

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
AUDIT REPORT
For the Year Ended June 30, 2013
(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, 2013
(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, 2013

Board of Education

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

School Officials

Ms. Shirley Crawford	Superintendent
Ms. Kimberly Stone	Business Manager

Rice and Associates, C.P.A.

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BOOKKEEPING
(505) 292-8275

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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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Title I, IDEA-B Entitlement, Improving Teacher Quality and REAP Funds of the Capitan Municipal Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Capitan Municipal Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Capitan Municipal Schools non-major governmental and fiduciary funds and the budgetary comparisons for the non-major Special Revenue, Capital Project and Debt Service funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Capitan Municipal Schools, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Title I, IDEA-B Entitlement, Improving Teacher Quality and REAP Funds for the year then ended in accordance 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 the Capitan Municipal Schools, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the Capitan Municipal Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The budgetary comparisons for the Major Capital Project Funds, the non-major governmental funds, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification and Schedule of Expenditure of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the budgetary comparisons for the non-major governmental funds, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the Untied States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the budgetary comparisons for the non-major governmental funds and the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification fairly states, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of the Capitan Municipal Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Capitan Municipal Schools internal control over financial reporting and compliance.

Rice & Associates, LLP

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Statement of Net Position
 June 30, 2013

Statement 1

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 7,014,403
Taxes receivable	—
Due from grantor	117,585
Inventory	1,045
Total current assets	7,133,033
Non-current assets	
Land (non-depreciable)	96,884
Capital assets (depreciable)	15,767,269
Less accumulated depreciation	(7,336,766)
Total non-current assets	8,527,387
Total assets	15,660,420
LIABILITIES	
Current liabilities	
Cash overdraft	2,702
Deferred revenue	9,711
Current portion of long-term liabilities	750,000
Accrued interest	112,394
Total current liabilities	874,807
Long-term obligations	
Compensated absences payable	11,609
Non-current portion of long-term liabilities	5,075,000
Total long-term obligations	5,086,609
Total liabilities	5,961,416
NET POSITION	
Net investment in capital assets	2,589,993
Restricted for	
Special revenue inventory	1,045
Capital projects	6,309,154
Debt service	26,648
Special grants	92,446
Unrestricted	679,718
Total net position	\$ 9,699,004

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, 2013

Statement 2

<u>Functions/Programs</u>	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
EXPENSES:				
Governmental activities:				
Direct instruction	\$ 2,939,099	\$ 34,561	\$ 353,068	\$ (2,551,470)
Instructional support	2,537,580	-	747,855	(1,631,496)
Food services	236,110	37,801	196,373	(1,936)
Interest	112,394	-	-	(112,394)
Depreciation - unallocated	<u>726,145</u>	<u>-</u>	<u>-</u>	<u>(726,145)</u>
Total	<u>\$ 6,551,328</u>	<u>\$ 72,362</u>	<u>\$ 1,297,296</u>	<u>\$ (5,023,441)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				95,315
Property taxes, levied for capital projects				740,601
Property taxes, levied for Debt Service				414,131
Federal, State and Local aid not restricted to specific purpose				
General-SEG				3,859,269
Forest Reserve				29,227
Interest and investment earnings				<u>13,521</u>
Sub-total, general revenues				<u>5,152,064</u>
Change in net position				123,623
Net position - beginning of year				<u>9,570,381</u>
Net position - end of year				<u>\$ 9,699,004</u>

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, 2013

Statement 3

	General	Title I	PL94-142 Entitlement	Improving Teacher Quality	REAP	Bond Building	Capital Improvements SB-9	Other Governmental	Total
ASSETS									
Cash on deposit	\$ 588,167	\$ -	\$ -	\$ -	\$ -	\$ 5,034,677	\$ 987,223	\$ 404,336	\$ 7,014,403
Accounts receivable	-	-	-	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-	1,045	1,045
Due from grantor	-	31,903	30,585	20,986	31,409	-	-	2,702	117,585
Due from other funds	114,883	-	-	-	-	-	-	-	114,883
Total assets	\$ 703,050	\$ 31,903	\$ 30,585	\$ 20,986	\$ 31,409	\$ 5,034,677	\$ 987,223	\$ 408,083	\$ 7,247,916
LIABILITIES									
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,702	\$ 2,702
Deferred revenues	-	-	-	-	-	-	-	9,711	9,711
Accounts payable	-	-	-	-	-	-	-	-	-
Due to other funds	-	31,903	30,585	20,986	31,409	-	-	-	114,883
Total liabilities	-	31,903	30,585	20,986	31,409	-	-	12,413	127,296
FUND BALANCE									
Nonspendable	-	-	-	-	-	-	-	1,045	1,045
Restricted	11,723	-	-	-	-	5,034,677	987,223	394,625	6,428,248
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	691,327	-	-	-	-	-	-	-	691,327
Total fund balance	703,050	-	-	-	-	5,034,677	987,223	395,670	7,120,620
Total liabilities and fund balance	\$ 703,050	\$ 31,903	\$ 30,585	\$ 20,986	\$ 31,409	\$ 5,034,677	\$ 987,223	\$ 408,083	\$ 7,247,916

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 Position
 June 30, 2013

Statement 4

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

Total fund balances - governmental funds		\$ 7,120,620
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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	15,864,153	
Accumulated depreciation	<u>(7,336,766)</u>	
		8,527,387

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

Bonds payable	(5,825,000)	
Accrued interest on bonds	(112,394)	
Compensated absences	<u>(11,609)</u>	
		<u>(5,949,003)</u>
Total net position - governmental funds		<u>\$ 9,699,004</u>

