

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
AUDIT REPORT
For the Year Ended June 30, 2012
(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS

AUDIT REPORT

For The Year Ended June 30, 2012

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
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STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Official Roster
Year Ended June 30, 2012

Board of Education

<u>Name</u>	<u>Title</u>
Ms. Robin Parks	President
Mr. Ed Vinson	Vice President
Mr. Steve Dirks	Secretary
Mr. James Fields	Member
Mr. Gary Tregembo	Member

School Officials

Ms. Shirley Crawford	Superintendent
Ms. Kimberly Stone	Business Manager

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
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Albuquerque, NM 87112

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TAX PREPARATION
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INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Education
Capitan Municipal Schools
Capitan, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the General, Title I and PL 94-142 Entitlement Funds of Capitan Municipal Schools, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and the budgetary comparisons for the major capital project funds and debt service fund and all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of Capitan Municipal Schools 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Capitan Municipal Schools internal control over financial reporting. Accordingly, we express no such opinion. 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 Capitan Municipal Schools, as of June 30, 2012, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General, Title I and PL 94-142 Entitlement Funds 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 non-major governmental and fiduciary funds of Capitan Municipal

Schools, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparisons for the Capital Improvements SB-9 Fund and the non-major governmental 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 February 27, 2013 on our consideration of Capitan Municipal Schools internal control over financial reporting and 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.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Capitan Municipal Schools. The accompanying financial information listed as Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Schedule of Cash Receipts and Disbursements are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Rico Casarato, CPA

February 27, 2013

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Statement of Net Assets
 June 30, 2012

Statement 1

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 2,429,660
Taxes receivable	-
Due from grantor	126,095
Inventory	1,340
Total current assets	2,557,095
Non-current assets	
Land (non-depreciable)	96,884
Capital assets (depreciable)	15,005,398
Less accumulated depreciation	(6,610,621)
Total non-current assets	8,491,661
Total assets	11,048,756
LIABILITIES	
Current liabilities	
Cash overdraft	12,052
Deferred revenue	11,000
Current portion of long-term liabilities	575,000
Accrued interest	35,825
Total current liabilities	633,877
Long-term obligations	
Compensated absences payable	19,498
Non-current portion of long-term liabilities	825,000
Total long-term obligations	844,498
Total liabilities	1,478,375
NET ASSETS	
Invested in capital assets, net of related debt	7,055,836
Restricted for	
Special revenue inventory	1,340
Capital projects	1,371,107
Debt service	226,065
Unrestricted	916,033
Total net assets	\$ 9,570,381

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Statement of Activities
Year Ended June 30, 2012

Statement 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
EXPENSES:					
Governmental activities:					
Direct instruction	\$ 2,930,783	\$ 26,076	\$ 359,949	\$ -	\$ (2,544,758)
Instructional support	2,512,454	-	423,480	-	(2,088,974)
Food services	236,215	67,628	189,498	-	20,911
Interest	48,504	-	-	-	(48,504)
Depreciation - unallocated	618,109	-	-	-	(618,109)
Reversion	552	-	-	-	(552)
Total	\$ 6,346,617	\$ 93,704	\$ 972,927	\$ -	(5,279,986)
General revenues:					
Taxes					
Property taxes, levied for general purposes					90,855
Property taxes, levied for capital projects					709,100
Property taxes, levied for Debt Service					418,468
Federal, State and Local aid not restricted to specific purpose General-SEG					3,882,778
Forest Reserve					34,381
Interest and investment earnings					9,138
Sub-total, general revenues					5,144,720
Change in net assets					(135,266)
Net assets - beginning of year					9,745,537
Restatement					(39,890)
Net assets - beginning of year - restated					9,705,647
Net assets - end of year					\$ 9,570,381

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Balance Sheet - All Governmental Funds
June 30, 2012

Statement 3

	General	Title I	PL94-142 Entitlement	Capital Improvements SB-9	Other Governmental	Total
ASSETS						
Cash on deposit	\$ 726,763	\$ -	\$ -	\$ 1,170,540	\$ 532,357	\$ 2,429,660
Accounts receivable	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	1,340	1,340
Due from grantor	-	44,788	69,255	-	12,052	126,095
Due from other funds	114,043	-	-	-	-	114,043
Total assets	<u>\$ 840,806</u>	<u>\$ 44,788</u>	<u>\$ 69,255</u>	<u>\$ 1,170,540</u>	<u>\$ 545,749</u>	<u>\$ 2,671,138</u>
LIABILITIES						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 12,052	\$ 12,052
Deferred revenues	-	-	-	-	11,000	11,000
Accounts payable	-	-	-	-	-	-
Due to other funds	-	44,788	69,255	-	-	114,043
Total liabilities	<u>-</u>	<u>44,788</u>	<u>69,255</u>	<u>-</u>	<u>23,052</u>	<u>137,095</u>
FUND BALANCE						
Nonspendable	-	-	-	-	1,340	1,340
Restricted	14,747	-	-	1,170,540	521,357	1,706,644
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	826,059	-	-	-	-	826,059
Total fund balance	<u>840,806</u>	<u>-</u>	<u>-</u>	<u>1,170,540</u>	<u>522,697</u>	<u>2,534,043</u>
Total liabilities and fund balance	<u>\$ 840,806</u>	<u>\$ 44,788</u>	<u>\$ 69,255</u>	<u>\$ 1,170,540</u>	<u>\$ 545,749</u>	<u>\$ 2,671,138</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Assets
 June 30, 2012

Statement 4

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

Total fund balances - governmental funds		\$ 2,534,043
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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	15,102,282	
Accumulated depreciation	<u>(6,610,621)</u>	
		8,491,661

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	(1,400,000)	
Accrued interest on bonds	(19,498)	
Compensated absences	<u>(35,825)</u>	
		<u>(1,455,323)</u>

Total net assets - governmental funds		<u><u>\$ 9,570,381</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
Year Ended June 30, 2012

Statement 5

	General	Title I	PL 94-142 Entitlement	Capital Improvements SB-9	Other Governmental	Total
REVENUES						
Taxes	\$ 90,855	\$ -	\$ -	\$ 709,100	\$ 418,468	\$ 1,218,423
Charges for services	150	-	-	-	93,554	93,704
Local sources	8,718	-	-	29,132	69	37,919
State sources	4,247,218	-	-	-	4,713	4,251,931
Federal sources	34,381	127,208	172,523	-	266,124	600,236
Earnings from investments	3,554	-	-	3,986	1,598	9,138
Total revenues	<u>4,384,876</u>	<u>127,208</u>	<u>172,523</u>	<u>742,218</u>	<u>784,526</u>	<u>6,211,351</u>
EXPENDITURES						
Current:						
Direct instruction	2,565,118	124,600	135,350	-	100,731	2,925,799
Instructional support	1,878,374	2,608	37,173	323,396	270,903	2,512,454
Food services	-	-	-	-	236,215	236,215
Capital outlay	-	-	-	542,406	-	542,406
Debt service:						
Principal	-	-	-	-	175,000	175,000
Interest	-	-	-	-	38,275	38,275
Total expenditures	<u>4,443,492</u>	<u>127,208</u>	<u>172,523</u>	<u>865,802</u>	<u>821,124</u>	<u>6,430,149</u>
Excess (deficiency) revenue over expenditures	(58,616)	-	-	(123,584)	(36,598)	(218,798)
OTHER FINANCING SOURCES (USES)						
Reversion	(182)	-	-	-	(370)	(552)
Total other financing sources (uses)	<u>(182)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370)</u>	<u>(552)</u>
Net change in fund balances	(58,798)	-	-	(123,584)	(36,968)	(219,350)
Fund balance beginning of year	899,604	-	-	1,294,124	559,665	2,753,393
Fund balance end of year	<u>\$ 840,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,170,540</u>	<u>\$ 522,697</u>	<u>\$ 2,534,043</u>

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS

Statement 6

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2012

Total net change in fund balances - governmental funds \$ (219,350)

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. This is the amount by which
depreciation expense exceeds capital outlays in the period

Depreciation expense	(618,109)
Capital outlays	<u>542,406</u>

Excess of depreciaton expense over capital outlays (75,703)

In the Statement of Activities, certain operating
expenses - compensated absences are
measured by the amount incurred during the year.
In the fund financial statements, however, expenditures are
measured by the amount of financial resources used
(essentially the amounts actually paid). The (increases)
decreases in the liabilities for the year were:

Accrued interest payable	(10,229)
Compensated absences	(4,984)
Repayment of long-term debt	<u>175,000</u>

