

State of New Mexico
Cobre Consolidated School District No. 2

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON**

For The Fiscal Year Ended June 30, 2013

Cobre Consolidated School District No. 2
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Cobre Consolidated School District No. 2
DIRECTORY OF OFFICIALS
June 30, 2013

BOARD OF EDUCATION

Ralph Sepulveda	President
Frank Cordova	Vice-President
Frances Kelly	Secretary
Robert Montoya	Member
Frank Gomez	Member

SCHOOL OFFICIALS

George Peru	Acting Superintendent
Frank Ryan	Director of Finance

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregated remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Cobre Consolidated School District No. 2, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Cobre Consolidated School District No. 2's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Cobre Consolidated School District No. 2's nonmajor governmental funds, and the budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, the debt service funds, and the capital projects funds presented as other supplementary information, as defined by the Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Cobre Consolidated School District No. 2, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue 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 nonmajor governmental fund of the Cobre Consolidated School District No. 2 as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, the debt service funds, and the capital projects 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Cobre Consolidated School District No. 2's financial statements that collectively comprise the District's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules presented as other supplemental data as listed in the table of contents 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 other supplemental data are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has

been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal awards and the other supplemental data are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013, on our consideration of the Cobre Consolidated School District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cobre Consolidated School District No. 2's internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico
October 2, 2013

Stone, McGee & Co.
Certified Public Accountants

Cobre Consolidated School District No. 2
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,749,884
Property taxes receivable	163,773
Due from other governments	27,528
Inventory	4,291
Bond issue costs	38,724
Capital assets:	
Land	747,139
Furniture and fixtures	4,822,314
Buildings and improvements	60,331,543
Construction in progress	570,551
Less accumulated depreciation	(25,822,541)
 Total capital assets, net of depreciation	 \$ 40,649,006
 Total assets	 \$ 47,633,206
 Liabilities	
Accounts payable	\$ 93,289
Deferred revenue	240,048
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	950,000
Lease purchase payable	39,986
Accrued interest payable	105,344
Portion due or payable after one year:	
Bonds payable	9,325,000
Lease purchase payable	104,864
Compensated absences	69,591
 Total liabilities	 \$ 10,928,122
 Net Position	
Net investment in capital assets	\$ 33,393,744
Restricted for:	
Debt service	1,114,212
Capital outlay	1,464
Other purposes	1,080,155
Unrestricted	1,115,509
 Total net position	 \$ 36,705,084

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Total Governmental Activities</u>
Governmental activities:					
Instruction	\$ 8,988,508	\$ 154,758	\$ 1,546,583	\$ 1,926,492	\$ (5,360,675)
Support services - Students	1,675,741		296,474		(1,379,267)
Support services - Instruction	497,373		3,661		(493,712)
General administration	792,273		118,156		(674,117)
School administration	867,584		36,017		(831,567)
Central services	356,544				(356,544)
Operation of plant	2,977,790			167,171	(2,810,619)
Food services	860,437	37,347	786,437		(36,653)
Transportation	838,367		661,076		(177,291)
Other support services	57,766		40,013		(17,753)
Interest on long-term debt	269,097				(269,097)
	<u>\$ 18,181,480</u>	<u>\$ 192,105</u>	<u>\$ 3,488,417</u>	<u>\$ 2,093,663</u>	<u>\$ (12,407,295)</u>
Total governmental activities					

General revenues:	
Property taxes:	
Levied for general purposes	\$ 46,939
Levied for debt service	1,208,942
Levied for capital improvements	323,987
State aid - formula grants	11,531,643
Recoveries and refunds	3,384
Unrestricted investment earnings	<u>1,125</u>
 Total general revenues and special items	 <u>\$ 13,116,020</u>
 Change in net position	 \$ 708,725
Net position - beginning	<u>35,996,359</u>
Net position- ending	<u><u>\$ 36,705,084</u></u>

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

Cobre Consolidated School District No. 2
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Entitlement	Bond Building	Debt Service
Assets				
Cash and investments	\$ 1,187,080	\$ 185,314	\$ 3,209,467	\$ 1,094,883
Taxes receivable	8,124			111,258
Inventory				
Interfund receivable				9,262
Due from other governments				
Total assets	\$ 1,195,204	\$ 185,314	\$ 3,209,467	\$ 1,215,403
Liabilities and Fund Balance				
Accounts payable	\$ 48,828	\$ 638	\$ 43,415	\$ -
Interfund payable				
Deferred revenue	6,779	184,676		79,970
Total liabilities	\$ 55,607	\$ 185,314	\$ 43,415	\$ 79,970
Fund balance:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Education				
Food service				
Social services				
Capital projects			3,166,052	
Debt service				1,135,433
Unassigned	1,139,597			
Total fund balance	\$ 1,139,597	\$ -	\$ 3,166,052	\$ 1,135,433
Total liabilities and fund balance	\$ 1,195,204	\$ 185,314	\$ 3,209,467	\$ 1,215,403

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

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 1,073,140	\$ 6,749,884
44,391	163,773
4,291	4,291
27,528	9,262
<u>27,528</u>	<u>27,528</u>
<u>\$ 1,149,350</u>	<u>\$ 6,954,738</u>

\$ 408	\$ 93,289
9,262	9,262
<u>88,771</u>	<u>360,196</u>
<u>\$ 98,441</u>	<u>\$ 462,747</u>

\$ 4,291	4,291
533,994	533,994
387,781	387,781
131,797	131,797
	3,166,052
	1,135,433
(6,954)	<u>1,132,643</u>
<u>\$ 1,050,909</u>	<u>\$ 6,491,991</u>
<u>\$ 1,149,350</u>	<u>\$ 6,954,738</u>

Cobre Consolidated School District No. 2
**RECONCILIATION OF TOTAL GOVERNMENTAL
 FUND BALANCE TO NET POSITION OF
 GOVERNMENTAL ACTIVITIES**

June 30, 2013

Total governmental fund balances	\$ 6,491,991
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	40,649,006
Bond issue costs are capitalized and amortized over the life of the bonds	38,724
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Property taxes receivable subject to the 60 day availability period	120,148
Long-term liabilities, including bonds payable, accrued interest payable, and compensated absences are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(10,275,000)
Lease purchase payable	(144,850)
Accrued interest payable	(105,344)
Compensated absences	(69,591)
	\$ 36,705,084

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

Cobre Consolidated School District No. 2
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2013

	General Fund	Entitlement	Bond Building
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ 47,346	\$ -	\$ -
Fees and charges	82,564		
State aid	12,334,734		
Federal aid	141,643	406,497	
Earnings on investments	298		663
Miscellaneous	3,384		
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 12,609,969</u>	<u>\$ 406,497</u>	<u>\$ 663</u>
Expenditures:			
Current:			
Instruction	\$ 7,082,972	\$ 152,507	\$ -
Support services - Students	1,335,528	217,983	
Support services - Instruction	450,875		
General administration	509,937	36,007	
School administration	819,573		
Central services	352,441		
Operation of plant	2,132,158		6,451
Food service			
Transportation	607,413		
Other support services	17,753		
Debt service:			
Principal			
Interest			
Bond issue costs			
Capital outlay			892,550
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 13,308,650</u>	<u>\$ 406,497</u>	<u>\$ 899,001</u>
Revenues over (under) expenditures	\$ (698,681)	\$ -	\$ (898,338)
Other financing sources:			
Bond proceeds			
Bond premiums			
Operating transfers in (out)			
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	\$ (698,681)	\$ -	\$ (898,338)
Fund balance, July 1, 2012	<u>\$ 1,838,278</u>	<u> </u>	<u>\$ 4,064,390</u>
Fund balance, June 30, 2013	<u>\$ 1,139,597</u>	<u>\$ -</u>	<u>\$ 3,166,052</u>