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, 2013

	General	Title I	FL 94-142 Entitlement	Improving Teacher Quality	REAP	Bond Building	Capital Improvements SB-9	Other Governmental	Total
REVENUES									
Taxes	\$ 95,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 740,601	\$ 414,131	\$ 1,250,047
Charges for services	750	-	-	-	-	-	-	71,612	72,362
Local sources	26,640	-	-	-	-	100,000	-	303,081	429,721
State sources	4,259,001	-	-	-	-	-	58,229	22,448	4,339,678
Federal sources	29,227	110,617	146,000	24,859	36,392	-	-	227,527	574,622
Earnings from investments	3,958	-	-	-	-	4,860	3,009	1,694	13,521
Total revenues	4,414,891	110,617	146,000	24,859	36,392	104,860	801,839	1,040,493	6,679,951
EXPENDITURES									
Current:									
Direct instruction	2,590,705	110,617	136,000	14,938	36,392	-	-	58,336	2,946,988
Instructional support	1,961,943	-	10,000	9,921	-	-	293,467	262,249	2,537,580
Food services	-	-	-	-	-	-	-	236,110	236,110
Capital outlay	-	-	-	-	-	70,183	691,688	-	761,871
Debt service:									
Principal	-	-	-	-	-	-	-	575,000	575,000
Interest	-	-	-	-	-	-	-	35,825	35,825
Total expenditures	4,552,648	110,617	146,000	24,859	36,392	70,183	985,155	1,167,520	7,093,374
Excess (deficiency) revenue over expenditures	(137,757)	-	-	-	-	34,677	(183,316)	(127,027)	(413,423)
OTHER FINANCING SOURCES (USES)									
Bond proceeds	-	-	-	-	-	5,000,000	-	-	5,000,000
Total other financing sources (uses)	-	-	-	-	-	5,000,000	-	-	5,000,000
Net change in fund balances	(137,757)	-	-	-	-	5,034,677	(183,316)	(127,027)	4,586,577
Fund balance beginning of year	840,807	-	-	-	-	-	1,170,539	522,697	2,534,043
Fund balance end of year	\$ 703,050	\$ -	\$ -	\$ -	\$ -	\$ 5,034,677	\$ 987,223	\$ 395,670	\$ 7,120,620

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 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, 2013

Statement 6

Total net change in fund balances - governmental funds \$ 4,586,577

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
 capital outlays exceeds depreciation expense in the period

Capital outlays	761,871
Depreciation expense	<u>(726,145)</u>

Excess of depreciaton expense over capital outlays	35,726
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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	(76,569)
Compensated absences	7,889

The issuance of long-term debt (e.g. bonds) provides
 current financial resources to governmental funds
 while the repayment of the principal of long-term debt
 consumes the current financial resources of governmental
 funds

Proceeds of bond issue	(5,000,000)
Repayment of long-term debt	<u>575,000</u>

Change in net position of governmental activities	<u>\$ 128,623</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 and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 90,500	\$ 90,500	\$ 95,315	\$ 4,815
Charges for services	150	150	750	600
Local sources	1,250	21,096	26,640	5,544
State sources	4,217,789	4,243,984	4,259,001	15,017
Federal sources	-	29,227	29,227	-
Earnings from investments	3,500	3,500	3,958	458
Total revenues	<u>\$ 4,313,189</u>	<u>\$ 4,388,457</u>	<u>\$ 4,414,891</u>	<u>\$ 26,434</u>
EXPENDITURES				
Direct instruction	\$ 2,982,147	\$ 2,890,438	\$ 2,590,705	\$ 299,733
Instructional support	2,157,769	2,324,746	1,961,943	362,803
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 5,139,916</u>	<u>\$ 5,215,184</u>	<u>\$ 4,552,648</u>	<u>\$ 662,536</u>
BUDGETED CASH BALANCE	<u>\$ 826,727</u>	<u>\$ 826,727</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 84,732	\$ 110,788	\$ 123,502	\$ 12,714
Total revenues	<u>\$ 84,732</u>	<u>\$ 110,788</u>	<u>\$ 123,502</u>	<u>\$ 12,714</u>
EXPENDITURES				
Direct instruction	\$ 84,732	\$ 110,788	\$ 110,617	\$ 171
Total expenditures	<u>\$ 84,732</u>	<u>\$ 110,788</u>	<u>\$ 110,617</u>	<u>\$ 171</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 118,445	\$ 147,000	\$ 184,670	\$ (37,670)
Total revenues	<u>\$ 118,445</u>	<u>\$ 147,000</u>	<u>\$ 184,670</u>	<u>\$ (37,670)</u>
EXPENDITURES				
Direct instruction	\$ 100,653	\$ 137,000	\$ 136,000	\$ 1,000
Instructional support	<u>17,792</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total expenditures	<u>\$ 118,445</u>	<u>\$ 147,000</u>	<u>\$ 146,000</u>	<u>\$ 1,000</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)
 Improving Teacher Quality
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 21,399	\$ 28,050	\$ 11,006	\$ 17,044
Total revenues	<u>\$ 21,399</u>	<u>\$ 28,050</u>	<u>\$ 11,006</u>	<u>\$ 17,044</u>
EXPENDITURES				
Direct instruction	\$ 19,420	\$ 17,201	\$ 14,939	\$ 2,262
Instructional support	<u>1,979</u>	<u>10,849</u>	<u>9,921</u>	<u>928</u>
Total expenditures	<u>\$ 21,399</u>	<u>\$ 28,050</u>	<u>\$ 24,860</u>	<u>\$ 3,190</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)
 REAP
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 36,392	\$ 36,392	\$ 4,982	\$ 31,410
Total revenues	<u>\$ 36,392</u>	<u>\$ 36,392</u>	<u>\$ 4,982</u>	<u>\$ 31,410</u>
EXPENDITURES				
Direct instruction	\$ 36,392	\$ 36,392	\$ 36,392	\$ -
Total expenditures	<u>\$ 36,392</u>	<u>\$ 36,392</u>	<u>\$ 36,392</u>	<u>\$ -</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, 2013

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	\$ <u>79,371</u>
Total assets	<u>\$ 79,371</u>
LIABILITIES	
Deposits held for others	\$ <u>79,371</u>
Total liabilities	<u>\$ 79,371</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, 2013

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 - IDEA-B 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.

Special Revenue Fund - 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.

Special Revenue Fund - 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.

Capital Projects Funds - Bond Building - To account for resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings.