Change in net assets of governmental activities \$ (135,266)

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 87,166	\$ 87,166	\$ 90,855	\$ 3,689
Charges for services	-	-	150	150
Local sources	-	1,657	8,718	7,061
State sources	4,173,702	4,247,012	4,247,218	206
Federal sources	35,372	35,372	34,381	(991)
Earnings from investments	11,000	11,000	3,554	(7,446)
Total revenues	<u>\$ 4,307,240</u>	<u>\$ 4,382,207</u>	<u>\$ 4,384,876</u>	<u>\$ 2,669</u>
EXPENDITURES				
Direct instruction	\$ 3,103,407	\$ 3,104,861	\$ 2,565,118	\$ 539,743
Instructional support	2,084,543	2,156,938	1,880,908	276,030
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 5,187,950</u>	<u>\$ 5,261,799</u>	<u>\$ 4,446,026</u>	<u>\$ 815,773</u>
BUDGETED CASH BALANCE	<u>\$ 880,710</u>	<u>\$ 879,592</u>		

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Title I
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 98,470	\$ 141,195	\$ 82,420	\$ (58,775)
Total revenues	<u>\$ 98,470</u>	<u>\$ 141,195</u>	<u>\$ 82,420</u>	<u>\$ (58,775)</u>
EXPENDITURES				
Direct instruction	\$ 93,887	\$ 137,112	\$ 124,600	\$ 12,512
Instructional support	<u>4,583</u>	<u>4,083</u>	<u>2,608</u>	<u>1,475</u>
Total expenditures	<u>\$ 98,470</u>	<u>\$ 141,195</u>	<u>\$ 127,208</u>	<u>\$ 13,987</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 PL 94-142 Entitlement
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 124,411	\$ 191,424	\$ 103,268	\$ 88,156
Total revenues	<u>\$ 124,411</u>	<u>\$ 191,424</u>	<u>\$ 103,268</u>	<u>\$ 88,156</u>
EXPENDITURES				
Direct instruction	\$ 104,905	\$ 151,446	\$ 135,350	\$ 16,096
Instructional support	19,506	39,978	37,173	2,805
Total expenditures	<u>\$ 124,411</u>	<u>\$ 191,424</u>	<u>\$ 172,523</u>	<u>\$ 18,901</u>

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Statement of Fiduciary
Assets and Liabilities - Agency Funds
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	<u>\$ 83,446</u>
Total assets	<u><u>\$ 83,446</u></u>
LIABILITIES	
Deposits held for others	<u>\$ 83,446</u>
Total liabilities	<u><u>\$ 83,446</u></u>

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June 1999, the GASB unanimously approved Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB #'s 34, 37 and 38 effective July 1, 2002. As part of Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

A. Reporting Entity

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

Notes to Financial Statements (continued)

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

The accounting policies of the School District as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local governmental units. The following is a summary of the more significant policies:

B. Basis of Presentation

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

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

Governmental Funds

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 general fixed assets, and the servicing of general long-term debt.

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

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

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

Special Revenue Fund - PL 94-142 Entitlement - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

Capital Projects Fund - Capital Improvements SB-9 - To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also, for resources received from State of New Mexico Severance Tax Bonds.

Fiduciary Funds

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

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

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

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

C. 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-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as *program revenues*. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Allocation of Indirect Expenses

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

Fund Financial Statements (FFS)

Governmental Funds

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

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

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

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

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

Expenditures

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

Fiduciary Funds

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

D. Budgets and Budgetary Accounting

All budgets, and any amendments or revision thereof, are approved by the State of New Mexico, Department of Finance and Administration, Department of Education. Budgets for the General, Special Revenue, Debt Service and Capital Projects Fund are adopted on a basis inconsistent with generally accepted accounting principles (GAAP) Encumbrance accounting is not used by the School District.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debts Service Fund and Capital Projects Fund.

Appropriations do not lapse at the end of the fiscal year and unexpended fund balances are budgeted in the succeeding fiscal year. The Board of Education is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State of New Mexico, Department of Finance and Administration, Department of Education. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations.

Expenditures of the School District may not legally exceed appropriations at the level at which the budget is adopted, that is, expenditures in each category of line items may not exceed the budgeted appropriation for that category.

E. Encumbrances

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

Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. **Accounts Receivable**

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

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

3. **Inventories**

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.

4. **Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This

is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets.

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

Land improvements	20 to 50 years
Buildings & building improvements	20 to 50 years
Furniture & equipment	3 to 15 years
Vehicles	3 to 15 years

GASB Statement #34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets as of June 30.

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

5. Deferred Revenues

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 balance sheet and the revenue is recognized.

6. 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.

7. Long-Term Liabilities

For government-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.

For fund financial reporting issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as an other financing source.

8. Fund Balance

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

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

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

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

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

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

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

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

9. **Restricted Net Assets**

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

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

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

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

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

G. REVENUES

1. Property Tax Levies

Capitan Municipal Schools receives property taxes from the Lincoln County Treasurer for operational, public school capital improvements and debt service purposes. Property taxes are assessed on January 1st of each year, except on livestock, and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year. Property taxes are collected by the County Treasurer and remitted to the School District in the month following collection.

Although there are no restrictions placed on property taxes collected for operation purposes, restrictions do exist on the amounts collected under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) and the amounts collected as a result of issuing general obligation bonds.

Under the provisions of the Public School Capital Improvements Act, any local school board may adopt a resolution to submit to the qualified electors of the school district the question of whether or not a property tax should be imposed on the net taxable value of property allocated to the school district for the purpose of capital improvements. The resolution shall:

1. Identify the capital improvements;
2. Specify the rate of the proposed tax, which shall not exceed two dollars (\$2.00) on each \$1,000 of net taxable value of property;
3. Specify the date an election will be held;

4. Limit the imposition of the tax to no more than three property tax years.

If approved, any revenues produced by the tax and any state distribution resulting to the District under the Act shall be expended only for the capital improvements specified in the authorized resolution.

General obligation bonds may be issued for the purpose of erecting, remodeling, making additions to and the furnishing of school buildings, or purchasing or improving school grounds or any combination of these purposes. Such bonds shall be fully negotiable and constitute negotiable instruments.

The school board shall establish adequate budgetary provisions, approved by the School Management Division, to promptly pay, as it becomes due, all principal and interest on general obligation bonds issued by the school district.

The full faith and credit of a school district shall be pledged to the payment of the principal and interest on general obligation bonds issued by the school district.

The board of county commissioners shall levy and collect upon all taxable property within a school district in the county such tax as is necessary to pay the interest and principal on general obligation bonds issued by the school district as the interest and principal become due, without limitation as to rate or amount.

2. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi-cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$3,882,778 in state equalization guarantee distributions during the year.

3. Transportation Distribution

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

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

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

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

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

The District received \$343,775 in transportation distribution during the year.

4. SB-9 State Match

The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is

less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

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

5. Critical Capital Outlay

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

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

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

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

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

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

6. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2002, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in prior years. During the year ended June 30, the District received \$20,665 in instructional materials allocation.

7. Federal Grants

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

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

H. **Interfund Transactions**

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

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

I. Estimates

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

2. DEPOSITORY COLLATERAL

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

City Bank	Checking	Operational	\$2,238,079
City Bank	Checking	Clearing	55
City Bank	Checking	Payroll	235,296
City Bank	Checking	Cafeteria	1
Washington Federal	Checking	Activity	84,117
Washington Federal	Checking	Ed Tech	197,315
Washington Federal	Savings	Ed Tech	21,890
City Bank	Certificate of Deposit	Scholarship	10,000
City Bank	Certificate of Deposit	Scholarship	<u>1,286</u>
			<u>\$2,788,039</u>
Total amount on deposit			\$2,788,039
Outstanding checks			(290,173)
Deposits in transit			<u>3,188</u>
Total per financial statements			<u>\$2,501,054</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$2,276,754 of the School's bank balance of \$2,788,039 was exposed to custodial credit risk as follows:

A.	Uninsured and uncollateralized	\$ 227,694
B.	Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name	<u>2,049,060</u>
	Total	<u>\$2,276,754</u>

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>City Bank of Lubbock, TX</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FFCB CUSIP #3133EAVKI	12/27/16	<u>\$ 1,995,738</u>

<u>Washington Federal</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLMC CUSIP #312942XR1	10/01/40	<u>\$ 786,326</u>

The following schedule details the public money held by financial institutions and pledged collateral held by the District as follows:

	<u>City Bank</u>	<u>Washington Federal</u>
Cash on deposit at June 30	\$ 2,484,718	\$ 303,322
Less F.D.I.C.	<u>(261,286)</u>	<u>(250,000)</u>
Uninsured funds	2,223,432	53,322
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	1,116,716	26,661
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>1,995,738</u>	<u>786,326</u>
Excess of pledged collateral	<u>\$ 879,022</u>	<u>\$ 759,665</u>

3. DUE FROM GRANTOR

The amount shown as due from grantor represents federal, state and local expenditures in excess of revenues. Most federal, state or local projects earn revenue as expenditures are incurred and are subsequently reimbursed by the grantor.