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

PSFA	Debt Service	Other Funds	Governmental Funds Total
\$ -	\$ 1,171,939	\$ 366,344	\$ 1,585,629
1,897,527		77,238	159,802
		718,171	14,950,432
		1,647,454	2,195,594
	102	62	1,125
			3,384
<u>\$ 1,897,527</u>	<u>\$ 1,172,041</u>	<u>\$ 2,809,269</u>	<u>\$ 18,895,966</u>
\$ -	\$ -	\$ 858,666	\$ 8,094,145
		87,960	1,641,471
		3,661	454,536
	7,542	84,573	638,059
		36,017	855,590
			352,441
		513,618	2,652,227
		791,897	791,897
		50,000	657,413
		40,013	57,766
	800,000	88,115	888,115
	260,052	8,990	269,042
1,897,527		489,155	-
<u>\$ 1,897,527</u>	<u>\$ 1,067,594</u>	<u>\$ 3,052,665</u>	<u>\$ 20,631,934</u>
\$ -	\$ 104,447	\$ (243,396)	\$ (1,735,968)
			-
			-
			-
<u>\$ -</u>	<u>\$ 104,447</u>	<u>\$ (243,396)</u>	<u>\$ (1,735,968)</u>
	\$ 1,030,986	\$ 1,294,305	\$ 8,227,959
<u>\$ -</u>	<u>\$ 1,135,433</u>	<u>\$ 1,050,909</u>	<u>\$ 6,491,991</u>

Cobre Consolidated School District No. 2
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For The Year Ended June 30, 2013

Net change in fund balances-total governmental funds \$ (1,735,968)

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

Governmental funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated
over their estimated useful lives as depreciation expense:

Capital outlay	3,279,232
Depreciation	(1,713,489)

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds. This is the net
change during the year:

Property taxes	(5,761)
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Bond proceeds are reported as financing sources in the funds. In the Statement of
Activities, however, issuing debt increases long-term liabilities.

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	888,115
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Bond issue costs are expenditures in the funds but are capitalized and amortized
in the Statement of Activities:

Bond issue costs	
Amortization	(8,238)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the net change during the year.	8,183
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Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change during the year.	(3,349)
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<i>Change in Net Position of Governmental Activities</i>	<u><u>\$ 708,725</u></u>
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The accompanying notes are an integral part of these financial statements.

Cobre Consolidated School District No. 2
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 37,000	\$ 58,877	\$ 141,643	\$ 82,766
State sources	12,173,426	12,329,931	12,334,734	4,803
Local sources	81,249	81,249	69,259	(11,990)
Interest income	500	500	298	(202)
Total revenues	\$ 12,292,175	\$ 12,470,557	\$ 12,545,934	\$ 75,377
Expenditures:				
Current:				
Instruction	\$ 7,234,510	\$ 7,475,909	\$ 7,018,000	\$ 457,909
Support services - Students	1,485,145	1,461,322	1,335,528	125,794
Support services - Instruction	490,155	521,203	450,875	70,328
General administration	705,970	622,722	507,600	115,122
School administration	951,947	869,160	818,585	50,575
Central services	381,041	387,502	354,319	33,183
Operation of plant	2,130,900	2,170,200	2,097,997	72,203
Pupil transportation	599,544	649,576	638,409	11,167
Other support services	36,827	36,827	15,411	21,416
Capital outlay	-	-	-	-
Total expenditures	\$ 14,016,039	\$ 14,194,421	\$ 13,236,724	\$ 957,697
Net change in fund balance	\$ (1,723,864)	\$ (1,723,864)	\$ (690,790)	\$ 1,033,074
Fund balance, July 1, 2012	1,723,864	1,723,864	1,717,146	(6,718)
Fund balance, June 30, 2013	\$ -	\$ -	\$ 1,026,356	\$ 1,026,356
Net change in fund balance, GAAP				\$ (700,349)
Revenue accruals (net)				(216)
Expenditure accruals (net)				9,775
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ (690,790)</u>

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - ENTITLEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 372,118	\$ 435,061	\$ 405,859	\$ (29,202)
Expenditures:				
Current:				
Instruction	\$ 174,900	\$ 172,776	\$ 151,869	\$ 20,907
Support services - Students	161,298	218,350	217,983	367
General administration	35,920	43,935	36,007	7,928
School administration				-
Total expenditures	\$ 372,118	\$ 435,061	\$ 405,859	\$ 29,202
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	185,314	185,314
Fund balance, June 30, 2013	\$ -	\$ -	\$ 185,314	\$ 185,314
Net change in fund balance, GAAP			\$ -	
Revenue accruals (net)			(638)	
Expenditure accruals (net)			638	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2013

	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 177,652</u>
Total assets	<u><u>\$ 177,652</u></u>
Liabilities	
Deposits held for others	<u>\$ 177,652</u>
Total liabilities	<u><u>\$ 177,652</u></u>

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

Cobre Consolidated School District No. 2
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2013

Note 1 **Summary of Significant Accounting Policies**

Cobre Consolidated School District No. 2, organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

These financial statements present the District (the primary government). As defined by GAAP, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relations with the District. Based on the criterion in GAAP, the District has no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in the General Fund are sub-funds; Operational, the Unrestricted District Fund; Transportation, which accounts for State source revenue used to transport students; Instructional Materials, which accounts for State Source Funds used to purchase textbooks; and Non-instructional Support, which accounts for various student extracurricular activities.

Special Revenue Funds

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

Capital Project Fund

The Capital project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the District.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations. Typically, these funds are owned by clubs, athletic teams, and/or student organizations.

The emphasis in fund financial statements is on the major funds in the governmental category. Non-major funds are summarized into a single column.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in to the government-wide statements.

Major Fund Descriptions

General – See above description.

Entitlement – Entitlement funds are used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the *New Mexico Department of Education Manual of Procedures for New Mexico School Districts* to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

PSFA – created by the District to account for the expenditure for capital projects by the New Mexico Public Schools Facilities Authority on the District’s behalf. Funds are expended directly by the Authority to vendors. This is a Capital Project Fund.

Bond Building – to account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings or purchasing or improving school grounds or any combination thereof as approved by the voters of the District. This is a Capital Project Fund.

Debt Service – See above description.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings progress is complete.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred revenue in the fund statements. Property taxes are considered fully collectible.

In the government –wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a fully accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net positions are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by generally government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as attendance at athletic events, food service, copies and auxiliary services. Operating

grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

D. BUDGETS

Budgets for the General, Special Revenue, Debt Service and Capital Projects funds are prepared by management and approved by the local school board and the Public Finance School Division of the Department of Education. The District has one Capital Project Fund, PSFA Funding, where vendors are paid directly by the State of New Mexico. No budget statements are presented for this fund. Included in the General Fund are activity funds which, although not budgeted by the District are considered District funds. Therefore, these non-budgeted activity accounts are excluded from the budgetary comparison statement.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

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

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

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

F. INVENTORIES

Except for U.S.D.A. commodities, which are shown at estimated value, inventories are valued at cost (first-in, first-out). Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets.

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Software and library resources	3-5 years
Machinery and equipment	5-10 years
Improvements	10-20 years

The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

I. COMPENSATED ABSENCES

The District’s policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

J. EQUITY CLASSIFICATIONS

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

During the year ended June 30, 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures incurred are normally paid from the most highly constrained fund balance.

K. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the District by the County Treasurer, and are remitted to the District in the month following collection. Because the Treasurer of the County in which the District is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the District.

The District is permitted to levy taxes for general operating purposes up to \$.50 per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the district is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the District, as well as a Two Mill Levy for District improvements. The District's total tax rate to finance general government services for the year ended June 30, 2013 was .301 per \$1,000 for non-residential property and .313 for residential property. The District's tax rate for debt service was \$7.67 per \$1,000 for both residential and nonresidential property. The District's tax rate for District improvements was \$1.96 per \$1,000 for residential and \$2.00 for nonresidential property.

L. INTERFUND ACTIVITY

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payable as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Inter-fund activity between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

M. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The District does not have a deposit policy for credit risk beyond that disclosed in Note 1.

As of June 30, 2013 \$3,191,238 of the governments bank balance of \$8,569,387 was exposed to custodial credit risk as follows:

Uninsured and collateralized	<u>\$ 3,191,238</u>
Total	<u>\$ 3,191,238</u>

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 500,000	\$ 500,000
Collateral held by the pledging bank's agent in the District's name	4,878,149	4,842,772
Uninsured and collateralized	<u>3,191,238</u>	<u>1,584,764</u>
	<u>\$ 8,569,387</u>	<u>\$ 6,927,536</u>

The District does not have a risk policy beyond that required by State Statute.

Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 747,139	\$ -0-	\$ -0-	\$ 747,139
Construction progress	<u>9,698,951</u>	<u>3,225,386</u>	<u>12,353,786</u>	<u>570,551</u>
Total assets not being depreciated	<u>\$ 10,446,090</u>	<u>\$ 3,225,386</u>	<u>\$12,353,786</u>	<u>\$ 1,317,690</u>
Other capital assets:				
Building & improvements	\$ 47,977,757	\$12,353,786	\$	\$ 60,331,543
Furniture and equipment	<u>4,768,468</u>	<u>53,846</u>	<u>-0-</u>	<u>4,822,314</u>
Total other capital assets at historical cost	<u>\$ 52,746,225</u>	<u>\$12,407,632</u>	<u>\$ -0-</u>	<u>\$ 65,153,857</u>
Less accumulated depreciation for:				
Building & improvement	\$ (20,218,044)	\$ (1,068,660)	\$	\$ (21,286,704)
Furniture & equipment	<u>(3,891,008)</u>	<u>(644,829)</u>	<u>-</u>	<u>(4,535,837)</u>
Total accumulated depreciation	<u>\$(24,109,052)</u>	<u>\$(1,713,489)</u>	<u>\$ -0-</u>	<u>\$(25,822,541)</u>

Total capital assets, net \$ 39,083,253 \$ 13,919,529 \$ 12,353,786 \$ 40,649,006
 Depreciation expense was charged to the governmental activities as follows:

Instruction	\$	891,014
Student support		34,270
Instructional support		42,837
Administration general		154,214
Administration school		11,994
Central services		4,103
Plant operation		325,563
Transportation		180,954
Food		<u>68,540</u>
	\$	<u>1,713,489</u>

Note 4 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due In</u> <u>One Year</u>
G.O. Bonds, series 2007	\$ 400,000	\$ -0-	\$ 400,000	\$ -0-	\$ -0-
G.O. Bonds, series 2008	50,000	-0-	50,000	-0-	-0-
G.O. Bonds, 6/10/2011	<u>10,675,000</u>	<u>400,000</u>	<u>-0-</u>	<u>10,275,000</u>	<u>950,000</u>
	<u>\$11,125,000</u>	<u>\$ -0-</u>	<u>\$ 850,000</u>	<u>\$10,275,000</u>	<u>\$ 950,000</u>
Compensated absences payable	<u>\$ 66,242</u>	<u>\$ 76,752</u>	<u>\$ 73,403</u>	<u>\$ 69,591</u>	<u>\$ -0-</u>

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 950,000	\$ 246,936
2015	1,000,000	235,863
2016	1,050,000	220,325
2017	1,075,000	200,533
2018	1,100,000	176,738
2019-2023	<u>5,100,000</u>	<u>426,238</u>
	<u>\$ 10,275,000</u>	<u>\$ 1,506,633</u>

No compensated absences are considered due and payable in the next fiscal year.

The District entered into a lease purchase agreement with New Mexico Bank & Trust (NMB&T) on December 2, 2006. The cost of the equipment was \$530,656. The terms of the agreement are quarterly payments of \$17,747, beginning April 28, 1998. The interest rate is 5.902%. The maturity date is January 28, 2017. The payments are made from the Energy Efficiency Capital Projects Fund.

A summary of activity in the lease purchase is as follows:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2013</u>	Amounts Due Within <u>One Year</u>
NMB&T	\$ 182,965	\$ -0-	\$ 38,115	\$ 144,850	\$ 39,986

Schedule of Payments	2014	\$ 46,068
	2015	46,068
	2016	46,068
	2017	<u>19,143</u>
	Total lease payments	\$ 157,347
	Less imputed interest	<u>(12,497)</u>
		<u>\$ 144,850</u>

GENERAL OBLIGATION BONDS

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled \$11,781,633 at June 30, 2013, and equal 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. Interest rates range from .671% to 3.57% for individually scheduled retirements, and maturity dates range from 2014 through 2023. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2013, the District recognized \$1,211,534 in property taxes pledged to retire the bonded indebtedness, and retired \$1,111,092 in bond principal and interest.

Note 5 Pension Plan – Educational Retirement Board

Plan Description

Substantially all of the Cobre Consolidated School District No. 2 full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities and 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, P.O. 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 fiscal year 2013, the Cobre Consolidated School District No. 2 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, Cobre Consolidated School District No. 2 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 Cobre Consolidated School District No. 2 are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Cobre Consolidated School District No. 2's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$1,683,438, \$1,743,101, and \$1,828,353, respectively, which equal the amount of the required contributions for each fiscal year.

Note 6 Post-Employment Benefits – State Retire Health Care Plan

Plan Description

Cobre Consolidated School District No. 2 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHA 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 administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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 Cobre Consolidated School District No. 2's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$249,545, \$236,811, and \$225,681, respectively, which equal the required contributions for each year.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it

considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred. No losses exceeded insurance in the past three years.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below \$250,000 and purchases excess insurance above the self-insured retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

Note 8 Contingent Liabilities

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

Note 9 Interfund Activity

At June 30, 2013 the following interfund receivables/payables existed:

<u>Interfund Payables</u>	<u>Interfund Receivables</u> <u>Debt Service</u>
Other Funds	\$ <u>9,262</u>

All interfund balances are expected to be repaid within one year. The purpose of these loans was to provide cash for operating purposes.

There were no interfund transfers during the year ended June 30, 2013.

Note 10 Restricted Net Position

At June 30, 2013, net positions restricted for other purposes included the following balances in special revenue funds:

Medicaid	\$ 69,238
Cafeteria	392,072
Athletics	55,412
PED:	
SB-9	242,122
School Based Health	62,559

Cobre High School Daycare	229,404
Energy Efficiency	<u>29,348</u>
	<u>\$ 1,080,155</u>

The District reports restricted positions of \$2,195,831 of which \$2,140,419 is restricted by enabling legislation.

Note 11 Jointly Governed Organizations

The District participates in the Southwest Regional Education Center No. 10. This regional cooperative center was formed to consolidate the application for and the processing of supplementary federal and state funds. Representatives of the independent school districts, which are members, govern the Center.

The Center obtains grants and allocates them to the member districts. The District has no ongoing financial interest or responsibility in the Center.

Separately issued financial statements of the Center are available from the Center at P.O. Box 952, Truth or Consequences, New Mexico 87901

Note 12 Evaluation of Subsequent Events

The District has evaluated subsequent events through October 2, 2013, the date which the financial statements were available to be issued.

Note 13 Deficit Fund Balance

The District has a deficit fund balance of \$6,954 in the Ed Tech non-major Debt Service Fund.

This deficit is the result of the application of the sixty day availability period to property taxes. As the taxes are collected the deficit fund balance will be reduced.

SPECIAL REVENUE FUNDS

Cafeteria – Fund used to account for revenues generated by the District as well as the federal assistance received and the related expenditures necessary to provide food services for the district. Required by the New Mexico Department of Education Manual of procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue funds (PSAB, Supplement 17).

Athletics – To account for the revenues received, and the related expenditures incurred, by the District related to athletic functions (PSAB, Supplement 3).

Title I – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide assistance to educationally deprived students in low-income areas of the District. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School districts to be accounted for as a separate fund within the Special Revenue funds (P.L. 103-382).

Pre-School – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

English Language – Created to improve the education of limited English proficient children and youths by helping them learn English. (ESEA as amended by the No Child Left Behind Act P.L. No. 107-110).

Teacher Training – Created by P.L. 107-110 to improve teacher and principal quality and ensure that all teachers are highly qualified.

SB-9 – Created by State Law to account for the Districts tax levy restricted solely for improvements to the physical plant NMSA 1978 22-25-1.

Reads to Lead – To provide reading coaches to provide technical assistance and professional development to staff in the District.

Medicaid – To account for the federal assistance to improve primary health care and increase health education (P.L. 105-33).

Grads - To provide grants to States or Territories to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. The fund was created by state grant provision.

Technology for Education – To account for funds used to purchase computers and software for a District-wide student information system and software licensing for computer labs within the District. The program is funded through the Office of Technology for the State of New Mexico. Authorized by the IASA Improving America School Act PL 103-382.

School Based Health Center – To account for funds to provide health services to students. The fund is provided by PED and the State Grants.

Energy Efficiency - To account for revenue pursuant to Public Building Energy Efficiency Act, NMSA 1978 6-23-10. Funds will be utilized to retrofit the District's buildings to provide energy cost savings.

Child Care Block Grant – To account for the federal resources to provide daycare services for the District.