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 Position 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 Position 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 Position**

The governmental activities financial statements utilize a net position presentation. Net position is categorized as follows:

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

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

Unrestricted net position - This category reflects net assets of the School District 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-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 \$3,859,269 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 \$368,003 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 \$58,229 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 \$31,729 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	\$2,193,876
Washington Federal	Checking	Bond	52,615
Washington Federal	Savings	Bond	4,879,809
Washington Federal	Checking	Ed Tech	278,259
Washington Federal	Savings	Ed Tech	25,900
City Bank	Certificate of Deposit	Scholarship	10,000
City Bank	Certificate of Deposit	Scholarship	1,299
Washington Federal	Certificate of Deposit	Bond	<u>100,014</u>
			<u>\$7,541,772</u>
Total amount on deposit			\$7,541,772
Outstanding checks			(450,700)
Deposits in transit			<u>-</u>
Total per financial statements			<u>\$7,091,072</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, 2013, \$7,541,772 of the School's bank balance of \$7,541,772 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$	-
B. Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name		<u>7,541,772</u>
Total		<u>\$7,541,772</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>
Ruidoso Municipal GO CUSIP #781338HZ4	08/01/16	\$ 52,004
FFCB CUSIP #3133EAVKI	12/27/16	1,997,848
Bernalillo Municipal GO CUSIP #085279QX8	08/01/19	204,090
FNMA CUSIP #31359MZ22	10/18/21	<u>114,567</u>
		<u>\$ 2,368,509</u>
<u>Washington Federal</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLMC CUSIP #3620EONW2	08/20/16	<u>\$ 5,247,715</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	\$ 2,205,175	\$5,336,597
Less F.D.I.C.	<u>(250,000)</u>	<u>(250,000)</u>
Uninsured funds	1,955,175	5,086,597
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	977,588	2,543,299
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>2,368,509</u>	<u>5,247,715</u>
Excess of pledged collateral	<u>\$ 1,390,921</u>	<u>\$2,704,416</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 <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
General Obligation Bonds	\$ 1,400,000	\$ 5,000,000	\$ (575,000)	\$ 5,825,000	\$ 750,000
Compensated Absences	19,498	-	(7,889)	11,609	-
Total	<u>\$ 1,419,498</u>	<u>\$ 5,000,000</u>	<u>\$ (582,889)</u>	<u>\$ 5,836,609</u>	<u>\$ 750,000</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, 2012	\$ 1,400,000
Bonds paid	(575,000)
Bonds issued	<u>5,000,000</u>
General obligation bonds payable, June 30, 2013	<u>\$ 5,825,000</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.

<u>Series</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
2010	04-15-10	\$1,500,000	1.25% - 2.75%	\$ 825,000
2013	04-15-13	5,000,000	1.00% - 2.125%	<u>5,000,000</u>
				<u>\$5,825,000</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>
2014	\$ 750,000	\$ 112,394	\$ 862,394
2015	790,000	97,894	887,894
2016	375,000	82,556	457,556
2017	385,000	78,806	463,806
2018	395,000	71,106	466,106
2019-2023	2,170,000	231,730	2,401,730
2024-2025	<u>960,000</u>	<u>30,112</u>	<u>990,112</u>
	<u>\$5,825,000</u>	<u>\$ 704,598</u>	<u>\$6,529,598</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 <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Governmental activities:				
Land	\$ 96,884	\$ -	\$ -	\$ 96,884
Total capital assets not being depreciated	<u>96,884</u>	<u>-</u>	<u>-</u>	<u>96,884</u>
Building & improvements	12,047,263	753,091	-	12,800,354
Land improvements	2,154,573	8,780	-	2,163,353
Furniture & fixtures	53,874	-	-	53,874
Equipment	566,232	-	-	566,232
Ground equipment	70,655	-	-	70,655
Vehicles	<u>112,801</u>	<u>-</u>	<u>-</u>	<u>112,801</u>
Total	<u>15,005,398</u>	<u>761,871</u>	<u>-</u>	<u>15,767,269</u>
Less Accumulated Depreciation:				
Building & improvements	(5,126,390)	(568,214)	-	(5,694,604)
Land improvements	(992,739)	(100,302)	-	(1,093,041)
Furniture & fixtures	(23,779)	(2,467)	-	(26,246)
Equipment	(332,044)	(40,661)	-	(372,705)
Ground equipment	(30,832)	(8,737)	-	(39,569)
Vehicles	<u>(104,837)</u>	<u>(5,764)</u>	<u>-</u>	<u>(110,601)</u>
Total	<u>(6,610,621)</u>	<u>(726,145)</u>	<u>-</u>	<u>(7,336,766)</u>
Governmental activities capital assets, net	<u>\$ 8,491,661</u>	<u>\$ 35,726</u>	<u>\$ -</u>	<u>\$ 8,527,387</u>

The District has no infrastructure as of June 30, 2013.

Depreciation expense was charged to governmental activities as follows:

Unallocated	\$ 726,145
Total depreciation expense	<u>\$ 726,145</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>IDEA-B Entitlement</u>	<u>Improving Teacher Quality</u>
Revenues per modified accrual basis	\$ 4,414,891	\$ 110,617	\$ 146,000	\$ 24,859
Receivables	-	-	-	-
Deferred revenues/Due from grantor	-	12,885	38,670	(13,853)
Revenues per budgetary basis	<u>\$ 4,414,891</u>	<u>\$ 123,502</u>	<u>\$ 184,670</u>	<u>\$ 11,006</u>
Expenditures per modified accrual basis	\$ 4,552,648	\$ 110,617	\$ 146,000	\$ 24,859
Inventory changes	-	-	-	-
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 4,552,648</u>	<u>\$ 110,617</u>	<u>\$ 146,000</u>	<u>\$ 24,859</u>
	<u>REAP</u>	<u>Bond Building</u>	<u>Capital Improvements SB-9</u>	<u>Non-Major Special Revenue</u>
Revenues per modified accrual basis	\$ 36,392	\$ 104,860	\$ 801,839	\$ 321,899
Receivables	-	-	-	-
Deferred revenues/Due from grantor	(31,410)	-	-	928
Revenues per budgetary basis	<u>\$ 4,982</u>	<u>\$ 104,860</u>	<u>\$ 801,839</u>	<u>\$ 322,827</u>
Expenditures per modified accrual basis	\$ 36,392	\$ 73,727	\$ 982,765	\$ 336,196
Inventory changes	-	-	-	-
Accounts payable	-	-	-	(295)
Expenditures per budgetary basis	<u>\$ 36,392</u>	<u>\$ 73,727</u>	<u>\$ 982,765</u>	<u>\$ 335,901</u>
	<u>Non-Major Capital Projects</u>	<u>Non-Major Debt Service</u>		
Revenues per modified accrual basis	\$ 303,045	\$ 415,549		
Receivables	-	-		
Deferred revenues/Due from grantor	-	-		
Revenues per budgetary basis	<u>\$ 303,045</u>	<u>\$ 415,549</u>		
Expenditures per modified accrual basis	\$ 216,358	\$ 614,966		
Inventory changes	-	-		
Accounts payable	-	-		
Expenditures per budgetary basis	<u>\$ 216,358</u>	<u>\$ 614,966</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 educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In the fiscal year 2013, the Capitan Municipal Schools was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, Capitan Municipal Schools will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the 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. The Capitan Municipal Schools contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$303,923, \$255,761 and \$516,282, 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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