4. CASH OVERDRAFTS

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

5. DEFERRED REVENUE

Deferred revenue represents advances on cost-reimbursement type grants which have not yet been earned.

6. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

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

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
General Obligation Bonds	\$ 1,775,000	\$ -	\$ (575,000)	\$ 1,200,000	\$ 575,000
Compensated Absences	14,514	4,984	-	19,498	-
Total	<u>\$ 1,789,514</u>	<u>\$ 4,984</u>	<u>\$ (575,000)</u>	<u>\$ 1,219,498</u>	<u>\$ 575,000</u>

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

The current portion of the compensated absences is estimated at zero since there are no anticipated retirements or terminations.

The following is a summary of bond transactions of the district for the year ended June 30:

General obligation bonds payable, June 30, 2011	\$ 1,775,000
Bonds paid	(575,000)
Bonds issued	<u>-</u>
General obligation bonds payable, June 30, 2012	<u>\$ 1,200,000</u>

The details of the bond issues and the remaining retirement schedule are summarized below. The bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to school buildings and improving school grounds. For the purpose of providing the necessary funds to meet the interest and principal as they become due, there is annually assessed, levied, and collected a tax upon all of the taxable property within the school district. Total annual principal and interest payments on the 1999 and 2010 bonds are expected to require less than 9% of gross revenue.

<u>Series</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
1999	07-15-99	\$2,000,000	4.30% - 6.25%	\$ 200,000
2010	04-15-10	\$1,500,000	1.25% - 2.75%	<u>1,200,000</u>
				<u>\$1,400,000</u>

The annual requirements to amortize the general obligation bonds as of June 30, 2010, including interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 575,000	\$ 35,825	\$ 610,825
2014	400,000	22,688	422,688
2015	<u>425,000</u>	<u>11,687</u>	<u>436,687</u>
	<u>\$1,400,000</u>	<u>\$ 70,200</u>	<u>\$1,470,200</u>

B. Operating Leases

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

C. Short-Term Liabilities

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

7. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Adjustments	Deletions	Balance June 30, 2012
Governmental activities:					
Land	\$ 96,884	\$ -	\$ -	\$ -	\$ 96,884
Total capital assets not being depreciated	96,884	-	-	-	96,884
Buildings & improvements	13,438,060	485,295	(1,876,092)	-	12,047,263
Land improvements	-	18,336	2,136,237	-	2,154,573
Furniture & fixtures	-	-	53,874	-	53,874
Equipment	1,439,840	-	(458,700)	(414,908)	566,232
Grounds equipment	-	38,775	31,880	-	70,655
Vehicles	-	-	112,801	-	112,801
Total	14,877,900	542,406	-	(414,908)	15,005,398
Less Accumulated Depreciation:					
Buildings & improvements	(5,526,660)	(322,620)	722,890	-	(5,126,390)
Land improvements	-	(98,940)	(893,799)	-	(992,739)
Furniture & fixtures	-	(2,467)	(21,312)	-	(23,779)
Equipment	(880,760)	(180,195)	314,003	414,908	(332,044)
Grounds equipment	-	(8,123)	(22,709)	-	(30,832)
Vehicles	-	(5,764)	(99,073)	-	(104,837)
Total	(6,407,420)	(618,109)	-	414,908	(6,610,621)
Governmental activities capital assets, net	<u>\$ 8,567,364</u>	<u>\$ (75,703)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,491,661</u>

The District has no infrastructure as of June 30, 2012.

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 618,109</u>
Total depreciation expense	<u>\$ 618,109</u>

8. REGION #9 EDUCATIONAL COOPERATIVE

The School District is a member of the Region #9 Educational Cooperative. The Region #9 Educational Cooperative issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that audit report can be obtained by writing to the Region #9 Educational Cooperative, 1400 Sudderth Drive, Ruidoso, New Mexico 88345.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>	<u>PL 94-142 Entitlement</u>	<u>Capital Improvements SB-9</u>
Revenues per modified accrual basis	\$ 4,384,876	\$ 127,208	\$ 172,523	\$ 742,218
Receivables	-	-	-	-
Deferred revenues/Due from grantor	-	(44,788)	(69,255)	-
Revenues per budgetary basis	<u>\$ 4,384,876</u>	<u>\$ 82,420</u>	<u>\$ 103,268</u>	<u>\$ 742,218</u>
Expenditures per modified accrual basis	\$ 4,443,492	\$ 127,208	\$ 172,523	\$ 865,802
Accounts payable	2,534	-	-	-
Expenditures per budgetary basis	<u>\$ 4,446,026</u>	<u>\$ 127,208</u>	<u>\$ 172,523</u>	<u>\$ 865,802</u>
	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>	<u>Non-Major Debt Service</u>	
Revenues per modified accrual basis	\$ 364,599	\$ 906	\$ 419,021	
Receivables	-	-	-	
Deferred revenues/Due from grantor	(1,052)	-	-	
Revenues per budgetary basis	<u>\$ 363,547</u>	<u>\$ 906</u>	<u>\$ 419,021</u>	
Expenditures per modified accrual basis	\$ 358,434	\$ 244,564	\$ 218,126	
Inventory changes	(2,025)	-	-	
Accounts payable	42	-	209,400	
Expenditures per budgetary basis	<u>\$ 356,451</u>	<u>\$ 244,564</u>	<u>\$ 427,526</u>	

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and Workmens Compensation. For these risks of loss the School District belongs to a public entity risk pool currently operated as a common risk management and insurance program for 89 member school districts. (New Mexico Public School Insurance Authority). Amounts of settlement have not exceeded insurance coverage in the past three years.

11. RETIREMENT PLAN

Plan Description. Substantially all of the Capitan Municipal Schools 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 (ERA) 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). ERA 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 ERA, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERA's website at www.nmerb.org.

Funding Policy. Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. Capitan Municipal Schools has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 Capitan Municipal Schools contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 Capitan Municipal Schools will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and Capitan Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Capitan Municipal Schools contributions to ERB for the fiscal years ending June 30, 2012, 2011 and 2010 were \$255,761, 516,282 and 567,605, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description. Capitan Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided 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 event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized 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 for the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and employees. During the fiscal year ending June 30, 2012 the statute requires each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

1. For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are 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.

Capitan Municipal Schools contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$49,428, 63,556 and \$54,524, respectively, which equal the required contributions for each year.

13. BUDGETED ACTIVITY FUNDS

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

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
ASSETS				
Cash and cash equivalent	\$ 90,271	\$ 114,254	\$ 121,079	\$ 83,446
Total assets	<u>\$ 90,271</u>	<u>\$ 114,254</u>	<u>\$ 121,079</u>	<u>\$ 83,446</u>
LIABILITIES				
Deposits held for others				
Administration	\$ 20,046	\$ 1,598	\$ 8,689	\$ 12,955
Elementary School	15,232	14,380	16,062	13,550
Middle School	3,469	2,412	1,941	3,940
High School	51,524	84,578	94,387	41,715
Scholarships	-	11,286	-	11,286
Total liabilities	<u>\$ 90,271</u>	<u>\$ 114,254</u>	<u>\$ 121,079</u>	<u>\$ 83,446</u>

14. FUND BALANCES CLASSIFIED

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

	General Fund	Capital Improvements SB-9	Non-Major Governmental Fund	Totals
Fund Balances				
Nonspendable:				
Interfund loans	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	1,340	1,340
Total nonspendable	-	-	1,340	1,340
Restricted for:				
Transportation service	-	-	-	-
Instructional materials	4,799	-	-	4,799
Capital improvements	-	1,170,540	200,567	1,371,107
Debt service payments	-	-	226,065	226,065
Athletic services	-	-	5,476	5,476
Specific grants	-	-	11,504	11,504
Cafeteria services	-	-	77,745	77,745
Reserves	9,948	-	-	9,948
Total restricted	<u>14,747</u>	<u>1,170,540</u>	<u>521,357</u>	<u>1,706,644</u>
Committed to:				
Other purposes	-	-	-	-
Total committed	-	-	-	-
Unassigned:	<u>826,059</u>	<u>-</u>	<u>-</u>	<u>826,059</u>
Total Fund Balances	<u>\$ 840,806</u>	<u>\$ 1,170,540</u>	<u>\$ 522,697</u>	<u>\$ 2,534,043</u>

15. BUDGET VIOLATIONS

The Educational Technology Debt Service Fund had a budget overrun of \$592.