DEBT SERVICE FUND

Interest and Principal – To account for the resources restricted for the payment of interest obligations on general long-term debt and for the retirement of general obligation bonds as they mature.

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

CAPITAL PROJECTS FUNDS

Special Capital Outlay – State – To account for the State resources to be used for specific construction projects.

Bond Building – To account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purposes of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

AGENCY FUNDS

Agency Fund – To account for monies held in a custodial account (assets equal liabilities) for the benefit of others. Individual accounts are identified by name in the supporting schedule section of this report.

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013

	Special Revenue Funds			
	Cafeteria	Athletics	Title I	Preschool
Assets				
Cash and investments	\$ 388,189	\$ 55,412	\$ 2,000	\$ 21,676
Inventory	4,291			
Taxes receivable				
Due from other governments				
 Total assets	\$ 392,480	\$ 55,412	\$ 2,000	\$ 21,676
 Liabilities and Fund Balance				
Accounts payable	\$ 408	\$ -	\$ -	\$ -
Interfund payable				
Deferred revenue			2,000	21,676
 Total liabilities	\$ 408	\$ -	\$ 2,000	\$ 21,676
 Fund balance:				
Nonspendable:				
Inventory	\$ 4,291	\$ -	\$ -	\$ -
Restricted for:				
Education		55,412		
Food service	387,781			
Social services				
Capital projects				
Unassigned				
 Total fund balance	\$ 392,072	\$ 55,412	\$ -	\$ -
 Total liabilities and fund balance	\$ 392,480	\$ 55,412	\$ 2,000	\$ 21,676

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

Special Revenue Funds

Child and Adult Food	GRADS	Medicaid	School Based Health	CHS Daycare	SB-9	Energy Efficiency
\$ 23,696	\$ 8,000	\$ 41,710	\$ 62,559	\$ 229,404	\$ 211,146	\$ 29,348
		27,528			30976	
<u>\$ 23,696</u>	<u>\$ 8,000</u>	<u>\$ 69,238</u>	<u>\$ 62,559</u>	<u>\$ 229,404</u>	<u>\$ 242,122</u>	<u>\$ 29,348</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
23,696	8,000				22,292	
<u>\$ 23,696</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,292</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				229,404	219,830	29,348
		69,238	62,559			
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,238</u>	<u>\$ 62,559</u>	<u>\$ 229,404</u>	<u>\$ 219,830</u>	<u>\$ 29,348</u>
<u>\$ 23,696</u>	<u>\$ 8,000</u>	<u>\$ 69,238</u>	<u>\$ 62,559</u>	<u>\$ 229,404</u>	<u>\$ 242,122</u>	<u>\$ 29,348</u>

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2013 (concluded)

	Debt Service Funds		Total
	Ed Tech		
	Debt Service		
Assets			
Cash and investments	\$ -		\$ 1,073,140
Inventory			4,291
Taxes receivable	13,415		44,391
Due from other governments			27,528
 Total assets	\$ 13,415		\$ 1,149,350
 Liabilities and Fund Balance			
Accounts payable	\$ -		\$ 408
Interfund payable	9,262		9,262
Deferred revenue	11,107		88,771
 Total liabilities	\$ 20,369		\$ 98,441
 Fund balance:			
Nonspendable:			
Inventory	\$ -		\$ 4,291
Restricted for:			
Education			533,994
Food service			387,781
Social services			131,797
Capital projects			-
Unassigned	(6,954)		(6,954)
 Total fund balance	\$ (6,954)		\$ 1,050,909
 Total liabilities and fund balance	\$ 13,415		\$ 1,149,350

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

Cobre Consolidated School District No. 2
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2013

	Special Revenue Funds				
	Cafeteria	Athletics	Title I	Preschool	English Language
Revenues:					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fees and charges	37,347	39,495			
State aid					
Federal aid	786,437		513,382	8,733	10,320
Earnings on investments	14	10			
Miscellaneous					
Total revenues	\$ 823,798	\$ 39,505	\$ 513,382	\$ 8,733	\$ 10,320
Expenditures:					
Current:					
Instruction	\$ -	\$ 35,031	\$ 412,608	\$ 4,074	\$ 8,978
Support services - Students			491	1,451	
Support services - Instruction					
General administration			73,603	3,208	202
School administration			26,680		1,140
Operation of plant					
Food services	756,968				
Transportation					
Other support services					
Debt service:					
Principle					
Interest					
Capital outlay					
Total expenditures	\$ 756,968	\$ 35,031	\$ 513,382	\$ 8,733	\$ 10,320
Revenues over (under) expenditures	\$ 66,830	\$ 4,474	\$ -	\$ -	\$ -
Other financing sources (uses):					
Transfer in					
Net change in fund balance	\$ 66,830	\$ 4,474	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	325,242	50,938			
Fund balance, June 30, 2013	<u>\$ 392,072</u>	<u>\$ 55,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue Funds

Teacher Training	Child and Adult Food	Medicaid	Dual Credit	Reads to Lead
\$ -	\$ -	\$ -	\$ -	\$ -
132,270	2,757	113,805	4,811	49,588
<u>\$ 132,270</u>	<u>\$ 2,757</u>	<u>\$ 113,805</u>	<u>\$ 4,811</u>	<u>\$ 49,588</u>
\$ 118,937	\$ - 2,757	\$ - 73,189	\$ 4,811	\$ 49,588
5,136 8,197				
		40,013		
<u>\$ 132,270</u>	<u>\$ 2,757</u>	<u>\$ 113,202</u>	<u>\$ 4,811</u>	<u>\$ 49,588</u>
\$ -	\$ -	\$ 603	\$ -	\$ -
\$ -	\$ -	\$ 603	\$ -	\$ -
		68,635		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,238</u>	<u>\$ -</u>	<u>\$ -</u>

Cobre Consolidated School District No. 2
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
For The Fiscal Year Ended June 30, 2013

	Special Revenue Funds			
	Pre-K Initiative	GOB Pre-K Classrooms	Even Start	School Based Health
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges				
State aid	223,880	191,202	3,661	
Federal aid				
Earnings on investments				
Miscellaneous				
Total revenues	<u>\$ 223,880</u>	<u>\$ 191,202</u>	<u>\$ 3,661</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction	\$ 173,880	\$ -	\$ -	\$ -
Support services - Students				
Support services - Instruction			3,661	
General administration				
School administration				
Operation of plant				
Food services				
Transportation	50,000			
Other support services				
Debt service:				
Principle				
Interest				
Capital outlay		191,202		
Total expenditures	<u>\$ 223,880</u>	<u>\$ 191,202</u>	<u>\$ 3,661</u>	<u>\$ -</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012				62,559
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,559</u>

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

Special Revenue funds			Capital Projects Funds	Debt Service Funds	Total
CHS Daycare	SB-9	Energy Efficiency	Special Capital Outlay State	Ed Tech Debt Service	
\$ - 396 79,750	\$ 326,750 167,171 38	\$ - 48,893	\$ - 28,965	\$ 39,594	\$ 366,344 77,238 718,171 1,647,454 62 -
<u>\$ 80,146</u>	<u>\$ 493,959</u>	<u>\$ 48,893</u>	<u>\$ 28,965</u>	<u>\$ 39,594</u>	<u>\$ 2,809,269</u>
\$ 50,759 10,072 1,595 34,929	\$ - 2,014 512,023	\$ - 38,115 7,953	\$ - 28,965	\$ - 410 50,000 1,037	\$ 858,666 87,960 3,661 84,573 36,017 513,618 791,897 50,000 40,013 88,115 8,990 489,155
<u>\$ 97,355</u>	<u>\$ 783,025</u>	<u>\$ 46,068</u>	<u>\$ 28,965</u>	<u>\$ 51,447</u>	<u>\$ 3,052,665</u>
\$ (17,209)	\$ (289,066)	\$ 2,825	\$ -	\$ (11,853)	\$ (243,396)
<u>\$ (17,209)</u>	<u>\$ (289,066)</u>	<u>\$ 2,825</u>	<u>\$ -</u>	<u>\$ (11,853)</u>	<u>\$ (243,396)</u>
<u>246,613</u>	<u>508,896</u>	<u>26,523</u>		<u>4,899</u>	<u>1,294,305</u>
<u>\$ 229,404</u>	<u>\$ 219,830</u>	<u>\$ 29,348</u>	<u>\$ -</u>	<u>\$ (6,954)</u>	<u>\$ 1,050,909</u>

