Operation of Plant	631,083	0	0	0	(631,083)
Transportation	339,528	0	288,023	0	(51,505)
Food Services	268,273	75,173	174,928	0	(18,172)
Interest on Long-Term Obligations	75,966	0	0	0	(75,966)
Total Governmental Activities	<u>\$ 5,516,994</u>	<u>\$ 123,594</u>	<u>\$ 967,175</u>	<u>\$ 0</u>	<u>(4,426,225)</u>
<b>General Revenues</b>					
Taxes					
Property Taxes, Levied for General Purposes				86,264	
Property Taxes, Levied for Capital Projects				857,219	
Property Taxes, Levied for Debt Service				201,716	
Federal and State aid not restricted to specific purpose					
General				3,963,714	
Capital				13,229	
Interest and investment earnings				31,457	
Miscellaneous				16,521	
Subtotal, General Revenues				<u>5,170,120</u>	
Change in Net Assets				743,895	
Net Assets - beginning				<u>9,001,644</u>	
Net Assets - ending				<u>\$ 9,745,539</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2011

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 896,930	\$ 364	\$ 4,845
Inventory	0	0	0
Total Assets	<u>\$ 896,930</u>	<u>\$ 364</u>	<u>\$ 4,845</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts Payable	\$ 2,534	\$ 0	\$ 0
Current Portion Due			
Principal	0	0	0
Interest	0	0	0
Total Liabilities	<u>2,534</u>	<u>0</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for, reported in			
Special Revenue Funds	0	0	0
Capital Projects	0	0	0
Debt Service	0	0	0
Assigned-Capital Projects	0	0	0
Unassigned- General Fund	<u>894,396</u>	<u>364</u>	<u>4,845</u>
Total Fund Balances	<u>894,396</u>	<u>364</u>	<u>4,845</u>
Total Liabilities and Fund Balances	<u>\$ 896,930</u>	<u>\$ 364</u>	<u>\$ 4,845</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2011

	<u>Capital Projects</u>		
	<u>Senate Bill Nine 31700</u>	<u>Education Technology 31900</u>	<u>Debt Service 41000</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,294,124	\$ 444,225	\$ 219,552
Inventory	0	0	0
Total Assets	<u>\$ 1,294,124</u>	<u>\$ 444,225</u>	<u>\$ 219,552</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Current Portion Due			
Principal	0	0	200,000
Interest	0	0	9,400
Total Liabilities	<u>0</u>	<u>0</u>	<u>209,400</u>
<b>Fund Balances</b>			
Nonspendable-Inventory	0	0	0
Restricted for, reported in			
Special Revenue Funds	0	0	0
Capital Projects	0	444,225	0
Debt Service	0	0	10,152
Assigned-Capital Projects	1,294,124	0	0
Unassigned- General Fund	0	0	0
Total Fund Balances	<u>1,294,124</u>	<u>444,225</u>	<u>10,152</u>
Total Liabilities and Fund Balances	<u>\$ 1,294,124</u>	<u>\$ 444,225</u>	<u>\$ 219,552</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2011

---

	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 101,966	\$ 2,962,006
Inventory	3,365	3,365
Total Assets	<u>\$ 105,331</u>	<u>\$ 2,965,371</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Accounts Payable	\$ 42	\$ 2,576
Current Portion Due		
Principal	0	200,000
Interest	<u>0</u>	<u>9,400</u>
Total Liabilities	<u>42</u>	<u>211,976</u>
<b>Fund Balances</b>		
Nonspendable-Inventory	3,365	3,365
Restricted for, reported in		
Special Revenue Funds	86,907	86,907
Capital Projects	0	444,225
Debt Service	15,017	25,169
Assigned-Capital Projects	0	1,294,124
Unassigned- General Fund	<u>0</u>	<u>899,605</u>
Total Fund Balances	<u>105,289</u>	<u>2,753,395</u>
Total Liabilities and Fund Balances	<u>\$ 105,331</u>	<u>\$ 2,965,371</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2011

---

Total Fund Balance - Governmental Funds \$ 2,753,395

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets	\$ 14,974,784	
Accumulated depreciation is	<u>(6,407,420)</u>	8,567,364

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Bonds payable	(1,575,000)	
Bond Issue Costs	81,321	
Accumulated Amortization	(51,049)	
Accrued Interest	(15,978)	
Compensated Absences	<u>(14,514)</u>	<u>(1,575,220)</u>

Total net assets - governmental activities	\$	<u><u>9,745,539</u></u>
--	----	-------------------------

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2011

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
<b>Revenues</b>			
Property Taxes	\$ 86,264	\$ 0	\$ 0
Interest Income	11,028	0	0
Fees	150	0	0
Federal Grants	39,302	0	0
State & Local Grants	3,924,412	288,023	20,427
Miscellaneous	6,134	0	0
<b>Total Revenues</b>	<b>4,067,290</b>	<b>288,023</b>	<b>20,427</b>
<b>Expenditures</b>			
Current			
Instruction	2,362,202	0	46,783
Support Service-Students	180,539	0	0
Support Services-Instruction	122,556	0	923
Support Services-General Administration	153,772	0	0
Support Services-School Administration	234,661	0	0
Central Services	151,994	0	0
Operation & Maintenance of Plant	514,806	0	0
Student Transportation	43,439	296,089	0
Food Services	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
<b>Total Expenditures</b>	<b>3,763,969</b>	<b>296,089</b>	<b>47,706</b>
Excess (Deficiency) of Revenues Over Expenditures	303,321	(8,066)	(27,279)
Fund Balances at Beginning of Year	591,075	8,430	32,124
Fund Balance End of Year	\$ 894,396	\$ 364	\$ 4,845

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



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2011

	Capital Projects		
	Senate	Education	Debt
	Bill Nine 31700	Technology 31900	Service 41000
<b>Revenues</b>			
Property Taxes	\$ 683,289	\$ 0	\$ 201,716
Interest Income	13,188	4,629	1,253
Fees	0	0	0
Federal Grants	0	0	0
State & Local Grants	13,229	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<b>709,706</b>	<b>4,629</b>	<b>202,969</b>
<b>Expenditures</b>			
Current			
Instruction	55,749	45,966	0
Support Service-Students	0	0	0
Support Services-Instruction	0	73,418	0
Support Services-General Administration	6,832	0	2,017
Support Services-School Administration	0	0	0
Central Services	0	0	0
Operation & Maintenance of Plant	87,565	0	0
Student Transportation	0	0	0
Food Services	0	0	0
Capital Outlay	656,143	896,963	0
Debt Service			
Principal	0	0	200,000
Interest	0	0	18,800
<b>Total Expenditures</b>	<b>806,289</b>	<b>1,016,347</b>	<b>220,817</b>
Excess (Deficiency) of Revenues Over Expenditures	(96,583)	(1,011,718)	(17,848)
Fund Balances at Beginning of Year	1,390,707	1,455,943	28,000
Fund Balance End of Year	\$ 1,294,124	\$ 444,225	\$ 10,152

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2011

	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>		
Property Taxes	\$ 173,930	\$ 1,145,199
Interest Income	1,359	31,457
Fees	123,444	123,594
Federal Grants	659,916	699,218
State & Local Grants	9,059	4,255,150
Miscellaneous	137	6,271
<b>Total Revenues</b>	<b>967,845</b>	<b>6,260,889</b>
<b>Expenditures</b>		
<b>Current</b>		
Instruction	404,310	2,915,010
Support Service-Students	66,872	247,411
Support Services-Instruction	9,382	206,279
Support Services-General Administration	37,071	199,692
Support Services-School Administration	10,132	244,793
Central Services	0	151,994
Operation & Maintenance of Plant	0	602,371
Student Transportation	0	339,528
Food Services	259,296	259,296
Capital Outlay	0	1,553,106
<b>Debt Service</b>		
Principal	125,000	325,000
Interest	35,138	53,938
<b>Total Expenditures</b>	<b>947,201</b>	<b>7,098,418</b>
Excess (Deficiency) of Revenues Over Expenditures	20,644	(837,529)
Fund Balances at Beginning of Year	84,645	3,590,924
Fund Balance End of Year	<b>\$ 105,289</b>	<b>\$ 2,753,395</b>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2011

---

Net Change in Fund Balance-Governmental Funds \$ (837,529)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	\$ (274,937)	
Capital Outlays	<u>1,553,106</u>	1,278,169

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2010	5,856	
Accrued Interest, June 30, 2011	<u>(15,978)</u>	(10,122)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

325,000

Bond issue costs are amortized in the Statement of Activities but are an expenditure in the governmental funds.