16. RESTATEMENT - FUND BALANCE/STATEMENT OF ACTIVITIES

The fund balance and long-term debt were restated by \$30,490 for bond issue costs and for \$9,400 reported incorrectly in fund balance and accrued interest. The total change being \$39,890.

17. CONCENTRATIONS

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

18. REVERSIONS

The School District reverted \$552 to the Public Education Department. Reversions are not considered budgeted line items and have been disclosed as other financing uses in the financial statements.

OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Capital Improvements SB-9
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 690,273	\$ 690,273	\$ 709,100	\$ 18,827
Local sources	-	-	29,132	29,132
State sources	-	12,306	-	(12,306)
Earnings from investments	14,000	14,000	3,986	(10,014)
Total revenues	<u>\$ 704,273</u>	<u>\$ 716,579</u>	<u>\$ 742,218</u>	<u>\$ 25,639</u>
EXPENDITURES				
Capital outlay	\$ 1,905,907	\$ 1,918,213	\$ 865,802	\$ 1,052,411
Total expenditures	<u>\$ 1,905,907</u>	<u>\$ 1,918,213</u>	<u>\$ 865,802</u>	<u>\$ 1,052,411</u>
BUDGETED CASH BALANCE	<u>\$ 1,201,634</u>	<u>\$ 1,201,634</u>		

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

NON-MAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Governmental Funds
 Combining Balance Sheet - By Fund Type
 June 30, 2012

Statement A-1

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
ASSETS				
Cash on deposit	\$ 105,725	\$ 200,567	\$ 226,065	\$ 532,357
Taxes receivable	-	-	-	-
Due from grantor	12,052	-	-	12,052
Inventory, at cost	1,340	-	-	1,340
Total assets	\$ 119,117	\$ 200,567	\$ 226,065	\$ 545,749
LIABILITIES				
Cash overdraft	\$ 12,052	\$ -	\$ -	\$ 12,052
Deferred revenues	11,000	-	-	11,000
Total liabilities	23,052	-	-	23,052
FUND BALANCE				
Nonspendable	1,340	-	-	1,340
Restricted	94,725	200,567	226,065	521,357
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	96,065	200,567	226,065	522,697
Total liabilities and fund balance	\$ 119,117	\$ 200,567	\$ 226,065	\$ 545,749

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - By Fund Type
Year Ended June 30, 2012

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 418,468	\$ 418,468
Charges for services	93,554	-	-	93,554
Local sources	69	-	-	69
State sources	4,713	-	-	4,713
Federal sources	266,124	-	-	266,124
Earnings from investments	139	906	553	1,598
	<u>364,599</u>	<u>906</u>	<u>419,021</u>	<u>784,526</u>
EXPENDITURES				
Current:				
Direct instruction	100,731	-	-	100,731
Instructional support	21,488	244,564	4,851	270,903
Food services	236,215	-	-	236,215
Capital outlay	-	-	-	-
Debt service:				
Bonds	-	-	175,000	175,000
Interest	-	-	38,275	38,275
	<u>358,434</u>	<u>244,564</u>	<u>218,126</u>	<u>821,124</u>
Excess (deficiency) of revenues over expenditures	6,165	(243,658)	200,895	(36,598)
OTHER FINANCING (USES)				
Reversion	(370)	-	-	(370)
Net change in fund balance	5,795	(243,658)	200,895	(36,968)
Fund balance beginning of year	90,270	444,225	25,170	559,665
Fund balance end of year	<u>\$ 96,065</u>	<u>\$ 200,567</u>	<u>\$ 226,065</u>	<u>\$ 522,697</u>

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Combined Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Governmental Fund Types - Non-Major
Special Revenue Funds
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 93,600	\$ 103,577	\$ 93,554	\$ (10,023)
Local sources	-	-	69	69
State sources	6,446	8,602	1,572	(7,030)
Federal sources	217,997	263,040	268,213	5,173
Earnings from investments	920	920	139	(781)
Total revenues	<u>\$ 318,963</u>	<u>\$ 376,139</u>	<u>\$ 363,547</u>	<u>\$ (12,592)</u>
EXPENDITURES				
Direct instruction	\$ 42,971	\$ 108,876	\$ 100,773	\$ 8,103
Insturctional support	24,848	24,948	21,488	3,460
Food services	324,378	315,549	234,190	81,359
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 392,197</u>	<u>\$ 449,373</u>	<u>\$ 356,451</u>	<u>\$ 92,922</u>
BUDGETED CASH BALANCE	<u>\$ 73,234</u>	<u>\$ 73,234</u>		

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Combined Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Governmental Fund Types - Non-Major
 Capital Projects Funds
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 1,500	\$ 1,500	\$ 906	\$ 594
Total revenues	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 906</u>	<u>\$ 594</u>
EXPENDITURES				
Capital outlay	\$ 445,433	\$ 445,433	\$ 244,564	\$ 200,869
Total expenditures	<u>\$ 445,433</u>	<u>\$ 445,433</u>	<u>\$ 244,564</u>	<u>\$ 200,869</u>
BUDGETED CASH BALANCE	<u>\$ 443,933</u>	<u>\$ 443,933</u>		

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Combined Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Governmental Fund Types - Non-Major
 Debt Service Funds
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 422,675	\$ 422,675	\$ 418,468	\$ (4,207)
Earnings from investments	2,200	2,200	553	(1,647)
Total revenues	<u>\$ 424,875</u>	<u>\$ 424,875</u>	<u>\$ 419,021</u>	<u>\$ (5,854)</u>
EXPENDITURES				
Instructional support	\$ 4,429	\$ 4,429	\$ 4,851	\$ (422)
Bonds paid	375,000	375,000	375,000	-
Coupons paid	47,675	67,675	67,675	-
Total expenditures	<u>\$ 427,104</u>	<u>\$ 447,104</u>	<u>\$ 447,526</u>	<u>\$ (422)</u>
BUDGETED CASH BALANCE	<u>\$ 2,229</u>	<u>\$ 2,229</u>		

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

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

PL94-142 PRESCHOOL - To account for monies received for the operation and maintenance of meeting the special education needs of children with disabilities. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

IDEA-B - "RISK POOL" - To account for resources received to provide for special educational needs for handicapped children 6-21 years old. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

IMPROVING TEACHER QUALITY - To account for resources received to enable the District to become a community learning center to keep children safe in the after school hours. Resources are provided by New Mexico Legislation and the Federal Title IV Act. Funding and Authority is provided by the Elementary and Secondary Education Act of 1965, as amended, Title IV, Part B.

MEDICAID - To account for reimbursement of health-related services of medical eligible students receiving related services for administrative time study, and for a statement of service costs study. The fund is administered by the Lea Regional Cooperative Center #7. It is included in this report to identify the loan from operational to cover cost not yet reimbursed by the Cooperative Authorized by Public Law 92-222, Public Law 104-208.

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

TECHNOLOGY FOR EDUCATION - To account for State funding which is to be used by the District to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities.

INCENTIVES FOR SCHOOL IMPROVEMENT ACT - To account for monies received to be used as determined by the school principal and teachers in cooperation with other school employees and the community. It shall not be used for salaries, salary increases or bonuses. Financing and authority is provided by NMSA 22-13A-5.

EDUCATION JOBS FUND - To account for resources received to assist local educational agencies in saving or creating education jobs during the 2010-2011 school year. Financing and authority for this program are the American Recovery and Reinvestment Act of 2009, Public Law 111-5 and 111-226.

BEGINNING TEACHER MENTORING PROGRAM - To account for monies appropriated by the State Legislature to be used for stipends to mentors, for professional development opportunities, release time; including payment of substitutes, materials and supplies and for minor administrative costs. Financing and authority is provided by the State Legislature.

(Non-Major Special Revenue Funds - continued)

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

GO BOND STUDENT LIBRARY - To account for monies received from the SB333, Laws 2008 Appropriation to be used to improve the library, acquire library books or library resources that support the library program.