The Capitan Municipal Schools contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$55,049, \$49,428 and \$63,556, 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, 2012	Additions	Retirements	Balance June 30, 2013
ASSETS				
Cash and cash equivalent	\$ 83,446	\$ 118,284	\$ 122,359	\$ 79,371
Total assets	<u>\$ 83,446</u>	<u>\$ 118,284</u>	<u>\$ 122,359</u>	<u>\$ 79,371</u>
LIABILITIES				
Deposits held for others				
Administration	\$ 12,955	\$ 570	\$ 999	\$ 12,526
Elementary School	13,550	9,669	11,196	12,023
Middle School	3,940	1,739	1,659	4,020
High School	41,715	106,168	108,505	39,378
Scholarships	11,286	138	-	11,424
Total liabilities	<u>\$ 83,446</u>	<u>\$ 118,284</u>	<u>\$ 122,359</u>	<u>\$ 79,371</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	Bond Building	Capital Improvements SB-9	Non-Major Governmental Fund	Totals
Fund Balances:					
Nonspendable:					
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	1,045	1,045
Total Nonspendable	-	-	-	1,045	1,045
Restricted for:					
Transportation service	-	-	-	-	-
Instructional materials	2,096	-	-	-	2,096
Capital improvements	-	5,034,677	987,223	287,254	6,309,154
Debt service payments	-	-	-	26,648	26,648
Athletic services	-	-	-	4,376	4,376
Specific grants	-	-	-	-	-
Cafeteria services	-	-	-	76,347	76,347
Reserves	9,627	-	-	-	9,627
Total restricted	<u>11,723</u>	<u>5,034,677</u>	<u>987,223</u>	<u>394,625</u>	<u>6,428,248</u>
Committed to:					
Other purposes	-	-	-	-	-
Total committed	-	-	-	-	-
Unassigned:	691,327	-	-	-	691,327
Total Fund Balances	<u>\$ 703,050</u>	<u>\$ 5,034,677</u>	<u>\$ 987,223</u>	<u>\$ 395,670</u>	<u>\$ 7,120,620</u>

15. 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.

OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Bond Building
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	100,000	100,000
State sources	-	-	-	-
Earnings from investments	-	-	4,870	4,870
	<u>-</u>	<u>-</u>	<u>4,870</u>	<u>4,870</u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,870</u>	<u>\$ 104,870</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 5,000,000	\$ 73,727	\$ 4,926,273
	<u>-</u>	<u>5,000,000</u>	<u>73,727</u>	<u>4,926,273</u>
Total expenditures	<u>\$ -</u>	<u>\$ 5,000,000</u>	<u>\$ 73,727</u>	<u>\$ 4,926,273</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -
	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 5,000,000</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)
 Capital Improvements SB-9
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 708,010	\$ 708,010	\$ 740,601	\$ 32,591
Local sources	-	-	-	-
State sources	-	13,013	58,229	45,216
Earnings from investments	3,500	3,500	3,009	(491)
Total revenues	<u>\$ 711,510</u>	<u>\$ 724,523</u>	<u>\$ 801,839</u>	<u>\$ 77,316</u>
EXPENDITURES				
Capital outlay	\$ 1,532,101	\$ 1,545,114	\$ 982,765	\$ 562,349
Total expenditures	<u>\$ 1,532,101</u>	<u>\$ 1,545,114</u>	<u>\$ 982,765</u>	<u>\$ 562,349</u>
BUDGETED CASH BALANCE	<u>\$ 820,591</u>	<u>\$ 820,591</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, 2013

Statement A-1

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
ASSETS				
Cash on deposit	\$ 90,434	\$ 287,254	\$ 26,648	\$ 404,336
Taxes receivable	-	-	-	-
Due from grantor	2,702	-	-	2,702
Inventory, at cost	1,045	-	-	1,045
Total assets	\$ 94,181	\$ 287,254	\$ 26,648	\$ 408,083
LIABILITIES				
Cash overdraft	\$ 2,702	\$ -	\$ -	\$ 2,702
Deferred revenues	9,711	-	-	9,711
Total liabilities	12,413	-	-	12,413
FUND BALANCE				
Nonspendable	1,045	-	-	1,045
Restricted	80,723	287,254	26,648	394,625
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balance	81,768	287,254	26,648	395,670
Total liabilities and fund balance	\$ 94,181	\$ 287,254	\$ 26,648	\$ 408,083

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, 2013

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 414,131	\$ 414,131
Charges for services	71,612	-	-	71,612
Local sources	36	303,045	-	303,081
State sources	22,448	-	-	22,448
Federal sources	227,527	-	-	227,527
Earnings from investments	276	-	1,418	1,694
	<u>321,899</u>	<u>303,045</u>	<u>415,549</u>	<u>1,040,493</u>
EXPENDITURES				
Current:				
Direct instruction	58,336	-	-	58,336
Instructional support	41,750	216,358	4,141	262,249
Food services	236,110	-	-	236,110
Capital outlay	-	-	-	-
Debt service:				
Bonds	-	-	575,000	575,000
Interest	-	-	35,825	35,825
	<u>336,196</u>	<u>216,358</u>	<u>614,966</u>	<u>1,167,520</u>
Net change in fund balance	(14,297)	86,687	(199,417)	(127,027)
Fund balance beginning of year	<u>96,065</u>	<u>200,567</u>	<u>226,065</u>	<u>522,697</u>
Fund balance end of year	<u>\$ 81,768</u>	<u>\$ 287,254</u>	<u>\$ 26,648</u>	<u>\$ 395,670</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 93,600	\$ 112,898	\$ 71,612	\$ (41,286)
Local sources	-	-	36	36
State sources	20,527	26,157	23,528	(2,629)
Federal sources	203,773	242,000	227,375	(14,625)
Earnings from investments	270	270	276	6
Total revenues	<u>\$ 318,170</u>	<u>\$ 381,325</u>	<u>\$ 322,827</u>	<u>\$ (58,498)</u>
EXPENDITURES				
Direct instruction	\$ 40,928	\$ 67,080	\$ 61,793	\$ 5,287
Insturctional support	7,501	44,504	38,293	6,211
Food services	318,964	351,017	235,815	115,202
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 367,393</u>	<u>\$ 462,601</u>	<u>\$ 335,901</u>	<u>\$ 126,700</u>
BUDGETED CASH BALANCE	<u>\$ 49,223</u>	<u>\$ 81,276</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 302,745	\$ 303,045	\$ 300
Earnings from investments	800	800	-	(800)
Total revenues	<u>\$ 800</u>	<u>\$ 303,545</u>	<u>\$ 303,045</u>	<u>\$ (500)</u>
EXPENDITURES				
Capital outlay	\$ 202,769	\$ 505,514	\$ 216,358	\$ 289,156
Total expenditures	<u>\$ 202,769</u>	<u>\$ 505,514</u>	<u>\$ 216,358</u>	<u>\$ 289,156</u>
BUDGETED CASH BALANCE	<u>\$ 201,969</u>	<u>\$ 201,969</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 610,825	\$ 610,825	\$ 414,131	\$ (196,694)
Earnings from investments	280	280	1,418	1,138
Total revenues	<u>\$ 611,105</u>	<u>\$ 611,105</u>	<u>\$ 415,549</u>	<u>\$ (195,556)</u>
EXPENDITURES				
Instructional support	\$ 6,108	\$ 6,108	\$ 4,141	\$ 1,967
Bonds paid	575,000	575,000	575,000	-
Coupons paid	35,825	35,825	35,825	-
Total expenditures	<u>\$ 616,933</u>	<u>\$ 616,933</u>	<u>\$ 614,966</u>	<u>\$ 1,967</u>
BUDGETED CASH BALANCE	<u>\$ 5,828</u>	<u>\$ 5,828</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.