Amortization of Bond Issue Costs		(11,906)
----------------------------------	--	----------

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2010	14,797	
Compensated Absences, June 30, 2011	<u>(14,514)</u>	<u>283</u>

Changes in Net Assets of Governmental Activities		\$ <u><u>743,895</u></u>
--	--	--------------------------

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GENERAL FUND-OPERATIONAL-11000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 85,249	\$ 85,249	\$ 86,263	\$ 1,014
Interest Income	10,500	10,500	11,028	528
Fees	0	0	150	150
Federal Grants	43,322	43,322	39,302	(4,020)
State & Local Grants	4,037,691	3,906,708	3,924,412	17,704
Miscellaneous	0	0	6,134	6,134
<b>Total Revenues</b>	<b>4,176,762</b>	<b>4,045,779</b>	<b>4,067,289</b>	<b>21,510</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	2,203,006	2,068,423	1,715,595	352,828
Employee Benefits	722,505	722,505	574,627	147,878
Professional & Tech Services	4,390	4,990	3,520	1,470
Purchased Property Services	4,500	4,500	3,414	1,086
Other Purchased Services	50,200	53,200	52,135	1,065
Supplies	34,265	34,265	12,447	21,818
<b>Total Instruction</b>	<b>3,018,866</b>	<b>2,887,883</b>	<b>2,361,738</b>	<b>526,145</b>
<b>Support Services-Students</b>				
Personnel Services	96,660	96,660	80,770	15,890
Employee Benefits	41,197	41,197	18,085	23,112
Professional & Tech Services	123,500	123,500	79,511	43,989
Other Purchased Services	0	43	43	0
Supplies	3,250	3,207	2,130	1,077
<b>Total Support Services-Students</b>	<b>264,607</b>	<b>264,607</b>	<b>180,539</b>	<b>84,068</b>
<b>Support Services-Instruction</b>				
Personnel Services	48,868	48,868	48,868	0
Employee Benefits	20,844	20,844	19,637	1,207
Professional & Tech Services	55,546	55,546	46,324	9,222
Supplies	10,420	10,420	6,982	3,438
<b>Total Support Services-Instruction</b>	<b>135,678</b>	<b>135,678</b>	<b>121,811</b>	<b>13,867</b>
<b>Support Services-General Administration</b>				
Personnel Services	95,738	95,738	95,738	0
Employee Benefits	30,123	30,223	26,805	3,418
Professional & Tech Services	36,600	32,624	20,246	12,378
Other Purchased Services	7,000	10,276	7,362	2,914
Supplies	2,100	2,700	2,451	249
<b>Total Support Services-General Administration</b>	<b>\$ 171,561</b>	<b>\$ 171,561</b>	<b>\$ 152,602</b>	<b>\$ 18,959</b>

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GENERAL FUND-OPERATIONAL-11000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Support Services-School Administration				
Personnel Services	\$ 217,309	\$ 147,309	\$ 147,309	\$ 0
Employee Benefits	73,444	54,504	53,100	1,404
Professional & Tech Services	0	0	0	0
Other Purchased Services	0	90,706	28,826	61,880
Supplies	8,000	6,234	5,426	808
Total Support Services-School Administration	<u>298,753</u>	<u>298,753</u>	<u>234,661</u>	<u>64,092</u>
Central Services				
Personnel Services	112,497	112,497	112,497	0
Employee Benefits	37,999	37,999	34,662	3,337
Professional & Tech Services	7,000	6,500	805	5,695
Purchased Property Services	1,350	1,350	1,097	253
Other Purchased Services	600	1,000	875	125
Supplies	2,000	2,100	2,058	42
Total Central Service	<u>161,446</u>	<u>161,446</u>	<u>151,994</u>	<u>9,452</u>
Operation & Maintenance of Plant				
Personnel Services	139,652	138,852	123,554	15,298
Employee Benefits	92,139	76,739	44,381	32,358
Professional & Tech Services	550	950	848	102
Purchased Property Services	224,340	230,340	192,648	37,692
Other Purchased Services	136,075	135,725	123,262	12,463
Supplies	29,350	39,500	34,130	5,370
Supply Assets	1,892	1,892	1,866	26
Total Operation & Maintenance of Plant	<u>623,998</u>	<u>623,998</u>	<u>520,689</u>	<u>103,309</u>
Student Transportation				
Other Purchased Services	61,335	61,335	43,439	17,896
Total Student Transportation	<u>61,335</u>	<u>61,335</u>	<u>43,439</u>	<u>17,896</u>
Total Expenditures	<u>4,736,244</u>	<u>4,605,261</u>	<u>3,767,473</u>	<u>837,788</u>
Excess (Deficiency) of Revenues Over Expenditures	(559,482)	(559,482)	299,816	859,298
Cash Balance Beginning of Year	597,114	597,114	597,114	0
Cash Balance End of Year	<u>\$ 37,632</u>	<u>\$ 37,632</u>	<u>\$ 896,930</u>	<u>\$ 859,298</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 299,816	
Net change in Accounts Payable			3,505	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 303,321</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GENERAL FUND-TRANSPORTATION-13000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 285,142	\$ 292,238	\$ 288,023	\$ (4,215)
Total Revenues	<u>285,142</u>	<u>292,238</u>	<u>288,023</u>	<u>(4,215)</u>
<b>Expenditures</b>				
<b>Student Transportation</b>				
Personnel Services	6,500	6,500	6,500	0
Employee Benefits	1,412	1,412	1,313	99
Purchased Property Services	33,616	33,616	33,616	0
Other Purchased Services	243,614	253,872	253,662	210
Supplies	0	1,053	998	55
Total Student Transportation	<u>285,142</u>	<u>296,453</u>	<u>296,089</u>	<u>364</u>
Total Expenditures	<u>285,142</u>	<u>296,453</u>	<u>296,089</u>	<u>364</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(4,215)	(8,066)	(3,851)
Cash Balance Beginning of Year	<u>8,430</u>	<u>8,430</u>	<u>8,430</u>	<u>0</u>
Cash Balance End of Year	\$ <u>8,430</u>	\$ <u>4,215</u>	\$ <u>364</u>	\$ <u>(3,851)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(8,066)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(8,066)</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
GENERAL FUND-INSTRUCTIONAL MATERIALS-14000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 17,738	\$ 20,427	\$ 20,427	\$ 0
Total Revenues	<u>17,738</u>	<u>20,427</u>	<u>20,427</u>	<u>0</u>
Expenditures				
Instruction				
Supplies	48,938	51,627	46,783	4,844
Total Instruction	<u>48,938</u>	<u>51,627</u>	<u>46,783</u>	<u>4,844</u>
Support Services-Instruction				
Supplies	1,354	1,354	923	431
Total Support Services-Instruction	<u>1,354</u>	<u>1,354</u>	<u>923</u>	<u>431</u>
Total Expenditures	<u>50,292</u>	<u>52,981</u>	<u>47,706</u>	<u>5,275</u>
Excess (Deficiency) of Revenues Over Expenditures	(32,554)	(32,554)	(27,279)	5,275
Cash Balance Beginning of Year	<u>32,124</u>	<u>32,124</u>	<u>32,124</u>	<u>0</u>
Cash Balance End of Year	\$ <u>(430)</u>	\$ <u>(430)</u>	\$ <u>4,845</u>	\$ <u>5,275</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(27,279)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(27,279)</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
Statement of Fiduciary Assets and Liabilities-Agency Fund  
June 30, 2011

---

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 90,271
Total Assets	<u>\$ 90,271</u>
Liabilities	
Deposits Held for Others	\$ 90,271
Total Liabilities	<u>\$ 90,271</u>

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



**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Capitan Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

**Financial Reporting Entity**

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

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

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

***Governmental Funds***

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

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

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

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

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

***Fiduciary Fund Type***

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

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

**Major Funds**

The District reports the following major governmental funds:

**GENERAL FUND (11000)(13000)(14000)**

The General Fund consist of three sub funds. The first is the operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

**CAPITAL PROJECT FUNDS**

**Senate Bill Nine (31700).** The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

#### Program Revenues

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. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others., and 3) program specific capital grants and contributions.