Cobre Consolidated School District No. 2
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2013

	Operational	Transportation	Activity
Assets			
Cash and investments	\$ 980,769	\$ -	\$ 160,724
Taxes receivable	8,124		
Interfund receivable			
	\$ 988,893	\$ -	\$ 160,724
Total assets	\$ 988,893	\$ -	\$ 160,724
 Liabilities and Fund Balances			
Accounts payable	\$ 48,828	\$ -	\$ -
Deferred revenue	6,779		
	\$ 55,607	\$ -	\$ -
Total liabilities	\$ 55,607	\$ -	\$ -
Fund balance:			
Unassigned	\$ 933,286	\$ -	\$ 160,724
	\$ 933,286	\$ -	\$ 160,724
Total fund balances	\$ 933,286	\$ -	\$ 160,724
Total liabilities and fund balances	\$ 988,893	\$ -	\$ 160,724

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

<u>Instructional Materials</u>	<u>Total</u>
\$ 45,587	\$ 1,187,080 8,124 -
<u>\$ 45,587</u>	<u>\$ 1,195,204</u>
\$ -	\$ 48,828 6,779
<u>\$ -</u>	<u>\$ 55,607</u>
<u>\$ 45,587</u>	<u>\$ 1,139,597</u>
<u>\$ 45,587</u>	<u>\$ 1,139,597</u>
<u><u>\$ 45,587</u></u>	<u><u>\$ 1,195,204</u></u>

Cobre Consolidated School District No. 2
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2013

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>
Revenues:			
Property taxes	\$ 47,346	\$ -	\$ -
Fees and charges	18,745		
State aid	11,633,723	607,413	93,598
Federal aid	141,643		
Earnings on investments	298		
Miscellaneous	3,384		
	<hr/>	<hr/>	<hr/>
Total revenues	\$ 11,845,139	\$ 607,413	\$ 93,598
Expenditures:			
Current:			
Instruction	\$ 6,933,920	\$ -	\$ 86,901
Support services - Students	1,335,528		
Support services - Instruction	450,875		
General administration	509,937		
School administration	819,573		
Central services	352,441		
Operation of plant	2,132,158		
Transportation		607,413	
Food services			
Other support services	17,753		
Capital outlay			
	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 12,552,185	\$ 607,413	\$ 86,901
Revenues over (under) expenditures	\$ (707,046)	\$ -	\$ 6,697
Other financing sources:			
Loan proceeds			
Operating transfers in (out)			
	<hr/>	<hr/>	<hr/>
Net change in fund balance	\$ (707,046)	\$ -	\$ 6,697
Fund balance, July 1, 2012	1,640,332	-	38,890
	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2013	\$ 933,286	\$ -	\$ 45,587
	<hr/>	<hr/>	<hr/>

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

<u>Activity Funds</u>	<u>Total</u>
\$ -	\$ 47,346
63,819	82,564
	12,334,734
	141,643
	298
	3,384
<u>\$ 63,819</u>	<u>\$ 12,609,969</u>
\$ 62,151	\$ 7,082,972
	1,335,528
	450,875
	509,937
	819,573
	352,441
	2,132,158
	607,413
	-
	17,753
	-
<u>\$ 62,151</u>	<u>\$ 13,308,650</u>
\$ 1,668	\$ (698,681)
	-
	-
<u>\$ 1,668</u>	<u>\$ (698,681)</u>
<u>159,056</u>	<u>1,838,278</u>
<u>\$ 160,724</u>	<u>\$ 1,139,597</u>

Cobre Consolidated School District No. 2
GENERAL FUND/OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 37,000	\$ 58,877	\$ 141,643	\$ 82,766
State sources	11,525,256	11,625,256	11,630,060	4,804
Local sources	81,249	81,249	69,259	(11,990)
Interest income	500	500	298	(202)
 Total revenues	\$ 11,644,005	\$ 11,765,882	\$ 11,841,260	\$ 75,378
 Expenditures:				
Current:				
Instruction	\$ 7,108,494	\$ 7,343,420	\$ 6,931,099	\$ 412,321
Support services - Students	1,485,145	1,461,322	1,335,528	125,794
Support services - Instruction	490,155	521,203	450,875	70,328
General administration	705,970	622,722	507,600	115,122
School administration	951,947	869,160	818,585	50,575
Central services	381,041	387,502	354,319	33,183
Operation of plant	2,130,900	2,170,200	2,097,997	72,203
Pupil transportation	38,500	38,500	27,333	11,167
Other support services	36,827	36,827	15,411	21,416
Capital outlay				-
 Total expenditures	\$ 13,328,979	\$ 13,450,856	\$ 12,538,747	\$ 912,109
 Net change in fund balance	\$ (1,684,974)	\$ (1,684,974)	\$ (697,487)	\$ 987,487
 Fund balance, July 1, 2012	1,684,974	1,684,974	1,678,256	(6,718)
 Fund balance, June 30, 2013	\$ -	\$ -	\$ 980,769	\$ 980,769
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (707,046)
Revenue accruals (net)				(216)
Expenditure accruals (net)				9,775
 Net change in fund balance, NON-GAAP budgetary basis				\$ (697,487)