GO BOND LIBRARY - To account for monies received to be used for the purchase of school library books. Financing and authority is provided by the New Mexico State Legislature, 2008 Senate Bill 471.

ATHLETICS FUND - To account for the activities of the athletic functions of the District. (State Department of Education Regulation 93-1).

SCHOOL LUNCH FUND - This program provides financing for the School Hot Lunch Program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2012

Statement B-1
 Page 1 of 2

	FL 94-142 Preschool	IDEA-B Risk Pool	Improving Teacher Quality	Medicaid	REAP	Technology for Education	Incentives for School Improvements
ASSETS							
Cash on deposit	\$ -	\$ -	\$ -	\$ 22,504	\$ -	\$ -	\$ -
Due from grantor	1,779	-	7,132	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
Total assets	<u>\$ 1,779</u>	<u>\$ -</u>	<u>\$ 7,132</u>	<u>\$ 22,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES							
Cash overdraft	\$ 1,779	\$ -	\$ 7,132	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	11,000	-	-	-
Total liabilities	<u>1,779</u>	<u>-</u>	<u>7,132</u>	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	11,504	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,504</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,779</u>	<u>\$ -</u>	<u>\$ 7,132</u>	<u>\$ 22,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2012

Statement B-1
 Page 2 of 2

	Education Jobs Fund	Beginning Teacher Mentoring	Dual Credit	GO Bond Library	GO Bond Student Library	Athletics	Student Cafeteria Account	Totals
ASSETS								
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,476	\$ 77,745	\$ 105,725
Due from grantor	-	-	51	2,990	100	-	-	12,052
Inventory, at cost	-	-	-	-	-	-	1,340	1,340
Total assets	\$ -	\$ -	\$ 51	\$ 2,990	\$ 100	\$ 5,476	\$ 79,085	\$ 119,117
LIABILITIES								
Cash overdraft	\$ -	\$ -	\$ 51	\$ 2,990	\$ 100	\$ -	\$ -	\$ 12,052
Deferred revenue	-	-	-	-	-	-	-	11,000
Total liabilities	-	-	51	2,990	100	-	-	23,052
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	1,340	1,340
Restricted	-	-	-	-	-	5,476	77,745	94,725
Total fund balance	-	-	-	-	-	5,476	79,085	96,065
Total liabilities and fund balances	\$ -	\$ -	\$ 51	\$ 2,990	\$ 100	\$ 5,476	\$ 79,085	\$ 119,117

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2012

Statement B-2
Page 1 of 2

	PL 94-142 Preschool	IDEA-B Risk Pool	Improving Teacher Quality	Medicaid	REAP	Technology for Education	Incentives for School Improvement
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	3,770	973	49,057	-	21,128	-	-
Earnings from investments	-	-	-	-	-	-	-
Total revenues	<u>3,770</u>	<u>973</u>	<u>49,057</u>	<u>-</u>	<u>21,128</u>	<u>-</u>	<u>-</u>
EXPENDITURES							
Direct instruction	3,770	973	41,355	-	21,128	-	-
Instructional support	-	-	7,702	10,696	-	-	-
Food services	-	-	-	-	-	-	-
Total expenditures	<u>3,770</u>	<u>973</u>	<u>49,057</u>	<u>10,696</u>	<u>21,128</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	-	-	-	(10,696)	-	-	-
OTHER FINANCING (USES)							
Reversion	-	-	-	-	-	(209)	(2)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,696)</u>	<u>-</u>	<u>(209)</u>	<u>(2)</u>
Net change in fund balance	-	-	-	(10,696)	-	(209)	(2)
Fund balance at beginning of year	-	-	-	22,200	-	209	2
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2012

Statement B-2
 Page 2 of 2

	Education Jobs Fund	Beginning Teacher Mentoring	Dual Credit	GO Bond Library	GO Bond Student Library	Athletics	Student Cafeteria Account	Totals
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,926	\$ 67,628	\$ 93,554
Local sources	-	-	-	-	-	69	-	69
State sources	-	-	1,623	2,990	100	-	-	4,713
Federal sources	1,698	-	-	-	-	-	189,498	266,124
Earnings from investments	-	-	-	-	-	18	121	139
Total revenues	<u>1,698</u>	<u>-</u>	<u>1,623</u>	<u>2,990</u>	<u>100</u>	<u>26,013</u>	<u>257,247</u>	<u>364,599</u>
EXPENDITURES								
Direct instruction	1,698	-	1,623	-	-	30,184	-	100,731
Instructional support	-	-	-	2,990	100	-	-	21,488
Food services	-	-	-	-	-	-	236,215	236,215
Total expenditures	<u>1,698</u>	<u>-</u>	<u>1,623</u>	<u>2,990</u>	<u>100</u>	<u>30,184</u>	<u>236,215</u>	<u>358,434</u>
Excess (deficiency) of revenue over expenditures	-	-	-	-	-	(4,171)	21,032	6,165
OTHER FINANCING (USES)								
Reversion	-	(159)	-	-	-	-	-	(370)
Total other financing (uses)	<u>-</u>	<u>(159)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(370)</u>
Net change in fund balance	-	(159)	-	-	-	(4,171)	21,032	5,795
Fund balance at beginning of year	-	159	-	-	-	9,647	58,053	90,270
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,476</u>	<u>\$ 79,085</u>	<u>\$ 96,065</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - PL 94-142 Preschool
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 3,274	\$ 3,775	\$ 1,991	\$ (1,784)
Total revenues	<u>\$ 3,274</u>	<u>\$ 3,775</u>	<u>\$ 1,991</u>	<u>\$ (1,784)</u>
EXPENDITURES				
Direct instruction	\$ 3,274	\$ 3,775	\$ 3,770	\$ 5
Total expenditures	<u>\$ 3,274</u>	<u>\$ 3,775</u>	<u>\$ 3,770</u>	<u>\$ 5</u>
REVENUES				
Budgetary basis			\$ 1,991	
Increase in due from grantor			<u>1,779</u>	
Modified accrual basis			<u>\$ 3,770</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - IDEA-B Risk Pool
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 973	\$ 973	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 973</u>	<u>\$ 973</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 973	\$ 973	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 973</u>	<u>\$ 973</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Improving Teacher Quality
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 24,026	\$ 53,598	\$ 41,925	\$ (11,673)
Total revenues	<u>\$ 24,026</u>	<u>\$ 53,598</u>	<u>\$ 41,925</u>	<u>\$ (11,673)</u>
EXPENDITURES				
Direct instruction	\$ 16,321	\$ 45,893	\$ 41,355	\$ 4,538
Instructional support	7,705	7,705	7,702	3
Total expenditures	<u>\$ 24,026</u>	<u>\$ 53,598</u>	<u>\$ 49,057</u>	<u>\$ 4,541</u>
REVENUES				
Budgetary basis			\$ 41,925	
Increase in due from grantor			7,132	
Modified accrual basis			<u>\$ 49,057</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Medicaid
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 10,697	\$ 10,697	\$ 11,000	\$ 303
Total revenues	<u>\$ 10,697</u>	<u>\$ 10,697</u>	<u>\$ 11,000</u>	<u>\$ 303</u>
EXPENDITURES				
Instructional support	\$ 10,697	\$ 10,697	\$ 10,696	\$ 1
Total expenditures	<u>\$ 10,697</u>	<u>\$ 10,697</u>	<u>\$ 10,696</u>	<u>\$ 1</u>
REVENUES				
Budgetary basis			\$ 11,000	
Increase in deferred revenues			<u>(11,000)</u>	
Modified accrual basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - REAP
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 21,128	\$ 21,128	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 21,128</u>	<u>\$ 21,128</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 21,128	\$ 21,128	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 21,128</u>	<u>\$ 21,128</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Education Jobs Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 1,698	\$ 1,698	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 1,698</u>	<u>\$ 1,698</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 1,698	\$ 1,698	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 1,698</u>	<u>\$ 1,698</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Dual Credit
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 2,056	\$ 1,572	\$ (484)
Total revenues	<u>\$ -</u>	<u>\$ 2,056</u>	<u>\$ 1,572</u>	<u>\$ (484)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 2,056	\$ 1,623	\$ 433
Total expenditures	<u>\$ -</u>	<u>\$ 2,056</u>	<u>\$ 1,623</u>	<u>\$ 433</u>
REVENUES				
Budgetary basis			\$ 1,572	
Increase in due from grantor			<u>51</u>	
Modified accrual basis			<u>\$ 1,623</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - GO Bond Library
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 6,446	\$ 6,446	\$ -	\$ (6,446)
Total revenues	<u>\$ 6,446</u>	<u>\$ 6,446</u>	<u>\$ -</u>	<u>\$ (6,446)</u>
EXPENDITURES				
Instructional support	\$ 6,446	\$ 6,446	\$ 2,990	\$ 3,456
Total expenditures	<u>\$ 6,446</u>	<u>\$ 6,446</u>	<u>\$ 2,990</u>	<u>\$ 3,456</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>2,990</u>	
Modified accrual basis			<u>\$ 2,990</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - GO Bond Student Library
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 100	\$ -	\$ (100)
Total revenues	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ (100)</u>
EXPENDITURES				
Instructional support	\$ -	\$ 100	\$ 100	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>100</u>	
Modified accrual basis			<u>\$ 100</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Athletics
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 13,500	\$ 23,477	\$ 25,926	\$ 2,449
Local sources	-	-	69	69
Earnings on investments	120	120	18	(102)
Total revenues	<u>\$ 13,620</u>	<u>\$ 23,597</u>	<u>\$ 26,013</u>	<u>\$ 2,416</u>
EXPENDITURES				
Direct instruction	\$ 23,376	\$ 33,353	\$ 30,226	\$ 3,127
Total expenditures	<u>\$ 23,376</u>	<u>\$ 33,353</u>	<u>\$ 30,226</u>	<u>\$ 3,127</u>
BUDGETED CASH BALANCE	<u>\$ 9,756</u>	<u>\$ 9,756</u>		
EXPENDITURES				
Budgetary basis			\$ 30,226	
Decrease in accounts payable			(42)	
Modified accrual basis			<u>\$ 30,184</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Cafeteria
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 80,100	\$ 80,100	\$ 67,628	\$ (12,472)
Federal sources	180,000	171,171	189,498	18,327
Earnings from investments	800	800	121	(679)
Total revenues	<u>\$ 260,900</u>	<u>\$ 252,071</u>	<u>\$ 257,247</u>	<u>\$ 5,176</u>
EXPENDITURES				
Food services	\$ 324,378	\$ 315,549	\$ 234,190	\$ 81,359
Total expenditures	<u>\$ 324,378</u>	<u>\$ 315,549</u>	<u>\$ 234,190</u>	<u>\$ 81,359</u>
BUDGETED CASH BALANCE	<u>\$ 63,478</u>	<u>\$ 63,478</u>		
EXPENDITURES				
Budgetary basis			\$ 234,190	
Decrease in inventory			<u>2,025</u>	
Modified accrual basis			<u>\$ 236,215</u>	