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

#### Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

#### Revenues

Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

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

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

#### Expenditures

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

#### Other Financing Sources (Uses)

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

#### Basis of Budgeting

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

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

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

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

#### Cash and Cash Equivalents

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

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

Investments

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

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

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

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

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer 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. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
Notes to the Financial Statements  
June 30, 2011

---

Inventories and Prepaid Items

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

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

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

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

Capital Leases

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

Long-Term Liabilities

For district-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

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

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

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

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

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Revenue

The District reports deferred revenues on its Statement of Net Assets and Fund Balance Sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

All 12-month or full time employees that have been employed 1-9 years are entitled to 10 working days and 10 or more years 15 working days. Vacation time must be taken by December 30th following the school year as it is earned, and it is not accumulative. Prior accrued vacation time not taken by December 30 will be canceled.

Employees will not be paid for vacation days unless the following condition exists. An employee who terminates employment at the end of a contract year should try to use up all accrued vacation days. If this is not possible, the employee shall meet with the Superintendent to explain why the vacation days could not be taken. Upon approval by the Superintendent, the employee will be paid for accrued vacation days based on their daily rate.

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

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

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

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
Notes to the Financial Statements  
June 30, 2011

---

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

Estimates

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

**NOTE B: DEPOSITS AND INVESTMENTS**

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 6/30/11	Reconciled Balance	*	<u>Type</u>
Activity	\$ 82,161	\$ 78,985	*	Checking
Operational CMA	2,299,117	2,299,117	*	Checking
Lunch	80,343	54,639	*	Checking
Budgeted Fund Athletics	9,699	9,690	*	Checking
Operational	374,241	139,269		Checking
Payroll Clearing	211,428	0		Checking
Pogue Scholarship	1,286	1,286	*	Savings
Jesse Faye Scholarship	10,000	10,000	*	Savings
TOTAL Deposited	<u>3,068,275</u>	<u>\$ 2,592,986</u>		
Less: FDIC Coverage	<u>(835,669)</u>			
Uninsured Amount	2,232,606			
50% collateral requirement	1,116,303			
Pledged securities	<u>2,989,042</u>			
Over (Under) requirement	<u>\$ 1,872,739</u>			

The Food Service Fund maintains \$50 cash on hand.

\* Interest Bearing Accounts

The additional FDIC insurance coverage is temporary in accordance with the Dodd Frank Act and covers 100% of non-interest bearing accounts until December 31, 2011.

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

The following securities are pledged at City Bank:

<u>Description</u>	<u>Number</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Place of Safe Keeping</u>
Letter of Credit	730001394	\$ 1,000,000	2/1/2012	Dallas, TX
FNMA	3136FRT8	1,989,042	6/27/2014	San Antonio, TX
		<u>\$ 2,989,042</u>		

This letter of credit is issued by the Federal Home Loan Bank located in Dallas, Texas.



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
Notes to the Financial Statements  
June 30, 2011

**Washington Federal**

<u>Name of Account</u>	Balance Per Bank 6/30/11	Reconciled Balance	Type
Capitan Municipal Schools	\$ 414,489	\$ 414,489	Checking
Capitan Municipal Schools	44,753	44,753	Checking
TOTAL Deposited	<u>459,242</u>	<u>\$ 459,242</u>	
Less: FDIC Coverage	(294,753)		
Uninsured Amount	164,489		
50% collateral requirement	82,245		
Pledged securities	1,961,332		
Over (Under) requirement	<u>\$ 1,879,088</u>		

The following securities are pledged at Washington Federal

<u>Description</u>	<u>Number</u>	<u>Amount</u>	<u>Maturity Date</u>
FHLB	313370L63	\$ 1,961,332	8/26/2025
		<u>\$ 1,961,332</u>	

The pledge securities are issued by the Federal Home Loan Bank located in Dallas, Texas.

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	Bank Balance
Insured	\$ 1,130,422
Collateralized:	
Collateral held by the pledging bank in District's name	2,397,095
Uninsured and uncollateralized	<u>0</u>
Total Deposits	<u>\$ 3,527,517</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2011 none of the District's bank balance of \$3,527,517 was exposed to custodial credit risk.

**NOTE C: INTERFUND BALANCES AND ACTIVITY**

There were no interfund balances or activity at the District for the fiscal year ending June 30, 2011.

**NOTE D: DUE FROM GRANTOR**

There are no amounts due from other agencies and units of government as of June 30, 2011.

**NOTE E: CAPITAL ASSETS**

Capital Assets Balances and Activity for the fiscal year end is as follows:

	Beginning Balance 6/30/10	Increases	Decreases	Ending Balance 6/30/11
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 96,884	\$ 0	\$ 0	\$ 96,884
Total Capital Assets not being Depreciated	<u>96,884</u>	<u>0</u>	<u>0</u>	<u>96,884</u>

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
Notes to the Financial Statements  
June 30, 2011

Capital Assets, being Depreciated				
Buildings & Improvements	12,476,700	961,360	0	13,438,060
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,152,434</u>	<u>591,746</u>	<u>304,340</u>	<u>1,439,840</u>
Total Capital Assets being Depreciated	<u>13,629,134</u>	<u>1,553,106</u>	<u>304,340</u>	<u>14,877,900</u>
Total Capital Assets	\$ <u>13,726,018</u>	\$ <u>1,553,106</u>	\$ <u>304,340</u>	\$ <u>14,974,784</u>
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	\$ 5,368,403	\$ 158,257	\$ 0	\$ 5,526,660
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,068,420</u>	<u>116,680</u>	<u>304,340</u>	<u>880,760</u>
Total Accumulated Depreciation	<u>6,436,823</u>	<u>274,937</u>	<u>304,340</u>	<u>6,407,420</u>
Capital Assets, net	\$ <u>7,289,195</u>	\$ <u>1,278,169</u>	\$ <u>0</u>	\$ <u>8,567,364</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 210,100
Support Services-Students	3,476
Support Services-Instruction	9,407
Support Services-General Administration	10,452
Support Services-School Administration	3,336
Central Services	8,977
Operation & Maintenance of Plant	29,189
Total depreciation expenses	<u>\$ 274,937</u>

**NOTE H: LONG TERM DEBT**

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

	Beginning Balance 6/30/10	Additions	Reductions	Ending Balance 6/30/11	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 2,100,000	\$ 0	\$ 325,000	\$ 1,775,000	\$ 375,000
Total Bonds	<u>2,100,000</u>	<u>0</u>	<u>325,000</u>	<u>1,775,000</u>	<u>375,000</u>
Other Liabilities					
Compensated					
Absences	14,797	17,258	17,541	14,514	4,994
Total Other	<u>14,797</u>	<u>17,258</u>	<u>17,541</u>	<u>14,514</u>	<u>4,994</u>
Liabilities					
Long-Term					
Liabilities	\$ <u>2,114,797</u>	\$ <u>17,258</u>	\$ <u>342,541</u>	\$ <u>1,789,514</u>	\$ <u>379,994</u>

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
Notes to the Financial Statements  
June 30, 2011

---

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.

General Obligation Bonds.

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

<u>Series</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
1999	07-15-99	2,000,000	4.3%-6.25%	\$ 400,000
2010	04-15-10	1,500,000	2%-3.05%	1,375,000
				<u>\$ 1,775,000</u>

The annual requirements to amortize the general obligation bonds as of June 30, 2011 including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	375,000	45,675	420,675
2013	575,000	35,825	610,825
2014	400,000	22,688	422,688
2015	425,000	11,687	436,687
	<u>\$ 1,775,000</u>	<u>\$ 115,875</u>	<u>\$ 1,890,875</u>

Reconciliation of Long-Term Debt disclosed in Note H to the Long-Term Debt reported in the Statement of Net Assets.

Note H	
Bonds	\$ 1,775,000
Issue Costs/Premium/Discounts on Bond Issues	(81,321)
Accumulated Amortization	51,049
Statement of Net Assets	<u>\$ 1,744,728</u>
Long-Term Per Government Wide Financial Statements	\$ 1,369,728
Current Portion	375,000
Statement of Net Assets	<u>\$ 1,744,728</u>

**NOTE I: COMMITMENTS**

The District has a balance of \$444,225 to spend for technology.