IDEA-B 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.

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.

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, equipment and library resources. Financing and authority is provided by the New Mexico State Legislature, 2010 Senate Bill 1 2nd Special Session, Chapter 3, Section B3.

FORMATIVE ASSESSMENTS - To account for resources received from a special state appropriation to be used to purchase formative assessments. The approved formative assessments are for English language arts and math in grades 4 through 10. These formative assessments will give teachers essential tools for monitoring student progress and making timely, strategic interventions throughout the school year. Funding is authorized by a Special State Appropriation.

GOB INSTRUCTIONAL MATERIALS - To account for resources received to purchase books, software and software licenses that are used as instructional materials. Due to the State Legislature funding this award, the purchases are more restrictive than the recurring Instructional Materials allocation. The School District received this award based on its being a "Top Growth" School.

(Non-Major Special Revenued Funds - Continued)

INTERVENTION FOR SCHOOLS - To account for resources received to purchase Facts With Fluency Technology for Elementary Students. Funding is part of the Innovative Solutions for Struggling Schools Grant financed and approved by the State Legislature.

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, 2013

	IDEA-B Preschool	IDEA-B Risk Pool	Medicaid	Dual Credit	GO Bond Student Library	GO Bond Library
ASSETS						
Cash on deposit	\$ -	\$ -	\$ 9,711	\$ -	\$ -	\$ -
Due from grantor	642	-	-	-	-	2,060
Inventory, at cost	-	-	-	-	-	-
Total assets	\$ 642	\$ -	\$ 9,711	\$ -	\$ -	\$ 2,060
LIABILITIES						
Cash overdraft	\$ 642	\$ -	\$ -	\$ -	\$ -	\$ 2,060
Deferred revenue	-	-	9,711	-	-	-
Total liabilities	642	-	9,711	-	-	2,060
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Total fund balance	-	-	-	-	-	-
Total liabilities and fund balances	\$ 642	\$ -	\$ 9,711	\$ -	\$ -	\$ 2,060

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, 2013

Statement B-1
Page 2 of 2

	Formative Assessments	GO Bond Instructional Materials	Intervention for Schools	Athletics	Student Cafeteria Account	Totals
ASSETS						
Cash on deposit	\$ -	\$ -	-	\$ 4,376	\$ 76,347	\$ 90,434
Due from grantor	-	-	-	-	-	2,702
Inventory, at cost	-	-	-	-	1,045	1,045
Total assets	\$ -	\$ -	\$ -	\$ 4,376	\$ 77,392	\$ 94,181
LIABILITIES						
Cash overdraft	\$ -	\$ -	-	\$ -	\$ -	\$ 2,702
Deferred revenue	-	-	-	-	-	9,711
Total liabilities	-	-	-	-	-	12,413
FUND BALANCES						
Nonspendable	-	-	-	-	1,045	1,045
Restricted	-	-	-	4,376	76,347	80,723
Total fund balance	-	-	-	4,376	77,392	81,768
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 4,376	\$ 77,392	\$ 94,181

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, 2013

Statement B-2
 Page 1 of 2

	IDEA-B Preschool	IDEA-B Risk Pool	Medicaid	Dual Credit	GO Bond Student Library	GO Bond Library
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	-	1,184	-	3,457
Federal sources	3,701	664	26,789	-	-	-
Earnings from investments	-	-	-	-	-	-
Total revenues	<u>3,701</u>	<u>664</u>	<u>26,789</u>	<u>1,184</u>	<u>-</u>	<u>3,457</u>
EXPENDITURES						
Direct instruction	3,701	664	-	1,184	-	-
Instructional support	-	-	38,293	-	-	3,457
Food services	-	-	-	-	-	-
Total expenditures	<u>3,701</u>	<u>664</u>	<u>38,293</u>	<u>1,184</u>	<u>-</u>	<u>3,457</u>
Net change in fund balance	-	-	(11,504)	-	-	-
Fund balance at beginning of year	-	-	11,504	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2013