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

NON-MAJOR CAPITAL PROJECTS FUND

ED TECHNOLOGY EQUIPMENT ACT - To account for resources received from the issuance of Educational Technology Notes to enable the District to acquire educational technology equipment for learning and administrative use in schools and related facilities, and improving related real and personal property to accommodate education technology equipment or any combination thereof.

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Capital Projects Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2012

	Educational Technology Equipment Act
REVENUES	
Taxes	\$ -
State sources	-
Earnings from investments	906
Total revenues	906
EXPENDITURES	
Instructional support	244,564
Capital outlay	-
Total expenditures	244,564
Net change in fund balance	(243,658)
Fund balance at beginning of year	444,225
Fund balance at end of year	\$ 200,567

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Capital Projects Fund - Educational Technology Equipment Act
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 1,500	\$ 1,500	\$ 906	\$ (594)
Total revenues	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 906</u>	<u>\$ (594)</u>
EXPENDITURES				
Capital outlay	\$ 445,433	\$ 445,433	\$ 244,564	\$ 200,869
Total expenditures	<u>\$ 445,433</u>	<u>\$ 445,433</u>	<u>\$ 244,564</u>	<u>\$ 200,869</u>
BUDGETED CASH BALANCE	<u>\$ 443,933</u>	<u>\$ 443,933</u>		

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Capital Projects Funds
 Balance Sheet
 June 30, 2012

	Educational Technology Equipment Act
ASSETS	
Cash on deposit	\$ 200,567
Taxes receivable	-
Total assets	\$ 200,567
LIABILITIES	
Accounts payable	\$ -
Total liabilities	-
FUND BALANCE	
Restricted	200,567
Total fund balance	200,567
Total liabilities and fund balance	\$ 200,567

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

NON-MAJOR DEBT SERVICE FUND

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

EDUCATIONAL TECHNOLOGY BONDS - To account for resources received for the purpose of paying technology bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Debt Service Funds
 Combining Balance Sheet
 June 30, 2012

Statement D-1

	Debt Service	Educational Technology Debt Service	Total
ASSETS			
Cash on deposit	\$ 210,914	\$ 15,151	\$ 226,065
Taxes receivable	-	-	-
Total assets	\$ 210,914	\$ 15,151	\$ 226,065
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCE			
Restricted	210,914	15,151	226,065
Total fund balance	210,914	15,151	226,065
Total liabilities and fund balance	\$ 210,914	\$ 15,151	\$ 226,065

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Non-Major Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
Year Ended June 30, 2012

Statement D-2

	Debt Service	Educational Technology Debt Service	Total
REVENUES			
Taxes	\$ 207,126	\$ 211,342	\$ 418,468
Charges for services	-	-	-
Local sources	-	-	-
State sources	-	-	-
Federal sources	-	-	-
Earnings from investments	406	147	553
Total revenues	207,532	211,489	419,021
EXPENDITURES			
Current:			
Instructional support	2,071	2,780	4,851
Debt service:			
Bonds	-	175,000	175,000
Interest	4,700	33,575	38,275
Total expenditures	6,771	211,355	218,126
Net change in fund balances	200,761	134	200,895
Fund balance beginning of year	10,153	15,017	25,170
Fund balance end of year	\$ 210,914	\$ 15,151	\$ 226,065

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Debt Service
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 214,100	\$ 214,100	\$ 207,126	\$ (6,974)
Earnings from investments	1,000	1,000	406	(594)
Total revenues	<u>\$ 215,100</u>	<u>\$ 215,100</u>	<u>\$ 207,532</u>	<u>\$ (7,568)</u>
EXPENDITURES				
Instructional support	\$ 2,241	\$ 2,241	\$ 2,071	\$ 170
Bonds	200,000	200,000	200,000	-
Interest	14,100	14,100	14,100	-
Total expenditures	<u>\$ 216,341</u>	<u>\$ 216,341</u>	<u>\$ 216,171</u>	<u>\$ 170</u>
BUDGETED CASH BALANCE	<u>\$ 1,241</u>	<u>\$ 1,241</u>		
EXPENDITURES				
Budgetary basis			\$ 216,171	
Decrease in accounts payable			<u>(209,400)</u>	
Modified accrual basis			<u>\$ 6,771</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Educational Technology Debt Service
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 208,575	\$ 208,575	\$ 211,342	\$ 2,767
Earnings from investments	1,200	1,200	147	(1,053)
Total revenues	<u>\$ 209,775</u>	<u>\$ 209,775</u>	<u>\$ 211,489</u>	<u>\$ 1,714</u>
EXPENDITURES				
Instructional support	\$ 2,188	\$ 2,188	\$ 2,780	\$ (592)
Bonds	175,000	175,000	175,000	-
Interest	33,575	33,575	33,575	-
Total expenditures	<u>\$ 210,763</u>	<u>\$ 210,763</u>	<u>\$ 211,355</u>	<u>\$ (592)</u>
BUDGETED CASH BALANCE	<u>\$ 988</u>	<u>\$ 988</u>		

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

GENERAL FUND

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

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

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Combining Balance Sheet
General Fund
June 30, 2012

	<u>Operational</u>	<u>Transporation</u>	<u>Instructional Materials</u>	<u>Total</u>
ASSETS				
Cash on deposit	\$ 836,007	\$ -	\$ 4,799	\$ 840,806
Accounts receivable, collectible	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 836,007</u>	<u>\$ -</u>	<u>\$ 4,799</u>	<u>\$ 840,806</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	9,948	-	4,799	14,747
Unassigned	<u>826,059</u>	<u>-</u>	<u>-</u>	<u>826,059</u>
Total fund balance	<u>836,007</u>	<u>-</u>	<u>4,799</u>	<u>840,806</u>
Total liabilities and fund balances	<u>\$ 836,007</u>	<u>\$ -</u>	<u>\$ 4,799</u>	<u>\$ 840,806</u>