**NOTE J: PENSION PLAN**

Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school Districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

Effective July 1, 2009 through June 30, 2011, plan members were required by state statute to contribute 7.9% of their gross salary if they earn \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The District was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. Effective July 1, 2011 plan members are required by statute to continue 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The District is required to contribute 12.4% of gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2011, 2010, and 2009, were \$516,282, \$567,605 and \$570,848 respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE K: RETIREE HEALTH CARE ACT CONTRIBUTIONS**

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

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

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Notes to the Financial Statements  
 June 30, 2011

---

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

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the RHCA, Albuquerque State Government Center, 401 Roma, NW, Suite 200, Albuquerque, New Mexico 87102.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
2012	1.834%	0.917%
2013	2.000%	1.000%

Also, employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The District's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$63,556, \$54,524 and \$57,616 respectively, which equal the required contributions for each year.

**NOTE L: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS**

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

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are included on each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

**NOTE M: INSURANCE COVERAGE**

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

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

**NOTE N. SURETY BOND**

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

**NOTE O. JOINT POWERS AGREEMENT**

Capitan Municipal School District No. 28 entered into a joint powers agreement with the Region 9 Education Cooperative (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94142 among others.

There are seven schools that participate in the REC, they are Ruidoso, Capitan, Carrizozo, Cloudcroft, Corona, Hondo and Tularosa. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The REC is its own fiscal agent and is responsible for its audit. The financial statements were prepared by an IPA and are available for inspection at the REC office located at 1400 Sudderth Dr. Ruidoso, NM 88345.

**SUPPLEMENTAL INFORMATION RELATED TO  
MAJOR FUNDS**

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 CAPITAL PROJECT FUND-SENATE BILL NINE-31700  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 676,348	\$ 676,348	\$ 683,289	\$ 6,941
Interest Income	12,000	12,000	13,188	1,188
State Grant	20,111	20,211	13,229	(6,982)
Total Revenues	<u>708,459</u>	<u>708,559</u>	<u>709,706</u>	<u>1,147</u>
<b>Expenditures</b>				
<b>Support Services-General Administration</b>				
Professional & Tech Services	<u>7,039</u>	<u>7,039</u>	<u>6,833</u>	<u>206</u>
Total Support Services-General Administration	<u>7,039</u>	<u>7,039</u>	<u>6,833</u>	<u>206</u>
<b>Capital Outlay</b>				
Maintenance & Repair	50,000	200,000	87,565	112,435
Building Improvements	750,000	750,000	582,929	167,071
Supplies	45,000	45,000	1,577	43,423
Land Improvements	0	0	0	0
Fixed Assets	250,000	100,000	73,215	26,785
Supply Assets	<u>320,211</u>	<u>320,211</u>	<u>54,170</u>	<u>266,041</u>
Total Capital Outlay	<u>1,415,211</u>	<u>1,415,211</u>	<u>799,456</u>	<u>615,755</u>
Total Expenditures	<u>1,422,250</u>	<u>1,422,250</u>	<u>806,289</u>	<u>615,961</u>
Excess (Deficiency) of Revenues Over Expenditures	(713,791)	(713,691)	(96,583)	617,108
Cash Balance Beginning of Year	<u>1,390,707</u>	<u>1,390,707</u>	<u>1,390,707</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 676,916</u>	<u>\$ 677,016</u>	<u>\$ 1,294,124</u>	<u>\$ 617,108</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (96,583)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (96,583)</u>	

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



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 CAPITAL PROJECT FUND-EDUCATION TECHNOLOGY-31900  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Interest Income	\$ 14,400	\$ 14,400	\$ 4,629	\$ (9,771)
Total Revenues	<u>14,400</u>	<u>14,400</u>	<u>4,629</u>	<u>(9,771)</u>
<b>Expenditures</b>				
<b>Support Services-Instruction</b>				
Other Purchased Supplies	<u>150,000</u>	<u>150,000</u>	<u>73,418</u>	<u>76,582</u>
Total Support Services- Instruction	<u>150,000</u>	<u>150,000</u>	<u>73,418</u>	<u>76,582</u>
<b>Capital Outlay</b>				
Professional & Tech Services	20,000	20,000	7,648	12,352
Maintenance & Repair	97,500	97,500	5,777	91,723
Supplies	159,277	159,277	120,018	39,259
Fixed Assets	872,160	872,160	696,824	175,336
Supply Assets	170,750	170,750	112,662	58,088
Total Capital Outlay	<u>1,319,687</u>	<u>1,319,687</u>	<u>942,929</u>	<u>376,758</u>
Total Expenditures	<u>1,469,687</u>	<u>1,469,687</u>	<u>1,016,347</u>	<u>453,340</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,455,287)	(1,455,287)	(1,011,718)	443,569
Cash Balance Beginning of Year	<u>1,455,943</u>	<u>1,455,943</u>	<u>1,455,943</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 656</u>	<u>\$ 656</u>	<u>\$ 444,225</u>	<u>\$ 443,569</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,011,718)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,011,718)</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
DEBT SERVICE-41000

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 223,500	\$ 223,500	\$ 201,716	\$ (21,784)
Interest Income	1,300	1,300	1,253	(47)
Total Revenues	<u>224,800</u>	<u>224,800</u>	<u>202,969</u>	<u>(21,831)</u>
<b>Expenditures</b>				
Support Services-General Administration				
Professional & Tech Services	<u>2,300</u>	<u>2,300</u>	<u>2,017</u>	<u>283</u>
Total Support Services-General Administration	<u>2,300</u>	<u>2,300</u>	<u>2,017</u>	<u>283</u>
Debt Service				
Principal	200,000	200,000	200,000	0
Interest	<u>23,500</u>	<u>23,500</u>	<u>23,500</u>	<u>0</u>
Total Debt Service	<u>223,500</u>	<u>223,500</u>	<u>223,500</u>	<u>0</u>
Total Expenditures	<u>225,800</u>	<u>225,800</u>	<u>225,517</u>	<u>283</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,000)	(1,000)	(22,548)	(21,548)
Cash Balance Beginning of Year	<u>242,100</u>	<u>242,100</u>	<u>242,100</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 241,100</u>	<u>\$ 241,100</u>	<u>\$ 219,552</u>	<u>\$ (21,548)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (22,548)	
Net Change in Current Portion Interest			<u>4,700</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (17,848)</u>	

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

**SUPPLEMENTAL INFORMATION RELATED TO  
NON MAJOR FUNDS**

**NONMAJOR SPECIAL REVENUE FUNDS**

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

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

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

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

**IDEA Preschool (24109).** To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

**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).

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

**Title I Recovery Act (24201).** To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the American Recovery and Reinvestment Act of 2009. The fund was created by the authority of federal grant provisions.

**IDEA, Part B Entitlement Recovery Act (24206).** To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the American Recovery and Reinvestment Act of 2009. The fund was created by the authority

**IDEA Preschool Recovery Act (24209).** To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the American Recovery and Reinvestment Act of 2009. The fund was created by the authority of federal grant provisions.

#### **NONMAJOR SPECIAL REVENUE FUNDS**

**Title XIX Medicaid (25153).** To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

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

**State Fiscal Stabilization Program Fund (25250).** The objectives of this grant are to support and restore funding for elementary and secondary education, to avoid reductions in budgets for education and other essential services in exchange for a commitment to advance essential education reforms. The fund was created by grant provisions.

**Education Jobs Fund (25255).** To provide for the compensation and benefits and other expenses, such as support services, necessary to retain existing employees, to recall or rehire former employees, and to hire new employees, in order to provide early childhood, elementary, or secondary educational and related services. Authorized by PL No 111-226.

**Dual Credit Instructional Materials (27103).** To provide funding to the District to purchase college books for students attending college classes and obtaining dual credits. The fund was created by grant provisions.

**2008 GO Library Bonds (27105).** To account for revenues and expenditures from a state grant to provide for public school libraries. Funding provided by the State of New Mexico.

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

**Incentives for School Improvement (27138).** To account for revenues and expenditures from a state grant as part of the Incentives for School Improvement Act: awarded based on the improvement in CTBS 5/Terra Nova or New Mexico High School Competency Examination scores. The fund was created by state grant provisions. (NMSA 22-13 A-1).

**Beginning Teacher Mentoring (27154).** To account for revenues and expenditures from a state grant provided for tutoring and student enhancement activities in reading, math, and study skills for grades sixth through eight. The fund was created by state grant provisions.