The accompanying notes are an integral part of these financial statements

Cobre Consolidated School District No. 2
GENERAL FUND/TRANSPORTATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 561,044	\$ 611,076	\$ 611,076	\$ -
Expenditures:				
Current:				
Pupil transportation	<u>561,044</u>	<u>611,076</u>	<u>611,076</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Cobre Consolidated School District No. 2
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 87,126	\$ 93,599	\$ 93,598	\$ (1)
Expenditures:				
Current:				
Instruction	\$ 126,016	\$ 132,489	\$ 86,901	\$ 45,588
Support services - Instruction				-
Total expenditures	<u>\$ 126,016</u>	<u>\$ 132,489</u>	<u>\$ 86,901</u>	<u>\$ 45,588</u>
Net change in fund balance	\$ (38,890)	\$ (38,890)	\$ 6,697	\$ 45,587
Fund balance, July 1, 2012	<u>38,890</u>	<u>38,890</u>	<u>38,890</u>	<u>-</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 45,587</u></u>	<u><u>\$ 45,587</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 6,697	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 6,697</u></u>	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - CAFETERIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 800,000	\$ 800,000	\$ 736,924	\$ (63,076)
State sources				-
Local sources	41,100	41,100	37,347	(3,753)
Earnings on investments			14	14
Total revenues	\$ 841,100	\$ 841,100	\$ 774,285	\$ (66,815)
Expenditures:				
Current:				
Food services	\$ 1,074,062	\$ 1,074,062	\$ 707,319	\$ 366,743
Capital outlay				-
Total expenditures	\$ 1,074,062	\$ 1,074,062	\$ 707,319	\$ 366,743
Net change in fund balance	\$ (232,962)	\$ (232,962)	\$ 66,966	\$ 299,928
Fund balance, July 1, 2012	232,962	232,962	321,223	88,261
Fund balance, June 30, 2013	\$ -	\$ -	\$ 388,189	\$ 388,189
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 66,830	
Revenue accruals (net)			(49,513)	
Expenditure accruals (net)			49,649	
Net change in fund balance, NON-GAAP budgetary basis			\$ 66,966	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - ATHLETICS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 36,000	\$ 36,000	\$ 39,505	\$ 3,505
Expenditures:				
Current:				
Instruction	87,151	87,151	35,183	51,968
Net change in fund balance	\$ (51,151)	\$ (51,151)	\$ 4,322	\$ 55,473
Fund balance, July 1, 2012	51,151	51,151	51,090	(61)
Fund balance, June 30, 2013	\$ -	\$ -	\$ 55,412	\$ 55,412
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 4,474	
Revenue accruals (net)				
Expenditure accruals (net)			(152)	
Net change in fund balance, NON-GAAP budgetary basis			\$ 4,322	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - TITLE I
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 518,815	\$ 579,971	\$ 514,958	\$ (65,013)
Expenditures:				
Current:				
Instruction	\$ 423,696	\$ 460,724	\$ 412,184	\$ 48,540
Support services - Students	5,188	13,877	491	13,386
General administration	73,207	76,167	73,603	2,564
School administration	16,724	29,203	26,680	2,523
Central services				-
Total expenditures	\$ 518,815	\$ 579,971	\$ 512,958	\$ 67,013
Net change in fund balance	\$ -	\$ -	\$ 2,000	\$ 2,000
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ 2,000	\$ 2,000
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			424	
Expenditure accruals (net)			1,576	
Net change in fund balance, NON-GAAP budgetary basis			\$ 2,000	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - PRESCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 14,280	\$ 33,344	\$ 9,840	\$ (23,504)
Expenditures:				
Current:				
Instruction	\$ 9,554	\$ 12,154	\$ 5,181	\$ 6,973
Support services - Students	4,280	12,919	1,451	11,468
General administration	446	8,271	3,208	5,063
Total expenditures	<u>\$ 14,280</u>	<u>\$ 33,344</u>	<u>\$ 9,840</u>	<u>\$ 23,504</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	<u> </u>	<u> </u>	21,676	21,676
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,676</u>	<u>\$ 21,676</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(1,107)	
Expenditure accruals (net)			<u>1,107</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - SB-9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 167,171	\$ 167,171	\$ -
Local sources	383,535	383,535	325,360	(58,175)
Earnings on investments	<u>65</u>	<u>65</u>	<u>38</u>	<u>(27)</u>
Total revenues	<u>\$ 383,600</u>	<u>\$ 550,771</u>	<u>\$ 492,569</u>	<u>\$ (58,202)</u>
Expenditures:				
Current:				
Operation of plant	\$ 477,168	\$ 1,003,382	\$ 729,055	\$ 274,327
Administration	3,000	3,000	2,014	986
Capital outlay	<u>550,000</u>	<u>190,957</u>	<u>153,213</u>	<u>37,744</u>
Total expenditures	<u>\$ 1,030,168</u>	<u>\$ 1,197,339</u>	<u>\$ 884,282</u>	<u>\$ 313,057</u>
Net change in fund balance	\$ (646,568)	\$ (646,568)	\$ (391,713)	\$ 254,855
Fund balance, July 1, 2012	<u>646,568</u>	<u>646,568</u>	<u>602,859</u>	<u>(43,709)</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,146</u>	<u>\$ 211,146</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (289,066)	
Revenue accruals (net)			(1,390)	
Expenditure accruals (net)			<u>(101,257)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (391,713)</u>	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - ENGLISH LANGUAGE ACQUISITION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 9,286	\$ 13,179	\$ 10,320	\$ (2,859)
Expenditures:				
Current:				
Instruction	\$ 8,997	\$ 11,225	\$ 8,978	\$ 2,247
General administration	289	289	202	87
School administration	-	1,665	1,140	525
Total expenditures	\$ 9,286	\$ 13,179	\$ 10,320	\$ 2,859
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - TEACHER/PRINCIPAL TRAINING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 117,929	\$ 164,070	\$ 132,270	\$ (31,800)
Expenditures:				
Current:				
Instruction	\$ 113,160	\$ 141,836	\$ 118,937	\$ 22,899
Support services - Instruction				-
General administration	4,769	6,604	5,136	1,468
School administration	-	15,630	8,197	7,433
Total expenditures	\$ 117,929	\$ 164,070	\$ 132,270	\$ 31,800
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - NM READS TO LEAD K-3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 50,200	\$ 49,588	\$ (612)
Expenditures:				
Current:				
Instruction	\$ -	\$ 50,200	\$ 49,588	\$ 612
General administration				-
Total expenditures	\$ -	\$ 50,200	\$ 49,588	\$ 612
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - MEDICAID
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 125,696	\$ 125,696	\$ 110,695	\$ (15,001)
Expenditures:				
Current:				
Instruction	\$ 125,696	\$ 85,683	\$ 73,189	\$ 12,494
Other support services		40,013	40,013	-
Total expenditures	\$ 125,696	\$ 125,696	\$ 113,202	\$ 12,494
Net change in fund balance	\$ -	\$ -	\$ (2,507)	\$ (2,507)
Fund balance, July 1, 2012	-	-	44,217	44,217
Fund balance, June 30, 2013	\$ -	\$ -	\$ 41,710	\$ 41,710
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 603	
Revenue accruals (net)			(3,110)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (2,507)	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - GRADS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Expenditures:				
Current:				
Instruction	8,000	8,000	-	8,000
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	8,000	8,000
Fund balance, June 30, 2013	\$ -	\$ -	\$ 8,000	\$ 8,000
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - DUAL CREDIT INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 4,811	\$ 4,811	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ 4,811	\$ 4,811	\$ -
School administration	-	-	-	-
Total expenditures	\$ -	\$ 4,811	\$ 4,811	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - EVEN START FAMILY LITERACY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 6,280	\$ 6,280	\$ 3,771	\$ (2,509)
Expenditures:				
Current:				
Support services - Students	\$ 6,280	\$ 6,280	\$ 3,771	\$ 2,509
Capital outlay	-	-	-	-
Total expenditures	\$ 6,280	\$ 6,280	\$ 3,771	\$ 2,509
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - PRE K INITIATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 223,880	\$ 223,880	\$ 223,880	\$ -
Expenditures:				
Current:				
Instruction	\$ 173,880	\$ 173,880	\$ 173,880	\$ -
Transportation	50,000	50,000	50,000	-
Total expenditures	\$ 223,880	\$ 223,880	\$ 223,880	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - GOB PRE-K CLASSROOMS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 250,668	\$ 250,668	\$ 191,202	\$ (59,466)
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Capital outlay	250,668	250,668	191,202	59,466
Total expenditures	\$ 250,668	\$ 250,668	\$ 191,202	\$ 59,466
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - CHILD CARE BLOCK GRANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 279,584	\$ 279,584	\$ 79,750	\$ (199,834)
Expenditures:				
Current:				
Instruction	\$ -	\$ 50,479	\$ 50,474	\$ 5
Support services - Students	151,538	91,059	10,072	80,987
Operation of plant	90,000	100,000	1,595	98,405
Food services	38,046	38,046	34,929	3,117
Total expenditures	\$ 279,584	\$ 279,584	\$ 97,070	\$ 182,514
Net change in fund balance	\$ -	\$ -	\$ (17,320)	\$ (17,320)
Fund balance, July 1, 2012	-	-	208,989	208,989
Fund balance, June 30, 2013	\$ -	\$ -	\$ 191,669	\$ 191,669
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (17,320)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (17,320)	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - SCHOOL BASED HEALTH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 66,652	\$ 66,652	\$ -	\$ (66,652)
Expenditures:				
Current:				
Support services - Students	\$ 66,652	\$ 66,652	\$ -	\$ 66,652
Capital outlay				-
Total expenditures	\$ 66,652	\$ 66,652	\$ -	\$ 66,652
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	62,559	62,559
Fund balance, June 30, 2013	\$ -	\$ -	\$ 62,559	\$ 62,559
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Cobre Consolidated School District No. 2
SPECIAL REVENUE FUND - CHILD AND ADULT FOOD PROGRAM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 30,465	\$ 30,465	\$ 3,743	\$ (26,722)
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students	30,465	30,465	2,757	27,708
Total expenditures	\$ 30,465	\$ 30,465	\$ 2,757	\$ 27,708
Net change in fund balance	\$ -	\$ -	\$ 986	\$ 986
Fund balance, July 1, 2012	-	-	22,710	22,710
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,696</u>	<u>\$ 23,696</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			986	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 986</u>	

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

Cobre Consolidated School District No. 2
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 1,081,949	\$ 1,081,949	\$ 1,161,647	\$ 79,698
Expenditures:				
Current:				
Administration	\$ 7,149	\$ 7,542	\$ 7,542	\$ -
Principal	800,000	800,000	800,000	-
Interest	260,056	260,056	260,052	4
Debt service reserve	1,075,727	1,075,334		1,075,334
Total expenditures	\$ 2,142,932	\$ 2,142,932	\$ 1,067,594	\$ 1,075,338
Net change in fund balance	\$ (1,060,983)	\$ (1,060,983)	\$ 94,053	\$ 1,155,036
Fund balance, July 1, 2012	1,060,983	1,060,983	1,010,092	(50,891)
Fund balance, June 30, 2013	\$ -	\$ -	\$ 1,104,145	\$ 1,104,145
Budgetary reconciliation:				
Net change in fund balance, GAAP			\$ 104,447	
Revenue accruals (net)			-	
Expenditure accruals (net)			(10,394)	
Net change in fund balance, NON-GAAP budgetary basis			\$ 94,053	