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2012

Statement E-2

	Operational	Transportation	Instructional Materials	Total
REVENUES				
Taxes	\$ 90,855	\$ -	\$ -	\$ 90,855
Charges for services	150	-	-	150
Local sources	8,718	-	-	8,718
State sources	3,882,778	343,775	20,665	4,247,218
Federal sources	34,381	-	-	34,381
Earnings from investments	3,554	-	-	3,554
	<u>4,020,436</u>	<u>343,775</u>	<u>20,665</u>	<u>4,384,876</u>
EXPENDITURES				
Current:				
Direct instruction	2,544,407	-	20,711	2,565,118
Instructional support	1,534,417	343,957	-	1,878,374
Food services	-	-	-	-
Capital outlay	-	-	-	-
	<u>4,078,824</u>	<u>343,957</u>	<u>20,711</u>	<u>4,443,492</u>
Excess (deficiency) of revenues over expenditures	(58,388)	(182)	(46)	(58,616)
OTHER FINANCING SOURCES				
Reversion	-	(182)	-	(182)
	<u>-</u>	<u>(182)</u>	<u>-</u>	<u>(182)</u>
Net change in fund balance	(58,388)	(364)	(46)	(58,798)
Fund balance at beginning of year	894,395	364	4,845	899,604
Fund balance at end of year	<u>\$ 836,007</u>	<u>\$ -</u>	<u>\$ 4,799</u>	<u>\$ 840,806</u>

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

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
General Fund - Operational Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 87,166	\$ 87,166	\$ 90,855	\$ 3,689
Charges for services	-	-	150	150
Local sources	-	1,657	8,718	7,061
State sources	3,870,554	3,884,808	3,882,778	(2,030)
Federal sources	35,372	35,372	34,381	(991)
Earnings from investments	11,000	11,000	3,554	(7,446)
Total revenues	<u>\$ 4,004,092</u>	<u>\$ 4,020,003</u>	<u>\$ 4,020,436</u>	<u>\$ 433</u>
EXPENDITURES				
Direct instruction	\$ 3,080,134	\$ 3,081,588	\$ 2,544,407	\$ 537,181
Instructional support	1,799,824	1,812,981	1,536,951	276,030
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 4,879,958</u>	<u>\$ 4,894,569</u>	<u>\$ 4,081,358</u>	<u>\$ 813,211</u>
BUDGETED CASH BALANCE	<u>\$ 875,866</u>	<u>\$ 874,566</u>		
EXPENDITURES				
Budgetary basis			\$ 4,081,358	
Decrease in payables			(2,534)	
Modified accrual basis			<u>\$ 4,078,824</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 General Fund - Transportation Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	284,719	343,775	343,775	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 284,719</u>	<u>\$ 343,775</u>	<u>\$ 343,775</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	284,719	343,957	343,957	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 284,719</u>	<u>\$ 343,957</u>	<u>\$ 343,957</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 General Fund - Instructional Materials Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	18,429	18,429	20,665	2,236
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 18,429</u>	<u>\$ 18,429</u>	<u>\$ 20,665</u>	<u>\$ 2,236</u>
EXPENDITURES				
Direct instruction	\$ 23,273	\$ 23,273	\$ 20,711	\$ 2,562
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 23,273</u>	<u>\$ 23,273</u>	<u>\$ 20,711</u>	<u>\$ 2,562</u>
BUDGETED CASH BALANCE	<u>\$ 4,844</u>	<u>\$ 4,844</u>		

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Schedule of Cash Receipts and
Disbursements - All Funds by
School District Classification
Year Ended June 30, 2012

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Cafeteria</u>	<u>Athletics</u>	<u>Federal Projects</u>
Cash balance, June 30, 2011	\$ 896,929	\$ 364	\$ 4,845	\$ 54,688	\$ 9,689	\$ 22,200
Cash Receipts, 2011-2012	4,020,436	343,775	20,665	257,247	26,013	264,403
Reversion	-	(182)	-	-	-	-
Cash Disbursements, 2011-2012	<u>(4,081,358)</u>	<u>(343,957)</u>	<u>(20,711)</u>	<u>(234,190)</u>	<u>(30,226)</u>	<u>(387,053)</u>
Cash balance, June 30, 2012	<u>\$ 836,007</u>	<u>\$ -</u>	<u>\$ 4,799</u>	<u>\$ 77,745</u>	<u>\$ 5,476</u>	<u>\$ (100,450)</u>

	<u>Local/ State</u>	<u>Capital Improvement SB-9</u>	<u>Education Technology</u>	<u>Debt Service</u>	<u>Education Technology Debt Service</u>	<u>Agency</u>
Cash balance, June 30, 2011	\$ 370	\$ 1,294,124	\$ 444,225	\$ 219,553	\$ 15,017	\$ 90,271
Cash Receipts, 2011-2012	1,572	742,218	906	207,532	211,489	102,968
Reversion	(370)	-	-	-	-	-
Cash Disbursements, 2011-2012	<u>(4,713)</u>	<u>(865,802)</u>	<u>(244,564)</u>	<u>(216,171)</u>	<u>(211,355)</u>	<u>(109,793)</u>
Cash balance, June 30, 2012	<u>\$ (3,141)</u>	<u>\$ 1,170,540</u>	<u>\$ 200,567</u>	<u>\$ 210,914</u>	<u>\$ 15,151</u>	<u>\$ 83,446</u>

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Source and Program</u>	<u>Federal Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
REAP	84.358	25.233	\$ 21,128
Education Jobs Fund-Stimulus	84.410	25.255	1,698
Passed through State of NM			
Department of Education:			
* Impact Aid Title I			
(Chapter 1) Basic	84.010	24.101	127,208
PL 94-142 Preschool	84.027	24.109	3,770
PL 94-142 Entitlement	84.027	24.106	172,523
IDEA-B Risk Pool	84.027	24.120	973
Improving Teacher Quality	84.367	24.154	<u>49,057</u>
Sub-total			<u>376,357</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
of Finance and Administration:			
Forest Reserve	10.665	N/A	34,381
Passed through State of NM			
Department of Education:			
* National School Lunch Program	10.555	21.000	100,843
* School Breakfast Program	10.553	21.000	72,909
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	<u>15,746</u>
Sub-total			<u>223,879</u>
Total Expenditures of Federal Awards			<u>\$ 600,236</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Capitan Municipal Schools and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Non-Cash Assistance

The District did not receive any federal awards in the form of non-cash assistance except for U.S.D.A. Commodities during the year.

3. Subrecipients

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

*Treated as a Major Program

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Part 1 - Summary of Auditor Results

1. Type of Report - Unqualified
2. Significant Deficiency - NONE
3. Non-Compliance - Late Audit Report (12-02), Budget Overruns (10-03) and Cash Report Missing Scholarship Certificates of Deposit (12-06)
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unqualified
6. A-133 Audit Findings - NONE
7. Major Programs - National School Lunch CFDA #10.555, School Breakfast CFDA #10.553 and Impact Aid Title I CFDA #84.010
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. Capitan Municipal Schools did not qualify as a low-risk auditee

Part 2 - Findings

Incorrect ERA Reports (10-01), Budget Overruns (10-03), Payroll Clearing Account Not Reconciled Correctly (11-01), Classification of Revenues (12-01), Late Audit Report (12-02), Depreciation Policy (12-03), Incorrect 941 Reports (12-04), Leave Policy (12-05), Quarterly Cash Report Missing Scholarship Certificates of Deposit (12-06) and Outstanding Checks (12-07)

Part 3 - Questioned Costs

NONE

Rice and Associates, C.P.A.

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

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Education
Capitan Municipal Schools
Capitan, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I and PL 94-142 Entitlement Funds of Capitan Municipal Schools, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 27, 2013. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012. 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

Management of Capitan Municipal Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Capitan Municipal Schools internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Capitan Municipal Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not be 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Capitan Municipal Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. They are included in the Status of Findings and Responses and Schedule of Findings and Questioned Costs as Budget Overruns (10-03), Late Audit Report (12-02), Depreciation Policy (12-03) and Quarterly Cash Report Missing Scholarship Certificates of Deposit (12-06).

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying Status of Findings and Responses and Schedule of Findings and Questioned Costs as findings Incorrect ERA Reports (10-01), Payroll Clearing Account Not Reconciled Correctly (11-01), Classification of Revenues (12-01), Incorrect 941 Reports (12-04), Leave Policy (12-05) and Outstanding Checks (12-07).

Management's responses to the findings identified in our audit are described in the accompany Status of Findings and Responses and Schedule of Findings and Questioned Costs. We did not audit management's responses and, accordingly, we express no opinion on them.