#### **NONMAJOR DEBT SERVICE**

**Education Technology (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.

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR FUNDS  
Combining Balance Sheet  
June 30, 2011

	<u>Special Revenue Funds</u>		
	<u>Food Service 21000</u>	<u>Athletics 22000</u>	<u>Title I 24101</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 54,688	\$ 9,690	\$ 0
Inventory	3,365	0	0
Total Assets	<u>\$ 58,053</u>	<u>\$ 9,690</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 42	\$ 0
Total Liabilities	<u>0</u>	<u>42</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	3,365	0	0
Restricted for, reported in Special Revenue Funds	54,688	9,648	0
Debt Service	0	0	0
Total Fund Balance	<u>58,053</u>	<u>9,648</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 58,053</u>	<u>\$ 9,690</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR FUNDS  
Combining Balance Sheet  
June 30, 2011

	Special Revenue Funds		
	IDEA, Part B Entitlement 24106	IDEA Preschool 24109	Teacher Principal Training 24154
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for, reported in Special Revenue Funds	0	0	0
Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR FUNDS  
Combining Balance Sheet  
June 30, 2011

	<u>Special Revenue Funds</u>		
	Safe & Drug Free Schools 24157	Title I Recovery Act 24201	IDEA Part B Recovery Act 24206
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Inventory	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for, reported in Special Revenue Funds	0	0	0
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR FUNDS  
Combining Balance Sheet  
June 30, 2011

	Special Revenue Funds		
	IDEA Preschool Recovery Act 24209	Title XIX Medicaid 25153	Rural Education Achievement Program 25233
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 22,201	\$ 0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 22,201</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for, reported in Special Revenue Funds	0	22,201	0
Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>22,201</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 22,201</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 NONMAJOR FUNDS  
 Combining Balance Sheet  
 June 30, 2011

	Special Revenue Funds		
	State Fiscal Stabilization Program Fund 25250	Education Jobs Fund 25255	Dual Credit Instructional Materials 27103
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for, reported in Special Revenue Funds	0	0	0
Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR FUNDS  
Combining Balance Sheet  
June 30, 2011

	Special Revenue Funds		
	2008 GO Library Bonds 27105	Technology for Education 27117	Incentives For School Improvement 27138
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 209	\$ 2
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 209</u>	<u>\$ 2</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for, reported in Special Revenue Funds	0	209	2
Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>209</u>	<u>2</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 209</u>	<u>\$ 2</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR FUNDS  
Combining Balance Sheet  
June 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	
	Beginning Teacher Mentoring 27154	Education Technology 43000	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 159	\$ 15,017	\$ 101,966
Inventory	0	0	3,365
Total Assets	<u>\$ 159</u>	<u>\$ 15,017</u>	<u>\$ 105,331</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 42
Total Liabilities	<u>0</u>	<u>0</u>	<u>42</u>
<b>Fund Balance</b>			
Nonspendable-Inventory	0	0	3,365
Restricted for, reported in Special Revenue Funds	159	0	86,907
Debt Service	0	15,017	15,017
Total Fund Balance	<u>159</u>	<u>15,017</u>	<u>105,289</u>
Total Liabilities and Fund Balance	<u>\$ 159</u>	<u>\$ 15,017</u>	<u>\$ 105,331</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2011

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	Title I 24101
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Interest Income	800	133	0
Fees	75,173	24,771	0
Federal Grants	185,178	0	76,494
State & Local Grants	0	0	0
Miscellaneous	0	137	0
<b>Total Revenues</b>	<b>261,151</b>	<b>25,041</b>	<b>76,494</b>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	0	22,906	76,494
Support Services-Students	0	0	0
Support Services-Instruction	0	0	0
Support Services-General Administration	0	0	0
Support Services-School Administration	0	0	0
Food Services Operations	259,296	0	0
<b>Debt Service</b>			
Principal	0	0	0
Interest	0	0	0
<b>Total Expenditures</b>	<b>259,296</b>	<b>22,906</b>	<b>76,494</b>
Excess (Deficiency) of Revenues Over Expenditures	1,855	2,135	0
Fund Balances at Beginning of Year	56,198	7,513	0
Fund Balance End of Year	<b>\$ 58,053</b>	<b>\$ 9,648</b>	<b>\$ 0</b>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2011

	Special Revenue Funds		
	IDEA, Part B Entitlement 24106	IDEA Preschool 24109	Teacher Principal Training 24154
	<u>24106</u>	<u>24109</u>	<u>24154</u>
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Interest Income	0	0	0
Fees	0	0	0
Federal Grants	84,697	3,283	15,597
State & Local Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>84,697</u>	<u>3,283</u>	<u>15,597</u>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	68,599	3,283	10,041
Support Services-Students	10,000	0	0
Support Services-Instruction	0	0	323
Support Services-General Administration	0	0	1,199
Support Services-School Administration	6,098	0	4,034
Food Services Operations	0	0	0
<b>Debt Service</b>			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>84,697</u>	<u>3,283</u>	<u>15,597</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2011

	Special Revenue Funds		
	Safe & Drug Free Schools 24157	Title I Recovery Act 24201	IDEA Part B Recovery Act 24206
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Interest Income	0	0	0
Fees	0	0	0
Federal Grants	883	37,806	67,831
State & Local Grants	0	0	0
Miscellaneous	0	0	0
<b>Total Revenues</b>	<u>883</u>	<u>37,806</u>	<u>67,831</u>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	883	37,806	30,284
Support Services-Students	0	0	37,547
Support Services-Instruction	0	0	0
Support Services-General Administration	0	0	0
Support Services-School Administration	0	0	0
Food Services Operations	0	0	0
<b>Debt Service</b>			
Principal	0	0	0
Interest	0	0	0
<b>Total Expenditures</b>	<u>883</u>	<u>37,806</u>	<u>67,831</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	0	0	0
<b>Fund Balances at Beginning of Year</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2011

	Special Revenue Funds		
	IDEA Preschool Recovery Act 24209	Title XIX Medicaid 25153	Rural Education Achievement Program 25233
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Interest Income	0	0	0
Fees	0	23,500	0
Federal Grants	4,287	0	21,040
State & Local Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>4,287</u>	<u>23,500</u>	<u>21,040</u>
Expenditures			
Current			
Instruction	4,287	0	21,040
Support Services-Students	0	19,325	0
Support Services-Instruction	0	0	0
Support Services-General Administration	0	0	0
Support Services-School Administration	0	0	0
Food Services Operations	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>4,287</u>	<u>19,325</u>	<u>21,040</u>
Excess (Deficiency) of Revenues Over Expenditures	0	4,175	0
Fund Balances at Beginning of Year	<u>0</u>	<u>18,026</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 22,201</u>	<u>\$ 0</u>

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



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2011

	Special Revenue Funds		
	State Fiscal Stabilization Program Fund 25250	Education Jobs Fund 25255	Dual Credit Instructional Materials 27103
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Interest Income	0	0	0
Fees	0	0	0
Federal Grants	48,092	114,728	0
State & Local Grants	0	0	3,772
Miscellaneous	0	0	0
Total Revenues	<u>48,092</u>	<u>114,728</u>	<u>3,772</u>
<b>Expenditures</b>			
Current			
Instruction	13,959	114,728	0
Support Services-Students	0	0	0
Support Services-Instruction	0	0	3,772
Support Services-General Administration	34,133	0	0
Support Services-School Administration	0	0	0
Food Services Operations	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>48,092</u>	<u>114,728</u>	<u>3,772</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2011