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

Cobre Consolidated School District No. 2
DEBT SERVICE FUND - EDUCATION TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources			\$ 40,998	\$ 40,998
Expenditures:				
Current:				
Administration	\$ -	\$ 500	\$ 410	\$ 90
Principal	50,000	50,000	50,000	-
Interest	1,038	1,038	1,037	1
Debt service reserve	26,365	25,865		25,865
Total expenditures	\$ 77,403	\$ 77,403	\$ 51,447	\$ 25,956
Net change in fund balance	\$ (77,403)	\$ (77,403)	\$ (10,449)	\$ 66,954
Fund balance, July 1, 2012	77,403	77,403	1,187	(76,216)
Fund balance, June 30, 2013	\$ -	\$ -	\$ (9,262)	\$ (9,262)
Budgetary reconciliation:				
Net change in fund balance, GAAP			\$ (11,853)	
Revenue accruals (net)			1,404	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (10,449)	

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

Cobre Consolidated School District No. 2
CAPITAL PROJECTS FUND - BOND BUILDING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Earnings on investments	<u>581</u>	<u>581</u>	<u>663</u>	<u>82</u>
Total revenues	<u>\$ 581</u>	<u>\$ 581</u>	<u>\$ 663</u>	<u>\$ 82</u>
Expenditures:				
Current:				
Operation of plant	\$ -	\$ 6,451	\$ 6,451	\$ -
Bond issue costs				-
Capital outlay	<u>5,063,254</u>	<u>5,056,803</u>	<u>938,409</u>	<u>4,118,394</u>
Total expenditures	<u>\$ 5,063,254</u>	<u>\$ 5,063,254</u>	<u>\$ 944,860</u>	<u>\$ 4,118,394</u>
Revenues over (under) expenditures	\$ (5,062,673)	\$ (5,062,673)	\$ (944,197)	\$ 4,118,476
Other financing sources (uses):				
Bond proceeds			<u>-</u>	<u>-</u>
Net change in fund balance	\$ (5,062,673)	\$ (5,062,673)	\$ (944,197)	\$ 4,118,476
Fund balance, July 1, 2012	<u>5,062,673</u>	<u>5,062,673</u>	<u>4,153,664</u>	<u>-</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,209,467</u>	<u>\$ 3,209,467</u>
Net change in fund balance, GAAP			\$ (898,338)	
Revenue accruals (net)			<u>(45,859)</u>	
Expenditure accruals (net)			<u>(45,859)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (944,197)</u>	

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

Cobre Consolidated School District No. 2
CAPITAL PROJECTS FUND - SPECIAL CAPITAL OUTLAY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 28,965	\$ 28,965	\$ -
Expenditures:				
Capital outlay-construction	<u>-</u>	<u>28,965</u>	<u>28,965</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Cobre Consolidated School District No. 2
CAPITAL PROJECTS FUND - ENERGY EFFICIENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 48,893	\$ 48,893	\$ 48,893	\$ -
Expenditures:				
Capital outlay	75,417	75,417	46,068	29,349
Net change in fund balance	\$ (26,524)	\$ (26,524)	\$ 2,825	\$ 29,349
Fund balance, July 1, 2012	26,524	26,524	26,523	(1)
Fund balance, June 30, 2013	\$ -	\$ -	\$ 29,348	\$ 29,348
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 2,825	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 2,825	

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

Cobre Consolidated School District No. 2
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Receipts	Disburse- ments	Balance June 30, 2013
Assets				
Cash and investments:				
Cobre High School	\$ 78,674	\$ 220,703	\$ 187,478	\$ 111,899
Snell Middle School	31,482	69,196	62,696	37,982
Bayard Elementary	718	5,480	4,844	1,354
Central Elementary	11,688	14,711	14,605	11,794
Hurley Elementary	42	-	-	42
San Lorenzo Elementary	-	-	-	-
All Students	11,924	3,422	765	14,581
 Total assets	\$ 134,528	\$ 313,512	\$ 270,388	\$ 177,652
 Liabilities				
Deposits held for others:				
Cobre High School	\$ 78,674	\$ 220,703	\$ 187,478	\$ 111,899
Snell Middle School	31,482	69,196	62,696	37,982
Bayard Elementary	718	5,480	4,844	1,354
Central Elementary	11,688	14,711	14,605	11,794
Hurley Elementary	42	-	-	42
San Lorenzo Elementary	-	-	-	-
All Students	11,924	3,422	765	14,581
 Total liabilities	\$ 134,528	\$ 313,512	\$ 270,388	\$ 177,652

Cobre Consolidated School District No. 2
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2013

	Bank of America	Ambank	Total
Checking and CD's	\$ 1,744,590	\$ 6,824,797	\$ 8,569,387
Total on deposit	\$ 1,744,590	\$ 6,824,797	\$ 8,569,387
Less: FDIC insurance	(250,000)	(250,000)	(500,000)
Total uninsured public funds	\$ 1,494,590	\$ 6,574,797	\$ 8,069,387
50% collateralization requirement (Section 6-10-17 NMSA)	747,295	3,287,399	4,034,694
Pledged Securities:			
FNCL 3138LTJY5 5/1/42	\$ 3,547,969	\$ -	\$ 3,547,969
FHLB 3133796R5 10/30/17		889,866	889,866
Ruidoso, NM 781338HQ4 8/1/20		413,288	413,288
FNMA 3135G0KB8 4/16/19		1,013,765	1,013,765
FHLMC 3134G3HY9 7/17/19		1,012,745	1,012,745
Bernalillo, NM 085279PK7 8/1/19		53,895	53,895
Total pledged securities	\$ 3,547,969	\$ 3,383,559	\$ 6,931,528
Pledged securities over (under) requirement	\$ 2,800,674	\$ 96,161	\$ 2,896,835

Securities pledged by the Bank of Americare held by the Bank of America Trust Department in Charlotte, NC. Safekeeping receipts are held by the District.

Securities pledged by AmBank are held by the Federal Home Loan Bank in Dallas, TX.

Safekeeping receipts are held by the District.

Cobre Consolidated School District No. 2
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2013

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Bank of America</u>			
Operational	Checking	\$ 986,793	\$ 815,881
Cafeteria	Checking	371,683	356,396
Payroll Clearing	Checking	321	-
Federal Projects	Checking	<u>385,793</u>	<u>536,936</u>
 Total Bank of America		 <u>\$ 1,744,590</u>	 <u>\$ 1,709,213</u>
<u>Ambank</u>			
Operational	Checking	\$ 164,889	\$ 164,888
Cafeteria	Checking	31,793	31,793
Payroll	Checking	1,763,932	-
Debt Service	Checking	891,189	1,094,883
SB-9	Checking	102,249	156,661
Bond Building	Checking	3,267,001	3,209,467
Special Projects	Checking	129,108	129,108
Athletics	Checking	60,866	55,412
Activity	Checking	<u>413,770</u>	<u>376,111</u>
 Total Ambank		 <u>\$ 6,824,797</u>	 <u>\$ 5,218,323</u>
 Total cash and investments		 <u><u>\$ 8,569,387</u></u>	 <u><u>\$ 6,927,536</u></u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2013

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>
Total cash and investments as of July 1, 2012	\$ 1,678,256	\$ -	\$ 38,890	\$ 321,223	\$ 51,090
Add: Current year receipts	11,841,259	611,076	93,598	774,285	39,505
Less: Current year expenditures	<u>(12,538,746)</u>	<u>(611,076)</u>	<u>(86,901)</u>	<u>(707,319)</u>	<u>(35,183)</u>
Total cash and investments as of June 30, 2013	<u>\$ 980,769</u>	<u>\$ -</u>	<u>\$ 45,587</u>	<u>\$ 388,189</u>	<u>\$ 55,412</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2013

	<u>Agency</u>	<u>Federal Flowthrough</u>	<u>Federal Direct</u>	<u>State Flowthrough</u>
Total cash and investments as of July 1, 2012	\$ 331,208	\$ 206,991	\$ 283,916	\$ -
Add: Current year receipts	348,702	1,108,177	159,259	473,141
Less: Current year expenditures	<u>(303,800)</u>	<u>(1,106,177)</u>	<u>(178,100)</u>	<u>(473,141)</u>
Total cash and investments as of June 30, 2013	<u>\$ 376,110</u>	<u>\$ 208,991</u>	<u>\$ 265,075</u>	<u>\$ -</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2013