Statement B-2
Page 2 of 2

	Formative Assessments	GO Bond Instructional Materials	Intervention for Schools	Athletics	Student Cafeteria Account	Totals
REVENUES						
Charges for services	\$ -	\$ -	-	\$ 33,811	\$ 37,801	\$ 71,612
Local sources	-	-	-	36	-	36
State sources	3,456	8,351	6,000	-	-	22,448
Federal sources	-	-	-	-	196,373	227,527
Earnings from investments	-	-	-	33	243	276
Total revenues	<u>3,456</u>	<u>8,351</u>	<u>6,000</u>	<u>33,880</u>	<u>234,417</u>	<u>321,899</u>
EXPENDITURES						
Direct instruction	3,456	8,351	6,000	34,980	-	58,336
Instructional support	-	-	-	-	-	41,750
Food services	-	-	-	-	236,110	236,110
Total expenditures	<u>3,456</u>	<u>8,351</u>	<u>6,000</u>	<u>34,980</u>	<u>236,110</u>	<u>336,196</u>
Net change in fund balance	-	-	-	(1,100)	(1,693)	(14,297)
Fund balance at beginning of year	-	-	-	5,476	79,085	96,065
Fund balance at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 4,376</u>	<u>\$ 77,392</u>	<u>\$ 81,768</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 Preschool
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 3,141	\$ 3,701	\$ 4,838	\$ 1,137
Total revenues	<u>\$ 3,141</u>	<u>\$ 3,701</u>	<u>\$ 4,838</u>	<u>\$ 1,137</u>
EXPENDITURES				
Direct instruction	\$ 3,141	\$ 3,701	\$ 3,701	\$ -
Total expenditures	<u>\$ 3,141</u>	<u>\$ 3,701</u>	<u>\$ 3,701</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 4,838	
(Decrease) in due from grantor			<u>(1,137)</u>	
Modified accrual basis			<u>\$ 3,701</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 664	\$ 664	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 664</u>	<u>\$ 664</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 664	\$ 664	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 664</u>	<u>\$ 664</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 - Medicaid
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 7,501	\$ 44,504	\$ 25,500	\$ (19,004)
Total revenues	<u>\$ 7,501</u>	<u>\$ 44,504</u>	<u>\$ 25,500</u>	<u>\$ (19,004)</u>
EXPENDITURES				
Instructional support	\$ 7,501	\$ 44,504	\$ 38,293	\$ 6,211
Total expenditures	<u>\$ 7,501</u>	<u>\$ 44,504</u>	<u>\$ 38,293</u>	<u>\$ 6,211</u>
REVENUES				
Budgetary basis			\$ 25,500	
Decrease in deferred revenue			<u>1,289</u>	
Modified accrual basis			<u>\$ 26,789</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ -	\$ 1,184	\$ 1,235	\$ 51
Total revenues	<u>\$ -</u>	<u>\$ 1,184</u>	<u>\$ 1,235</u>	<u>\$ 51</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 1,184	\$ 1,184	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 1,184</u>	<u>\$ 1,184</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 1,235	
Decrease in due from grantor			<u>(51)</u>	
Modified accrual basis			<u>\$ 1,184</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - GO Bond Student Library
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 100	\$ 100
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 100</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 100	
Decrease in due from grantor			<u>(100)</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 - GO Bond Library
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 2,000	\$ 6,446	\$ 4,386	\$ (2,060)
Total revenues	<u>\$ 2,000</u>	<u>\$ 6,446</u>	<u>\$ 4,386</u>	<u>\$ (2,060)</u>
EXPENDITURES				
Direct instruction	\$ 2,000	\$ 6,446	\$ 3,457	\$ 2,989
Total expenditures	<u>\$ 2,000</u>	<u>\$ 6,446</u>	<u>\$ 3,457</u>	<u>\$ 2,989</u>
REVENUES				
Budgetary basis			\$ 4,386	
(Decrease) in due from grantor			<u>(929)</u>	
Modified accrual basis			<u>\$ 3,457</u>	

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

STATE OF NEW MEXICO
 CAPITAN MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Formative Assessments
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 4,176	\$ 4,176	\$ 3,456	\$ (720)
Total revenues	<u>\$ 4,176</u>	<u>\$ 4,176</u>	<u>\$ 3,456</u>	<u>\$ (720)</u>
EXPENDITURES				
Direct instruction	\$ 4,176	\$ 4,176	\$ 3,456	\$ 720
Total expenditures	<u>\$ 4,176</u>	<u>\$ 4,176</u>	<u>\$ 3,456</u>	<u>\$ 720</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 Instructional Materials
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 8,351	\$ 8,351	\$ 8,351	\$ -
Total revenues	<u>\$ 8,351</u>	<u>\$ 8,351</u>	<u>\$ 8,351</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ 8,351	\$ 8,351	\$ 8,351	\$ -
Total expenditures	<u>\$ 8,351</u>	<u>\$ 8,351</u>	<u>\$ 8,351</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 - Intervention for Schools
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Total revenues	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ 6,000	\$ 6,000	\$ 6,000	\$ -
Total expenditures	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 6,000</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 - Athletics
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 13,500	\$ 32,798	\$ 33,811	\$ 1,013
Local sources	-	-	36	36
Earnings on investments	120	120	33	(87)
Total revenues	<u>\$ 13,620</u>	<u>\$ 32,918</u>	<u>\$ 33,880</u>	<u>\$ 962</u>
EXPENDITURES				
Direct instruction	\$ 17,260	\$ 36,558	\$ 34,980	\$ 1,578
Total expenditures	<u>\$ 17,260</u>	<u>\$ 36,558</u>	<u>\$ 34,980</u>	<u>\$ 1,578</u>
BUDGETED CASH BALANCE	<u>\$ 3,640</u>	<u>\$ 3,640</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 80,100	\$ 80,100	\$ 37,801	\$ (42,299)
Federal sources	193,131	193,131	196,373	3,242
Earnings from investments	150	150	243	93
Total revenues	\$ 273,381	\$ 273,381	\$ 234,417	\$ (38,964)
EXPENDITURES				
Food services	\$ 318,964	\$ 351,017	\$ 235,815	\$ 115,202
Total expenditures	\$ 318,964	\$ 351,017	\$ 235,815	\$ 115,202
BUDGETED CASH BALANCE	\$ 45,583	\$ 77,636		
EXPENDITURES				
Budgetary basis			\$ 235,815	
Decrease in inventory			295	
Modified accrual basis			\$ 236,110	

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
 Balance Sheet
 June 30, 2013

	Educational Technology Equipment Act
ASSETS	
Cash on deposit	\$ 287,254
Taxes receivable	-
Total assets	\$ 287,254
LIABILITIES	
Accounts payable	\$ -
Total liabilities	-
FUND BALANCE	
Restricted	287,254
Total fund balance	287,254
Total liabilities and fund balance	\$ 287,254

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

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, 2013

	Educational Technology Equipment Act
	<u> </u>
REVENUES	
Local sources	\$ 303,045
State sources	-
Earnings from investments	<u>-</u>
Total revenues	<u>303,045</u>
EXPENDITURES	
Instructional support	216,358
Capital outlay	<u>-</u>
Total expenditures	<u>216,358</u>
Net change in fund balance	86,687
Fund balance at beginning of year	<u>200,567</u>
Fund balance at end of year	<u>\$ 287,254</u>

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 302,745	\$ 303,045	\$ 300
Earnings from investments	800	800	-	(800)
Total revenues	<u>\$ 800</u>	<u>\$ 303,545</u>	<u>\$ 303,045</u>	<u>\$ (500)</u>
EXPENDITURES				
Capital outlay	\$ 202,769	\$ 505,514	\$ 216,358	\$ 289,156
Total expenditures	<u>\$ 202,769</u>	<u>\$ 505,514</u>	<u>\$ 216,358</u>	<u>\$ 289,156</u>
BUDGETED CASH BALANCE	<u>\$ 201,969</u>	<u>\$ 201,969</u>		

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, 2013

Statement D-1

	Debt Service	Educational Technology Debt Service	Total
ASSETS			
Cash on deposit	\$ 14,724	\$ 11,924	\$ 26,648
Taxes receivable	-	-	-
Total assets	\$ 14,724	\$ 11,924	\$ 26,648
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCE			
Restricted	14,724	11,924	26,648
Total fund balance	14,724	11,924	26,648
Total liabilities and fund balance	\$ 14,724	\$ 11,924	\$ 26,648

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, 2013

Statement D-2

	Debt Service	Educational Technology Debt Service	Total
REVENUES			
Taxes	\$ 8,291	\$ 405,840	\$ 414,131
Charges for services	-	-	-
Local sources	-	-	-
State sources	-	-	-
Federal sources	-	-	-
Earnings from investments	302	1,116	1,418
Total revenues	8,593	406,956	415,549
EXPENDITURES			
Current:			
Instructional support	83	4,058	4,141
Debt service:			
Bonds	200,000	375,000	575,000
Interest	4,700	31,125	35,825
Total expenditures	204,783	410,183	614,966
Net change in fund balances	(196,190)	(3,227)	(199,417)
Fund balance beginning of year	210,914	15,151	226,065
Fund balance end of year	\$ 14,724	\$ 11,924	\$ 26,648

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 204,700	\$ 204,700	\$ 8,291	\$ (196,409)
Earnings from investments	200	200	302	102
Total revenues	<u>\$ 204,900</u>	<u>\$ 204,900</u>	<u>\$ 8,593</u>	<u>\$ (196,307)</u>
EXPENDITURES				
Instructional support	\$ 2,047	\$ 2,047	\$ 83	\$ 1,964
Bonds	200,000	200,000	200,000	-
Interest	4,700	4,700	4,700	-
Total expenditures	<u>\$ 206,747</u>	<u>\$ 206,747</u>	<u>\$ 204,783</u>	<u>\$ 1,964</u>
BUDGETED CASH BALANCE	<u>\$ 1,847</u>	<u>\$ 1,847</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 406,125	\$ 406,125	\$ 405,840	\$ (285)
Earnings from investments	<u>80</u>	<u>80</u>	<u>1,116</u>	<u>1,036</u>
Total revenues	<u>\$ 406,205</u>	<u>\$ 406,205</u>	<u>\$ 406,956</u>	<u>\$ 751</u>
EXPENDITURES				
Instructional support	\$ 4,061	\$ 4,061	\$ 4,058	\$ 3
Bonds	375,000	375,000	375,000	-
Interest	<u>31,125</u>	<u>31,125</u>	<u>31,125</u>	<u>-</u>
Total expenditures	<u>\$ 410,186</u>	<u>\$ 410,186</u>	<u>\$ 410,183</u>	<u>\$ 3</u>
BUDGETED CASH BALANCE	<u>\$ 3,981</u>	<u>\$ 3,981</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, 2013

	Operational	Transporation	Instructional Materials	Total
ASSETS				
Cash on deposit	\$ 700,954	-	\$ 2,096	\$ 703,050
Accounts receivable, collectible	-	-	-	-
Total assets	<u>\$ 700,954</u>	<u>-</u>	<u>\$ 2,096</u>	<u>\$ 703,050</u>
LIABILITIES				
Accounts payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	9,627	-	2,096	11,723
Unassigned	691,327	-	-	691,327
Total fund balance	<u>700,954</u>	<u>-</u>	<u>2,096</u>	<u>703,050</u>
Total liabilities and fund balances	<u>\$ 700,954</u>	<u>-</u>	<u>\$ 2,096</u>	<u>\$ 703,050</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, 2013

	Operational	Transportation	Instructional Materials	Total
REVENUES				
Taxes	\$ 95,315	-	-	\$ 95,315
Charges for services	750	-	-	750
Local sources	26,640	-	-	26,640
State sources	3,859,269	368,003	31,729	4,259,001
Federal sources	29,227	-	-	29,227
Earnings from investments	3,958	-	-	3,958
	4,015,159	368,003	31,729	4,414,891
EXPENDITURES				
Current:				
Direct instruction	2,556,273	-	34,432	2,590,705
Instructional support	1,593,940	368,003	-	1,961,943
Food services	-	-	-	-
Capital outlay	-	-	-	-
	4,150,213	368,003	34,432	4,552,648
Net change in fund balance	(135,054)	-	(2,703)	(137,757)
Fund balance at beginning of year	836,008	-	4,799	840,807
Fund balance at end of year	\$ 700,954	-	\$ 2,096	\$ 703,050

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 90,500	\$ 90,500	\$ 95,315	\$ 4,815
Charges for services	150	150	750	600
Local sources	1,250	21,096	26,640	5,544
State sources	3,850,961	3,834,761	3,859,269	24,508
Federal sources	-	29,227	29,227	-
Earnings from investments	3,500	3,500	3,958	458
Total revenues	<u>\$ 3,946,361</u>	<u>\$ 3,979,234</u>	<u>\$ 4,015,159</u>	<u>\$ 35,925</u>
EXPENDITURES				
Direct instruction	\$ 2,950,418	\$ 2,849,218	\$ 2,556,273	\$ 292,945
Instructional support	1,822,670	1,956,743	1,593,940	362,803
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 4,773,088</u>	<u>\$ 4,805,961</u>	<u>\$ 4,150,213</u>	<u>\$ 655,748</u>
BUDGETED CASH BALANCE	<u>\$ 826,727</u>	<u>\$ 826,727</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	335,099	368,003	368,003	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 335,099</u>	<u>\$ 368,003</u>	<u>\$ 368,003</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	335,099	368,003	368,003	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 335,099</u>	<u>\$ 368,003</u>	<u>\$ 368,003</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	31,729	41,220	31,729	(9,491)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 31,729</u>	<u>\$ 41,220</u>	<u>\$ 31,729</u>	<u>\$ (9,491)</u>
EXPENDITURES				
Direct instruction	\$ 31,729	\$ 41,220	\$ 34,432	\$ 6,788
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 31,729</u>	<u>\$ 41,220</u>	<u>\$ 34,432</u>	<u>\$ 6,788</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</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, 2013