	Special Revenue Funds		
	2008 GO Library Bonds 27105	Technology for Education 27117	Incentives For School Improvement 27138
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 0	\$ 0
Interest Income	0	0	0
Fees	0	0	0
Federal Grants	0	0	0
State & Local Grants	5,287	0	0
Miscellaneous	0	0	0
Total Revenues	<u>5,287</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>			
Current			
Instruction	0	0	0
Support Services-Students	0	0	0
Support Services-Instruction	5,287	0	0
Support Services-General Administration	0	0	0
Support Services-School Administration	0	0	0
Food Services Operations	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>5,287</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>209</u>	<u>2</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 209</u>	<u>\$ 2</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	
	Beginning Teacher Mentoring 27154	Education Technology 43000	<u>Total</u>
<b>Revenues</b>			
Property Taxes	\$ 0	\$ 173,930	\$ 173,930
Interest Income	0	426	1,359
Fees	0	0	123,444
Federal Grants	0	0	659,916
State & Local Grants	0	0	9,059
Miscellaneous	0	0	137
Total Revenues	<u>0</u>	<u>174,356</u>	<u>967,845</u>
<b>Expenditures</b>			
<b>Current</b>			
Instruction	0	0	404,310
Support Services-Students	0	0	66,872
Support Services-Instruction	0	0	9,382
Support Services-General Administration	0	1,739	37,071
Support Services-School Administration	0	0	10,132
Food Services Operations	0	0	259,296
<b>Debt Service</b>			
Principal	0	125,000	125,000
Interest	0	35,138	35,138
Total Expenditures	<u>0</u>	<u>161,877</u>	<u>947,201</u>
Excess (Deficiency) of Revenues Over Expenditures	0	12,479	20,644
Fund Balances at Beginning of Year	<u>159</u>	<u>2,538</u>	<u>84,645</u>
Fund Balance End of Year	<u>\$ 159</u>	<u>\$ 15,017</u>	<u>\$ 105,289</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-FOOD SERVICE-21000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Interest Income	\$ 450	\$ 450	\$ 800	\$ 350
Fees	67,600	67,600	75,173	7,573
Federal Grant	161,509	161,509	174,928	13,419
Total Revenues	<u>229,559</u>	<u>229,559</u>	<u>250,901</u>	<u>21,342</u>
<b>Expenditures</b>				
<b>Food Service Operations</b>				
Personnel Services	1,000	1,000	1,000	0
Employee Benefits	203	203	202	1
Professional & Tech Services	283,138	270,353	244,031	26,322
Purchased Property Services	0	4,000	3,149	851
Other Purchased Services	0	3,000	455	2,545
Supplies	3,000	10,285	70	10,215
Supply Assets	2,500	1,000	436	564
Total Food Service Operations	<u>289,841</u>	<u>289,841</u>	<u>249,343</u>	<u>40,498</u>
Total Expenditures	<u>289,841</u>	<u>289,841</u>	<u>249,343</u>	<u>40,498</u>
Excess (Deficiency) of Revenues Over Expenditures	(60,282)	(60,282)	1,558	61,840
Cash Balance Beginning of Year	<u>53,130</u>	<u>53,130</u>	<u>53,130</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (7,152)</u>	<u>\$ (7,152)</u>	<u>\$ 54,688</u>	<u>\$ 61,840</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,558	
Net change in Inventory			<u>297</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,855</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-ATHLETICS-22000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Interest Income	\$ 108	\$ 108	\$ 133	\$ 25
Fees	18,246	24,776	24,771	(5)
Miscellaneous	0	0	137	137
Total Revenues	<u>18,354</u>	<u>24,884</u>	<u>25,041</u>	<u>157</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	1,125	3,203	1,925	1,278
Other Purchased Services	22,792	27,244	20,002	7,242
Supplies	<u>1,250</u>	<u>1,250</u>	<u>937</u>	<u>313</u>
Total Instruction	<u>25,167</u>	<u>31,697</u>	<u>22,864</u>	<u>8,833</u>
Total Expenditures	<u>25,167</u>	<u>31,697</u>	<u>22,864</u>	<u>8,833</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,813)	(6,813)	2,177	8,990
Cash Balance Beginning of Year	<u>7,513</u>	<u>7,513</u>	<u>7,513</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 700</u>	<u>\$ 700</u>	<u>\$ 9,690</u>	<u>\$ 8,990</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,177	
Net change in Accounts Payable			<u>(42)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 2,135</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TITLE I-24101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 97,369	\$ 121,327	\$ 76,494	\$ (44,833)
Total Revenues	<u>97,369</u>	<u>121,327</u>	<u>76,494</u>	<u>(44,833)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	44,315	44,915	43,241	1,674
Employee Benefits	29,784	29,920	18,053	11,867
Professional & Tech Services	3,500	14,500	507	13,993
Other Purchased Services	1,200	7,322	2,258	5,064
Supplies	<u>18,570</u>	<u>24,670</u>	<u>12,435</u>	<u>12,235</u>
Total Instruction	<u>97,369</u>	<u>121,327</u>	<u>76,494</u>	<u>44,833</u>
Total Expenditures	<u>97,369</u>	<u>121,327</u>	<u>76,494</u>	<u>44,833</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-IDEA, PART B ENTITLEMENT-24106  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 0	\$ 126,974	\$ 84,697	\$ (42,277)
Total Revenues	<u>0</u>	<u>126,974</u>	<u>84,697</u>	<u>(42,277)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	0	64,390	42,105	22,285
Employee Benefits	0	50,486	24,885	25,601
Supplies	0	5,151	760	4,391
Supply Assets	0	849	849	0
Total Instruction	<u>0</u>	<u>120,876</u>	<u>68,599</u>	<u>52,277</u>
<b>Support Services-Students</b>				
Professional & Tech Services	0	10,000	10,000	0
Total Support Services-Students	<u>0</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
<b>Support Services-School Administration</b>				
Other Purchased Services	0	6,098	6,098	0
Total Support Services-School Administration	<u>0</u>	<u>6,098</u>	<u>6,098</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>126,974</u>	<u>84,697</u>	<u>52,277</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-IDEA PRESCHOOL-24109  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 3,491	\$ 3,784	\$ 3,283	\$ (501)
Total Revenues	<u>3,491</u>	<u>3,784</u>	<u>3,283</u>	<u>(501)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	0	1,894	1,825	69
Employee Benefits	0	1,124	1,074	50
Professional & Tech Services	0	479	246	233
Supplies	0	287	138	149
Total Instruction	<u>0</u>	<u>3,784</u>	<u>3,283</u>	<u>501</u>
Total Expenditures	<u>0</u>	<u>3,784</u>	<u>3,283</u>	<u>501</u>
Excess (Deficiency) of Revenues Over Expenditures	3,491	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3,491</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TEACHER PRINCIPAL TRAINING-24154  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 26,605	\$ 47,202	\$ 15,597	\$ (31,605)
Total Revenues	<u>26,605</u>	<u>47,202</u>	<u>15,597</u>	<u>(31,605)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	7,000	10,000	2,367	7,633
Employee Benefits	1,605	1,605	203	1,402
Professional & Tech Services	6,000	10,597	3,668	6,929
Other Purchased Supplies	6,000	9,000	3,803	5,197
Total Instruction	<u>20,605</u>	<u>31,202</u>	<u>10,041</u>	<u>21,161</u>
<b>Support Services-Instruction</b>				
Professional & Tech Services	1,000	1,000	100	900
Other Purchased Supplies	1,000	1,000	223	777
Total Support Services-Instruction	<u>2,000</u>	<u>2,000</u>	<u>323</u>	<u>1,677</u>
<b>Support Services-General Administration</b>				
Professional & Tech Services	1,000	2,000	675	1,325
Other Purchased Supplies	1,000	2,000	524	1,476
Total Support Services-General Administration	<u>2,000</u>	<u>4,000</u>	<u>1,199</u>	<u>2,801</u>
<b>Support Services-School Administration</b>				
Professional & Tech Services	1,000	6,000	2,382	3,618
Other Purchased Supplies	1,000	4,000	1,652	2,348
Total Support Services-School Administration	<u>2,000</u>	<u>10,000</u>	<u>4,034</u>	<u>5,966</u>
Total Expenditures	<u>26,605</u>	<u>47,202</u>	<u>15,597</u>	<u>31,605</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	0	0	0	0
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-SAFE & DRUG FREE SCHOOLS-24157  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 0	\$ 1,969	\$ 883	\$ (1,086)
Total Revenues	<u>0</u>	<u>1,969</u>	<u>883</u>	<u>(1,086)</u>
Expenditures				
Instruction				
Supplies	0	1,969	883	1,086
Total Instruction	<u>0</u>	<u>1,969</u>	<u>883</u>	<u>1,086</u>
Total Expenditures	<u>0</u>	<u>1,969</u>	<u>883</u>	<u>1,086</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TITLE I RECOVERY ACT-24201  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 37,699	\$ 37,806	\$ 37,806	\$ 0
Total Revenues	<u>37,699</u>	<u>37,806</u>	<u>37,806</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	10,000	12,551	12,551	0
Other Purchased Services	0	605	605	0
Supplies	27,699	24,650	24,650	0
Total Instruction	<u>37,699</u>	<u>37,806</u>	<u>37,806</u>	<u>0</u>
Total Expenditures	<u>37,699</u>	<u>37,806</u>	<u>37,806</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-IDEA, PART B ENTITLEMENT RECOVERY ACT-24206  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 0	\$ 67,837	\$ 67,831	\$ (6)
Total Revenues	<u>0</u>	<u>67,837</u>	<u>67,831</u>	<u>(6)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	0	20,239	20,238	1
Employee Benefits	<u>0</u>	<u>10,049</u>	<u>10,045</u>	<u>4</u>
Total Instruction	<u>0</u>	<u>30,288</u>	<u>30,283</u>	<u>5</u>
<b>Support Services-Students</b>				
Professional & Tech Services	<u>0</u>	<u>37,549</u>	<u>37,548</u>	<u>1</u>
Total Support Services- Students	<u>0</u>	<u>37,549</u>	<u>37,548</u>	<u>1</u>
Total Expenditures	<u>0</u>	<u>67,837</u>	<u>67,831</u>	<u>6</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-IDEA PRESCHOOL RECOVERY ACT-24209  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 0	\$ 4,335	\$ 4,287	\$ (48)
Total Revenues	<u>0</u>	<u>4,335</u>	<u>4,287</u>	<u>(48)</u>
Expenditures				
Instruction				
Other Purchased Services	0	4,335	4,287	48
Total Instruction	<u>0</u>	<u>4,335</u>	<u>4,287</u>	<u>48</u>
Total Expenditures	<u>0</u>	<u>4,335</u>	<u>4,287</u>	<u>48</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TITLE XIX MEDICAID-25153  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 0	\$ 17,000	\$ 23,500	\$ 6,500
Total Revenues	<u>0</u>	<u>17,000</u>	<u>23,500</u>	<u>6,500</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Personnel Services	0	17,261	15,889	1,372
Employee Benefits	<u>0</u>	<u>3,765</u>	<u>3,436</u>	<u>329</u>
Total Support Services- Students	<u>0</u>	<u>21,026</u>	<u>19,325</u>	<u>1,701</u>
Total Expenditures	<u>0</u>	<u>21,026</u>	<u>19,325</u>	<u>1,701</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(4,026)	4,175	8,201
Cash Balance Beginning of Year	<u>18,026</u>	<u>18,026</u>	<u>18,026</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 18,026</u>	<u>\$ 14,000</u>	<u>\$ 22,201</u>	<u>\$ 8,201</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 4,175</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 4,175</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-RURAL EDUCATION ACHIEVEMENT PROGRAM-25233  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 0	\$ 25,065	\$ 21,040	\$ (4,025)
Total Revenues	<u>0</u>	<u>25,065</u>	<u>21,040</u>	<u>(4,025)</u>
Expenditures				
Instruction				
Professional & Tech Services	0	11,745	11,745	0
Other Purchased Services	0	4,019	3,139	880
Supply Assets	0	6,156	6,156	0
Total Instruction	<u>0</u>	<u>21,920</u>	<u>21,040</u>	<u>880</u>
Total Expenditures	<u>0</u>	<u>21,920</u>	<u>21,040</u>	<u>880</u>
Excess (Deficiency) of Revenues Over Expenditures	0	3,145	0	(3,145)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 3,145</u>	<u>\$ 0</u>	<u>\$ (3,145)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-STATE FISCAL STABILIZATION FUND-25250  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 42,582	\$ 42,582	\$ 42,582	\$ 0
Total Revenues	<u>42,582</u>	<u>42,582</u>	<u>42,582</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	6,800	10,357	10,357	0
Employee Benefits	1,480	2,098	2,098	0
Supplies	0	1,505	1,505	0
Total Instruction	<u>8,280</u>	<u>13,960</u>	<u>13,960</u>	<u>0</u>
<b>Support Services-General Administration</b>				
Personnel Services	24,718	24,718	24,718	0
Employee Benefits	9,415	9,415	9,415	0
Total Support Services-General Administration	<u>34,133</u>	<u>34,133</u>	<u>34,133</u>	<u>0</u>
Total Expenditures	<u>42,413</u>	<u>48,093</u>	<u>48,093</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	169	(5,511)	(5,511)	0
Cash Balance Beginning of Year	<u>5,511</u>	<u>5,511</u>	<u>5,511</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 5,680</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (5,511)	
Net change in Deferred Revenue			<u>5,511</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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



STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-EDUCATION JOB FUND-25255  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 0	\$ 114,729	\$ 114,728	\$ (1)
Total Revenues	<u>0</u>	<u>114,729</u>	<u>114,728</u>	<u>(1)</u>
Expenditures				
Instruction				
Personnel Services	0	88,534	88,534	0
Employee Benefits	<u>0</u>	<u>26,195</u>	<u>26,194</u>	<u>1</u>
Total Instruction	<u>0</u>	<u>114,729</u>	<u>114,728</u>	<u>1</u>
Total Expenditures	<u>0</u>	<u>114,729</u>	<u>114,728</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-DUAL CREDIT INSTRUCTIONAL MATERIALS-27103  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 0	\$ 4,000	\$ 3,772	\$ (228)
Total Revenues	<u>0</u>	<u>4,000</u>	<u>3,772</u>	<u>(228)</u>
Expenditures				
Support Services-Instruction				
Supplies	0	4,000	3,772	228
Total Support Services-Instruction	<u>0</u>	<u>4,000</u>	<u>3,772</u>	<u>228</u>
Total Expenditures	<u>0</u>	<u>4,000</u>	<u>3,772</u>	<u>228</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	228
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 228</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-2008 LIBRARY GO BONDS-27105  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 5,386	\$ 5,386	\$ 5,287	\$ (99)
Total Revenues	<u>5,386</u>	<u>5,386</u>	<u>5,287</u>	<u>(99)</u>
Expenditures				
Support Services-Instruction				
Supplies	5,386	5,386	5,287	99
Total Support Services-Instruction	<u>5,386</u>	<u>5,386</u>	<u>5,287</u>	<u>99</u>
Total Expenditures	<u>5,386</u>	<u>5,386</u>	<u>5,287</u>	<u>99</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	99
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 99</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-EDUCATION FOR TECHNOLOGY-27117  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
<b>Support Services-Instruction</b>				
Supplies	0	0	0	0
Total Support Services-Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>209</u>	<u>209</u>	<u>209</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 209</u>	<u>\$ 209</u>	<u>\$ 209</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-INCENTIVES FOR SCHOOL IMPROVEMENT-27138  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Supplies	0	0	0	0
Supply Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>2</u>	<u>2</u>	<u>2</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-BEGINNING TEACHER MENTORING-27154  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Other Purchased Services	0	0	0	0
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>159</u>	<u>159</u>	<u>159</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 159</u>	<u>\$ 159</u>	<u>\$ 159</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
DEBT SERVICE FUND-EDUCATION TECHNOLOGY-43000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ 160,138	\$ 160,392	\$ 173,930	\$ 13,538
Interest Income	1,610	1,610	426	(1,184)
Total Revenues	<u>161,748</u>	<u>162,002</u>	<u>174,356</u>	<u>12,354</u>
<b>Expenditures</b>				
Support Services-General Administration				
Professional & Tech Services	1,610	1,864	1,739	125
Total Support Services-General Administration	<u>1,610</u>	<u>1,864</u>	<u>1,739</u>	<u>125</u>
Debt Service				
Principal	125,000	125,000	125,000	0
Interest	35,138	35,138	35,138	0
Total Debt Service	<u>160,138</u>	<u>160,138</u>	<u>160,138</u>	<u>0</u>
Total Expenditures	<u>161,748</u>	<u>162,002</u>	<u>161,877</u>	<u>125</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	12,479	12,479
Cash Balance Beginning of Year	<u>2,538</u>	<u>2,538</u>	<u>2,538</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,538</u>	<u>\$ 2,538</u>	<u>\$ 15,017</u>	<u>\$ 12,479</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 12,479	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 12,479</u>	

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

**OTHER SUPPLEMENTAL INFORMATION**



**FIDUCIARY FUND**

**Activity Trust Fund**

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 AGENCY FUNDS - ACTIVITY  
 Schedule of Fiduciary Assets and Liabilities-Agency Fund  
 For the Year Ended June 30, 2011