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

Rice & Associates, LLP

February 27, 2013

Rice and Associates, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Education
Capitan Municipal Schools
Capitan, New Mexico

Compliance

We have audited the compliance of Capitan Municipal Schools (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of the 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 are 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 of 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, 2012.

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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report 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 would not necessarily identify all deficiencies in internal control 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 School Board, management, the Office of the State Auditor, and the Public Education Department, the New Mexico Legislature, and any applicable federal granting agency and is not intended to be and should not be used by anyone other than these specified parties.

Rice & Associates, CPA

February 27, 2013

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

1. Incorrect ERA Reports (10-01) - Repeated
2. Budget Overruns (10-03) - Repeated
3. Payroll Clearing Account Not Reconciled Correctly (11-01) - Repeated

Current Year Audit Findings:

1. Classification of Revenues (12-01)
2. Late Audit Report (12-02)
3. Depreciation Policy (12-03)
4. Incorrect 941 Reports (12-04)
5. Leave Policy (12-05)
6. Quarterly Cash Report Missing Scholarship Certificates of Deposit (12-06)
7. Outstanding Checks (12-07)

Incorrect ERA Reports - Other Matter
(10-01)

CONDITION In testing Educational Retirement Association reports it was noted that 9 months out of 12 presented salaries that could not be supported by underlying payroll records. Also, when calculating the employees and employers required contributions it was unclear if these amounts were correct as the total salaries could not be verified.

CRITERIA All required employees must have a percentage of their salaries deducted and the Schools must match the deductions based on ERA percentage requirements.

CAUSE The School District did not have a qualified employee to prepare payroll and the corresponding payroll reports so the School District contracted with the Regional Education Cooperative.

EFFECT Payroll deductions and contributions are not correct.

RECOMMENDATION Management should review and correct these reports immediately.

RESPONSE Management has hired a Human Resources Manager who is working with the former Payroll Contractors at Region IX to correct all reports and will be resubmitting all necessary information to ERB.

Budget Overruns - Other Matter

(10-03)

CONDITION The School District overspent the final approved budget of the Educational Technology Debt Service Fund by \$592.

CRITERIA NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.

CAUSE Management received an extra distribution from the County on June 29, 2012. This was after the required deadline for budget adjustment requests to be received by the Public Education Department. Thus, the 1% fee received for that early distribution from the County was not budgeted for.

EFFECT The School District had the adequate cash to pay the administrative fee but not the required budget authority from PED.

RECOMMENDATION The School District should work with the Public Education Department to have enough budget in those funds that receive County taxes to cover any extra payments received.

RESPONSE Due to the last minute transfer by the County on June 29, 2012 for additional taxes collected and that PED pre-determines the amount of money that the District can budget in this function the function fell short of budget authority. Management is monitoring this account closely and will work with PED to get the amount increased if necessary.

Payroll Clearing Account Not Reconciled Correctly - Other Matter
(11-01)

CONDITION The payroll clearing account was not properly reconciled to a zero balance each month.

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

CAUSE Management did not ensure this account was reconciled to a zero balance each month.

EFFECT Assets are not adequately safeguarded.

RECOMMENDATION Management should reconcile the account to a zero balance each month.

RESPONSE The payroll clearing account was not zero balanced each month due to the NMPSIA bill collection issues. Management has hired a Human Resources Manager who is balancing the NMPSIA bill monthly and ensuring that all amounts are correct before issuing payment. The payroll clearing account has been closed.

Classification of Revenues - Other Matter
(12-01)

CONDITION	Management is posting certain revenues received as decreases in expenditures. These revenues were considered refunds. Refunds are not reductions of expenditures. The total amount posted to expenditures was \$324.
CRITERIA	All revenues received should be posted to a particular revenue code designated by the Public Education Department.
CAUSE	Management was not aware of this requirement.
EFFECT	The financial statements could have been understated by \$324.
RECOMMENDATION	Employees posting receipts to the books of record should ensure all monies received are posted to revenues according to the correct codes designated by the Public Education Department.
RESPONSE	Management is ensuring that all revenue is being classified with proper PED revenue codes going forward and not being coded to an expense.

Late Audit Report - Other Matter
(12-02)

CONDITION The June 30, 2012 audit report was not submitted to the State Auditors Office by the required deadline of November 15, 2012.

CRITERIA According to NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies; all School District audits are due to the State Auditors Office by November 15, 2012.

CAUSE The School District had an ongoing IRS audit which took precedence as to the time and efforts spent by School District staff. Also, to obtain the assessment from the IRS before the audit was issued. The assessment resulting from the audit was \$800.

EFFECT NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies regulation was not followed.

RECOMMENDATION Now that the IRS audit is complete, there should be no reason for the 2013 audit report to be late.

RESPONSE Management agrees that since the IRS audit has been completed and all assessments were paid the 2013 Audit should be completed by the State Auditors deadline.

Depreciation Policy - Other Matter
(12-03)

CONDITION	The School District has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval.
CRITERIA	The School District needs a depreciation policy so capital assets can be depreciated according to Board policy. This is due to the implementation of GASB 34.
CAUSE	The School Board has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The School Board should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	Management will work with current Board of Education to implement a depreciation policy.

Incorrect 941 Reports - Other Matter
(12-04)

CONDITION The 941 (IRS) reports that were filed for the fiscal year 2012 had incorrect Social Security and Medicare wages reported. This means the corresponding Social Security and Medicare taxes withheld/matched and reported were incorrect.

CRITERIA All 941 reports must match the underlying payroll records. Also, all taxes withheld and matched must be reported correctly.

CAUSE The School District did not have a qualified employee to prepare payroll and the corresponding payroll reports so the School District contracted with the Regional Education Cooperative.

EFFECT The IRS will present and request the difference reported on the 941 reports compared to those reported on the W-2's.

RECOMMENDATION These reports should be corrected and resubmitted as soon as possible.

RESPONSE Management has hired a Human Resources Manager who is working with the former Payroll Contractors at Region IX to correct all reports and will be resubmitting all necessary information to the IRS.

Leave Policy - Other Matter
(12-05)

CONDITION The School District sick leave policy is not adequate as it states that any unused portions of such allowance shall accumulate indefinitely. This creates a huge liability.

CRITERIA Personnel leave policies should be clear and precise on how leave will be accrued, used, carried forward and paid for each class of employee and every type of leave provided.

CAUSE Management has not been provided guidance on how the leave policy should be written so as to ensure all leave is accrued, used and paid for based on the manner decide by the Board.

EFFECT This item has never been brought to the attention of the Board. This includes prior auditors or the School District's attorney.

RECOMMENDATION The School District should revise its leave policy as soon as possible to ensure these details are addressed.

RESPONSE Management will work with current Board of Education to review and make necessary changes to the current sick leave policy.

Quarterly Cash Report Missing Scholarship
Certificates of Deposit - Other Matter
(12-06)

CONDITION	The School District is not reporting the two certificates of deposit for Scholarships on the Public Education Departments Quarterly Report.
CRITERIA	According to PED requirements, all cash including certificates of deposit should be reported on the quarterly report.
CAUSE	Management was not aware of this requirement.
EFFECT	The cash report does not reflect the correct cash carried in the name of the School District.
RECOMMENDATION	Management should include these two certificates of deposit on the Quarterly Cash Report.
RESPONSE	Management has booked these two scholarships in the activity funds and is reporting them on the Cash Report.

Outstanding Checks - Other Matter
(12-07)

CONDITION	Previous management voided outstanding checks and reissued them, however, with the original issue date. This circumvents the requirement to issue checks in numerical order and date.
CRITERIA	To have proper internal controls, all checks need to be in numerical order, this would include a graduating date.
CAUSE	Prior management reissued these checks with the original issue date incorrectly.
EFFECT	It appears that checks would be written out of sequence when they are not.
RECOMMENDATION	Checks that are reissued should also have a reissue date.
RESPONSE	Current Management re-issues checks with the current date not original issue dates.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2012 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the School District on February 19, 2013, to discuss the current audit report. In attendance were Mr. Gary Tregembo, Board Member, Mr. James Fields, Board Member, Mr. George Schultz, Audit Committee Member, Mrs. Jamie Shepperd, Human Resources Manager, Mr. Daryl Lindsey, Audit Committee Member, Mrs. Shirley Crawford, Superintendent, Mrs. Kimberly Stone, Business Manager and Ms. Pamela A. Rice, CPA, Contract Auditor.