	Operational	Transportation	Instructional Materials	Cafeteria	Athletics	Federal Projects
Cash balance, June 30, 2012	\$ 836,008	\$ -	\$ 4,799	\$ 77,745	\$ 5,476	\$ (100,449)
Cash Receipts, 2012-2013	4,015,159	368,003	31,729	234,417	33,880	355,162
Cash Disbursements, 2012-2013	(4,150,213)	(368,003)	(34,432)	(235,815)	(34,980)	(360,527)
Cash balance, June 30, 2013	<u>\$ 700,954</u>	<u>\$ -</u>	<u>\$ 2,096</u>	<u>\$ 76,347</u>	<u>\$ 4,376</u>	<u>\$ (105,814)</u>
	Local/ State	Bond Building	Capital Improvement SB-9	Education Technology	Debt Service	Education Technology Debt Service
Cash balance, June 30, 2012	\$ (3,140)	\$ -	\$ 1,170,539	\$ 200,567	\$ 210,914	\$ 15,151
Cash Receipts, 2012-2013	23,528	5,104,860	801,839	303,045	8,593	406,956
Cash Disbursements, 2012-2013	(22,448)	(70,183)	(985,155)	(216,358)	(204,783)	(410,183)
Cash balance, June 30, 2013	<u>\$ (2,060)</u>	<u>\$ 5,034,677</u>	<u>\$ 987,223</u>	<u>\$ 287,254</u>	<u>\$ 14,724</u>	<u>\$ 11,924</u>
						Agency
						\$ 83,446
						118,284
						(122,359)
						<u>\$ 79,371</u>

STATE OF NEW MEXICO
CAPITAN MUNICIPAL SCHOOLS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<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	\$ 36,392
Passed through State of NM			
Department of Education:			
Impact Aid Title I			
(Chapter 1) Basic	84.010	24.101	110,617
PL 94-142 Preschool	84.027	24.109	3,701
PL 94-142 Entitlement	84.027	24.106	146,000
IDEA-B Risk Pool	84.027	24.120	664
Improving Teacher Quality	84.367	24.154	<u>24,860</u>
Sub-total			<u>322,234</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
of Finance and Administration:			
Forest Reserve	10.665	N/A	29,227
Passed through State of NM			
Department of Education:			
* National School Lunch Program	10.555	21.000	124,658
* School Breakfast Program	10.553	21.000	49,755
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	<u>21,960</u>
Sub-total			<u>225,600</u>
Total Expenditures of Federal Awards			<u>\$ 547,834</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, 2013

Part 1 - Summary of Auditor Results

1. Type of Report - Unmodified
2. Significant Deficiency - NONE
3. Non-Compliance - NONE
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unmodified
6. A-133 Audit Findings - NONE
7. Major Programs - National School Lunch CFDA #10.555, School Breakfast CFDA #10.553
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. Capitan Municipal Schools did qualify as a low-risk auditee

Part 2 - Findings

Incorrect 941 Reports (12-04), Leave Policy (12-05)

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**

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I, IDEA-B Entitlement, Improving Teacher Quality, REAP, Bond Building and Capital Improvements SB-9 Funds of the Capitan Municipal Schools, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Capitan Municipal Schools basic financial statements, and the combining and individual funds and the related budgetary comparison of the non-major funds, presented as supplemental information, and have issued our report thereon dated June 30, 2013.

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 Capitan Municipal 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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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 noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs and the Status of Findings and Responses as Incorrect 941 Reports (12-04) and Leave Policy (12-05).

Responses to the Findings

Capitan Municipal Schools responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Status of Findings and Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Reid & Associates, C.P.A.

Albuquerque, New Mexico
October 30, 2013

Rice and Associates, C.P.A.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Capitan Municipal Schools compliance with the types of compliance requirement described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Capitan Municipal Schools major federal programs for the year ended June 30, 2013. Capitan Municipal Schools major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Capitan Municipal Schools major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those Standards and OMB Circular A-133 requires 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 Capitan

Municipal Schools 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Capitan Municipal Schools compliance.

Opinion on Each Major Federal Program

In our opinion, Capitan Municipal Schools, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Capitan Municipal Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Capitan Municipal Schools internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Capitan Municipal Schools 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rice & Associates, LLP

Albuquerque, New Mexico
October 30, 2013

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

1. Incorrect ERA Reports (10-01) - Resolved.
2. Budget Overruns (10-03) - Resolved.
3. Payroll Clearing Account Not Reconciled Correctly (11-01) - Resolved.
4. Classification of Revenues (12-01) - Resolved.
5. Late Audit Report (12-02) - Resolved.
6. Depreciation Policy (12-03) - Resolved.
7. Incorrect 941 Reports (12-04) - Repeated.
8. Leave Policy (12-05) - Repeated.
9. Quarterly Cash Report Missing Scholarship Certificates of Deposit (12-06) - Resolved.
10. Outstanding Checks (12-07) - Resolved.

Current Year Audit Findings:

NONE

Incorrect 941 Reports - Other Matter
(12-04)

CONDITION	The 941 (IRS) reports that were filed for the fiscal year 2013 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 is reviewing all the 941 reports and working with our auditor to find the discrepancy to ensure that the amount is reconciled and all year end reports reflect the correct amount.

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	The School Board is continuing to work on revising the existing District leave policy for employees. This is an agenda item for the November 2013 board meeting.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2013 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 October 30, 2013, to discuss the current audit report. In attendance were Mr. Gary Tregembo, Board Member, Mr. Justin King, Board Member, Ms. Kelli Olmstead, Audit Committee Member, Mrs. Jamie Shepperd, Human Resources Manager, Mr. George Schultz, Audit Committee Member, Mrs. Shirley Crawford, Superintendent, Mrs. Kimberly Stone, Business Manager, Mr. Antonio Lucero and Ms. Pamela A. Rice, CPA, Contract Auditors.