---

	Beginning Balance 6/30/10	Additions	Deletions	Ending Balance 6/30/11
<b>ASSETS</b>				
Administration	\$ 23,001	\$ 1,740	\$ 4,695	\$ 20,046
Elementary	14,488	14,486	13,742	15,232
Middle School	3,480	3,688	3,699	3,469
High School	57,555	93,702	99,733	51,524
Total Assets	<u>\$ 98,524</u>	<u>\$ 113,616</u>	<u>\$ 121,869</u>	<u>\$ 90,271</u>
<b>LIABILITIES</b>				
Deposits Held for Others	\$ 98,524	\$ 113,616	\$ 121,869	\$ 90,271
Total Liabilities	<u>\$ 98,524</u>	<u>\$ 113,616</u>	<u>\$ 121,869</u>	<u>\$ 90,271</u>

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

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
Cash Reconciliations - All Funds  
For the Year Ended June 30, 2011

---

		Beginning Cash Balance 6/30/10	Revenue	Expenditures	Ending Cash Balance 6/30/11
Operational	11000	\$ 597,114	\$ 4,067,290	\$ 3,767,474	\$ 896,930
Transportation	13000	8,431	288,023	296,090	364
Instructional Materials	14000	32,124	20,427	47,706	4,845
Food Service	21000	53,130	250,902	249,343	54,689
Athletics	22000	7,513	25,041	22,864	9,690
Federal Flowthrough	24000	0	290,878	290,878	0
Federal Direct	25000	23,537	201,849	203,186	22,200
State Flowthrough	27000	370	9,060	9,060	370
Senate Bill Nine	31700	1,390,707	709,706	806,289	1,294,124
Education Technology	31900	1,455,943	4,629	1,016,347	444,225
Debt Service	41000	242,100	202,969	225,517	219,552
Ed Tech Debt Service	43000	2,538	174,356	161,877	15,017
Agency Funds	Activities	98,524	113,617	121,870	90,271
Total		\$ <u>3,912,031</u>	\$ <u>6,358,747</u>	\$ <u>7,218,501</u>	\$ <u>3,052,277</u>

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

## FEDERAL COMPLIANCE

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2010

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
<u>U. S. Department of Agriculture</u>			
Pass-through State Public Education Department			
Child Nutrition Cluster			
School Breakfast Program	10.553	21000	\$ 53,902
National School Lunch Program	10.555	21000	121,027
Total Child Nutrition Cluster			<u>174,929</u>
Pass-through State Department of Human Services			
Commodity Supplemental Food Program	10.565	21000	(1) 10,250
Direct Program			
Rural Development, Forestry, and Communities	10.672	11000	39,302
Total U. S. Department of Agriculture			\$ <u>224,481</u>
<u>U. S. Department of Education</u>			
Pass-through State Public Education Department			
Special Education Cluster			
Entitlement	84.027	24106	\$ 84,697
Preschool	84.173	24109	3,283
IDEA B, Recovery Act	84.392	24206	67,831
IDEA Preschool Recovery Act	84.392	24209	4,287
Total Special Education Cluster			<u>160,098</u>
Title I	84.010	24101	76,494
Title I Recovery Act	84.389	24206	37,806
Improving Teacher Quality	84.367	24154	15,597
Safe & Drug Free Schools	84.186	24157	883
Education Jobs Fund	84.410	25255	114,728
State Fiscal Stabilization Fund	84.394	25250	48,092
Direct Program			
Rural Education	84.358	25233	21,039
Total U. S. Department of Education			\$ <u>474,737</u>
Total Federal Assistance			\$ <u>699,218</u>

(1) Non-cash assistance

See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**

Notes to the Schedule of Expenditures of Federal Awards  
June 30, 2010

---

**Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards**

The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards

**Note 2: Insurance Requirements**

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

**Note 3: Loans or Loan Guarantees**

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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*

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Capitan Municipal Schools

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund the budgetary comparisons for the major capital project funds, major debt service fund and the combining individual funds and related budgetary comparison presented as supplemental information of the Capitan Municipal Schools (District) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 7, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 correct on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting; 10-1, 10-3, and 11-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of it's 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 questioned costs; 10-1, 10-3, and 11-1.

The District's responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned cost. We did not audit the District's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the administration, the board members, the Public Education Department, the Office of the State Auditor, the New Mexico State Legislature and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

*De'Ann Willoughby CPA PC*

October 7, 2011



Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance With OMB Circular A-133

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Capitan Municipal Schools

Mr. Balderas and Members of the Board

Compliance

We have audited Capitan Municipal Schools (District) compliance with the types of compliance requirements described in the OMB A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of the administration, the board members, the Public Education Department, the Office of the State Auditor, the New Mexico State Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*DeAnn Willoughby CPA PC*

October 7, 2011

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

---

**A. SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

\* Material weaknesses identified? No

\* Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

\* Material weaknesses identified? No

\* Significant deficiencies identified? No

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 No

Identification of major programs:

<u>CFDA Numbers)</u>	<u>Name of Federal Program of Cluster</u>
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
	Special Education Cluster
84.027	Entitlement
84.173	Preschool
84.392	IDEA B, Recovery Act
84.392	IDEA Preschool Recovery Act
84.394	State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Audited qualified as low risk auditee No

STATE OF NEW MEXICO  
**CAPITAN MUNICIPAL SCHOOLS**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

---

**Prior Year Audit Findings**

		<u>Status</u>
<b>10-1</b>	<b>ERB Reporting</b>	Repeated & Modified
<b>10-2</b>	<b>Budget</b>	Resolved
<b>10-3</b>	<b>Cash Appropriations in Excess of Available Cash Balances</b>	Repeated
<b>10-4</b>	<b>Use of Incorrect Pledged Collateral</b>	Resolved

**Current Year Audit Findings**

**10-1 ERB Reporting-Compliance & Internal Control Condition**

Field work revealed that five of the twelve Education Retirement Board reports were submitted with the wrong calculations which caused the district to under pay a estimated total of \$366.02.

**Criteria**

82.9.8(C)(1), NMAC provides that all "[r]eports and contributions shall be postmarked no later than the fifteenth (15th) of the month following the end of the month covered by the report. When the fifteenth (15th) of the month is on a Saturday, reports and contributions are due the previous day. If the fifteenth (15th) of the month falls on a Sunday or holiday, report and contributions are due on the next workday."

**Effect**

Failure to submit the proper funds could cause the district to be subjected to penalties.

**Cause**

The Visions software had an issue with the payroll module setup.

**Recommendation**

The issue was resolved mid year.

**Response**

No response.

**10-3 Cash Appropriations in Excess of Available Cash Balances-Compliance & Internal Control Condition**

The District maintained a deficit budget in excess of available cash balance in the Instructional Materials-General Fund (14000) of \$(430) and Food Service Fund (21000) of \$(7,201).

**Criteria**

Section 2.2.210. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances re-budgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

**Effect**

The District will be required to supplement this budget deficit in this fund with cash reserves from other funds. This supplement may lead to financial difficulties and deplete the budget in other funds.

**Cause**

The District lacks a proper procedure to ensure that sufficient beginning cash balances exist to absorb budget deficits later in the fiscal year.

**Recommendation**

The District should review the budget for future years to insure that all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process and the end of the year cash balance estimates.

**Response**

The District has implemented a policy whereby they will review and compare the June 30th reconciled cash balances in each fund to ensure that budgeted cash balances are sufficient for the fund's purposes. If this review reveals a that there is not sufficient cash to balance the budget, budget amendments will be made.

**11-1 Payroll Clearing accounts not reconciling to zero-Compliance & Internal Control**

**Condition**

Payroll clearing account did not reconciling to zero each month.

**Criteria**

In accordance with 6.20.2.14 Cash Control Standards, clearing accounts shall reconcile to a zero balance at the end of each month.

**Cause**

Clearing accounts are tough to reconcile. Transfers are not always the correct amount, PED wires funds into the wrong bank account, etc.

**Effect**

Cash can be misstated, there can be opportunities for misappropriation of funds and management is relying on incorrect financial information to make decisions.

**Recommendation**

We recommend closing the clearing accounts and only using one bank account for all funds except activity accounts.

**Response**

We will consider your recommendations.

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on October 7, 2011 with Shirley Crawford-Superintendent, James Fields-Board Member, Gary Tregembo-Board Member, Darryl Lindsey-Audit Committee Member, Kimberly-Business Manager, Ron Barone, Support Specialist and De'Aun Willoughby, CPA.