	<u>Local or State Fund</u>	<u>Bond Building</u>	<u>Special Capital Outlay State</u>	<u>SB-9</u>	<u>Energy Efficiency</u>
Total cash and investments as of July 1, 2012	\$ 62,559	\$ 4,153,664	\$ -	\$ 548,380	\$ 26,523
Add: Current year receipts		663	28,965	492,563	48,893
Less: Current year expenditures		<u>(944,860)</u>	<u>(28,965)</u>	<u>(884,282)</u>	<u>(46,068)</u>
Total cash and investments as of June 30, 2013	<u>\$ 62,559</u>	<u>\$ 3,209,467</u>	<u>\$ -</u>	<u>\$ 156,661</u>	<u>\$ 29,348</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2013

	<u>Ed Tech Equipment Act</u>	<u>PSCOC 20%</u>	<u>Debt Service</u>	<u>Ed Tech Debt Service</u>
Total cash and investments as of July 1, 2012	\$ -	\$ 54,480	\$ 1,010,092	\$ 1,187
Add: Current year receipts		5	1,161,647	40,998
Less: Current year expenditures			<u>(1,067,594)</u>	<u>(51,447)</u>
Total cash and investments as of June 30, 2013	<u>\$ -</u>	<u>\$ 54,485</u>	<u>\$ 1,104,145</u>	<u>\$ (9,262)</u>

Cobre Consolidated School District No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2013

	Total
Total cash and investments as of July 1, 2012	\$ 8,768,459
Add: Current year receipts	17,222,736
Less: Current year expenditures	(19,063,659)
Total cash and investments as of June 30, 2013	\$ 6,927,536

Cobre Consolidated School District No. 2
SCHEDULE OF JOINT POWERS AGREEMENT
 June 30, 2013

Participants	Cobre Consolidated School District No. 2 and the Southwest Regional Education Center # 10
Responsible parties	The District as well as the SW REC
Description	Participants agree to work together to establish and maintain cooperative programs of educational services under various federal and state authorizing statutes
Effective dates	To be renewed each fiscal year
Total estimated amount of project and amount applicable to District	Varies year to year and is based upon program awards
Amount District contributed in fiscal year	Based upon program awards
Audit responsibility	SW REC
Name of agency where revenues and expenditures are reported	SW REC
Participants	Cobre Consolidated School District No. 2 and SW REC
Beginning and ending dates	Until project is complete
Total cost and amount attributable to the District	Based upon program awards
Audit responsibility	Southwest Regional Education Center #10
Agency that is to account for activity	Southwest Regional Education Center #10

Cobre Consolidated School District #2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through N.M. Department of Education:			
Title I Grants to Lea's	84.010	24.101	\$ 513,382
Special Education-Grants to States	84.027	24.106	406,497
Special Education-Preschool Grants	84.173	24.109	8,733
Teacher Quality State Grants	84.367	24.154	132,270
English Language Acquisition Grants	84.365	24.153	<u>10,320</u>
Total U.S. Department of Education			<u>\$ 1,071,202</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Programs:			
Schools and Roads-Grants to States	10.665	N/A	\$ 109,340
Passed through N.M. Department of Education:			
National School Lunch Program	10.555	N/A	462,311
Child and Adult Food	10.558	N/A	2,757
School Breakfast Program	10.553	N/A	274,613
Fresh Fruits and Vegetables Program	10.582	24.118	34,929
Passed through N.M. Department of Human Svc's:			
Emergency Food Assistance Program	10.569	N/A	<u>49,513</u>
Total U.S. Department of Agriculture			<u>\$ 933,463</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through N.M. Dept. of Human Services:			
Child Care and Development	93.596	N/A	\$ 44,821
Medical Assistance Program	93.778	25.153	<u>113,805</u>
Total U.S. Department of Agriculture			<u>\$ 158,626</u>
Total expenditures of federal awards			<u><u>\$ 2,163,291</u></u>

See the accompanying notes to Schedule of Expenditures of Federal Awards.

Cobre Consolidated School District No. 2
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ending June 30, 2013

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cobre Consolidated School District No. 2, and is presented on the accrual basis of accounting. 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 basic financial statements.

Note 2 Emergency Food Assistance

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The District received \$49,513 in commodities during the 2012-2013 fiscal year.

Note 3 Insurance

The District had the following insurance coverage during the year ended June 30, 2013:

Worker's compensation	\$ 1,050,000
Property damage	500,000,000
Liability	10,000,000
Vehicle	1,000,000

Cobre Consolidated School District No. 2
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2013

Current
Year Status

Findings – Financial Statement Audit

None

Findings – Major Federal Award Programs

None

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LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Hector H. Balderas, State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, 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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Cobre Consolidated School District No. 2 as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Cobre Consolidated School district No. 2's basic financial statements, and the combining and individual fund financial statements and related budgetary comparisons of the District presented as other supplementary information, and have issued our report thereon dated October 2, 2013.

Internal Control Over financial Reporting

In planning and performing our audit of the financial statements, we considered Cobre Consolidated School District No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cobre Consolidated School District No. 2's internal control.

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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not

identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cobre Consolidated School District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as item 2013-1.

Cobre Consolidated School District No. 2's Responses to Findings

Cobre Consolidated School District No. 2's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co CPAs

Silver City, New Mexico
October 2, 2013

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, 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**

Hector H. Balderas, State Auditor
And
Board of Education
Cobre Consolidated School District No. 2
Bayard, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the Cobre Consolidated School District No. 2's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Cobre Consolidated School District No. 2's major federal programs for the year ended June 30, 2013. The Cobre Consolidated School District No. 2's 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 the Cobre Consolidated School District No. 2's 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 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cobre Consolidated School District No. 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Cobre Consolidated School District No. 2's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cobre Consolidated School District No. 2 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 the Cobre Consolidated School District No. 2 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 the Cobre Consolidated School District No. 2's 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 the Cobre Consolidated School District No. 2's internal control over compliance.

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

Stone, McGee & Co CPAs

Silver City, New Mexico
October 2, 2013

Stone, McGee & Co.
Certified Public Accountants

Cobre Consolidated School District No. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2013

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Cobre Consolidated School District No. 2.
2. No significant deficiencies relating to the audit of the financial statements are reported in the "Findings – Financial Statement Audit" section of this report.
3. No instances of noncompliance material to the financial statements of Cobre Consolidated School District No. 2, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for Cobre Consolidated School District No. 2 expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.
7. The programs tested as major programs included: The nutrition cluster, consisting of the National School Lunch Program, CFDA No. 10.555, and the School Breakfast Program, CFDA No. 10.553.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. Cobre Consolidated School District No. 2 was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2013-1 Contracting for Audit Services (Other)

Condition – The recommendation for audit services and the audit contract was submitted to the New Mexico State Auditor for his approval on May 31, 2013.

Criteria – Subsection G, paragraph 6 of 2.2.2.8 NMAC, 2013, commonly called the Audit Rule, requires school districts to submit the recommendation for audit services and the signed audit contract by May 1, 2013.

Effect – Lack of an audit contract could delay the audit process and jeopardize timely financial reporting by the entity. In addition, 2.2.2 NMAC regulations have been violated.

Cause – Management incorrectly thought that the District was under a multi-year contract, and that proposals for services were not required. In actuality, the multi-year contract had

expired, and the District was required to obtain new proposals for audit services. The additional time required to obtain and evaluate these proposals caused the submission of the audit contract to be late.

Recommendation – We recommend that the District comply with 2.2.2 NMAC submission deadlines when submitting future contracts.

Agency Response – This was an unusual situation, and in the future, the 2.2.2 NMAC deadlines will be met.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s.

EXIT CONFERENCE

The contents of this report were discussed in a closed session on September 23, 2013. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Ralph Sepulveda	Board President	Cobre Consolidated Schools
Frank Cordova	Board Vice-President	Cobre Consolidated Schools
Frances Kelly	Board Secretary	Cobre Consolidated Schools
Robert Montoya	Board Member	Cobre Consolidated Schools
Frank Gomez	Board Member	Cobre Consolidated Schools
Robert Mendoza	Superintendent	Cobre Consolidated Schools
Frank Ryan	Director of Finance	Cobre Consolidated Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPA's