

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS

AUDIT REPORT

For the Year Ended June 30, 2010
(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
Des Moines MUNICIPAL SCHOOLS
AUDIT REPORT
For The Year Ended June 30, 2010
(with Auditor's Report Thereon)

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
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STATE OF NEW MEXICO
Des Moines MUNICIPAL SCHOOLS
Official Roster
Year Ended June 30, 2010

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Damon Brown	President
Mr. Barry Hutton	Vice-President
Mr. Zach Osborn	Secretary
Mr. Alfred Newkirk	Member
Mr. Raymond Rivale	Member

School Officials

Mr. Barry Hittson	Acting/Interim Superintendent
Mr. Justin Sumpter	Business Manager

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Cafeteria, Title I, IDEA-B Entitlement, Title I Stimulus, NM Community Foundation, Technology for Education and School Based Health Center Funds of the Des Moines Municipal Schools, as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Schools' non-major governmental funds and the budgetary comparisons for the major capital project funds and debt service funds and all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the Des Moines Municipal Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Des Moines Municipal Schools internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Des Moines Municipal Schools, as of June 30, 2010, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General, Cafeteria, Title I, IDEA-B Entitlement, Title I Stimulus, NM Community Foundation, Technology for Education and School Based Health Center Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of Des Moines Municipal Schools, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the Bond Building, Special Capital Outlay State, Capital Improvements SB-9, Educational Technology Equipment Act, Debt Service and Educational Technology Debt Service Funds and the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2013 on our consideration of Des Moines Municipal Schools internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Des Moines Municipal Schools. The accompanying financial information listed as Schedule of Cash Receipts and Disbursements and Schedule of Changes in Assets and Liabilities - All Agency Funds are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



Albuquerque, New Mexico
October 3, 2013

FINANCIAL STATEMENTS

DES MOINES MUNICIPAL SCHOOLS
Statement of Net Assets
June 30, 2010

Statement 1

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 529,596
Taxes receivable	85,180
Due from grantor	73,850
Inventory	<u>708</u>
Total current assets	<u>689,334</u>
Non-current assets	
Capital assets	7,024,425
Less accumulated depreciation	<u>(2,484,752)</u>
Total non-current assets	<u>4,539,673</u>
Total assets	<u>5,229,007</u>
LIABILITIES	
Current liabilities	
Due to other funds	26,322
Deferred revenues	105,776
Accounts payable	-
Accrued interest	8,005
Current portion of long-term obligations	<u>115,000</u>
Total current liabilities	<u>255,103</u>
Long-term obligations	
Non-current portion of long-term obligations	160,000
Compensated absences	<u>27,719</u>
Total long-term obligations	<u>187,719</u>
Total liabilities	<u>442,822</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,264,673
Restricted for	
Cafeteria fund (inventory)	708
Capital projects	178,415
Debt service	187,423
Special grants	122,690
Unrestricted	<u>32,276</u>
Total net assets	<u>\$ 4,786,185</u>

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

STATE OF NEW MEXICO
DES HOINES MUNICIPAL SCHOOLS
Statement of Activities
Year Ended June 30, 2010

Statement 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expenses) Revenue and Changes Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENSES:					
Governmental activities:					
Direct instruction	\$ 982,233	\$ 37,702	\$ 63,977	\$ -	\$ (880,554)
Instructional support	1,065,208	-	282,391	-	(782,817)
Food services	75,135	12,384	35,853	-	(26,835)
Depreciation - unallocated	191,521	-	-	-	(191,521)
Interest on long-term obligations	18,730	-	-	-	(18,730)
	<u>2,332,927</u>	<u>50,086</u>	<u>302,221</u>	<u>-</u>	<u>(1,900,620)</u>
Total governmental activities					
General revenues:					
Taxes					
Property taxes, levied for general purposes					10,723
Property taxes, levied for capital projects					47,586
Property taxes, levied for debt service					226,156
Federal and State aid not restricted to specific purpose					
General					1,393,198
Federal SEG - Stimulus					102,520
Interest and investment earnings					<u>7,847</u>
Sub-total, general revenues					<u>1,790,132</u>
Change in net assets					(110,488)
Net assets - beginning of year					<u>4,894,872</u>
Restatement					1,501
Net assets - beginning of year (restated)					<u>4,896,673</u>
Net assets - end of year					<u>\$ 4,786,185</u>

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Balance Sheet - All Governmental Funds
June 30, 2010

	General	Cafeteria	Title I	IDEA-B Entitlement	Title I - Stimulus	NM Community Foundation	Technology for Education	School Based Health Center
ASSETS								
Cash on deposit	\$ 147,130	\$ 23,278	\$ -	\$ -	\$ -	\$ 28,177	\$ 14,756	\$ 47,148
Accounts receivable, collectible	3,279	1,072	-	-	-	-	-	-
Due from grantor	-	-	30,477	16,331	10,633	-	-	-
Inventory, at cost	-	708	-	-	-	-	-	-
Total assets	\$ 150,409	\$ 25,058	\$ 30,477	\$ 16,331	\$ 10,633	\$ 28,177	\$ 14,756	\$ 47,148
LIABILITIES								
Cash overdraft	\$ -	\$ -	\$ 30,477	\$ 16,331	\$ 10,633	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	28,177	14,756	47,148
Total liabilities	\$ -	\$ -	\$ 30,477	\$ 16,331	\$ 10,633	\$ 28,177	\$ 14,756	\$ 47,148
FUND BALANCE								
Reserved for inventory	-	708	-	-	-	-	-	-
Reserved for retirement of long-term debt	-	-	-	-	-	-	-	-
Unreserved:								
Designated for subsequent years expenditures	-	-	-	-	-	-	-	-
Undesignated, reported in:								
General Fund	150,409	-	-	-	-	-	-	-
Special Revenue Funds	-	24,350	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	-
Total fund balance	\$ 150,409	\$ 25,058	\$ 30,477	\$ 16,331	\$ 10,633	\$ 28,177	\$ 14,756	\$ 47,148
Total liabilities and fund balance	\$ 150,409	\$ 25,058	\$ 30,477	\$ 16,331	\$ 10,633	\$ 28,177	\$ 14,756	\$ 47,148

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Balance Sheet - All Governmental Funds
June 30, 2010

	Bond Building	Special Capital Outlay - State	Capital Improvements SB-9	Educational Technology Equipment Act	Debt Service	Educational Technology Debt Service	Other Governmental	Total
ASSETS								
Cash on deposit	\$ 72,178	-	\$ 18,303	\$ 100,442	\$ 58,884	\$ 69,529	\$ 7,212	\$ 587,037
Accounts receivable, collectible	-	-	13,814	-	40,330	26,685	-	85,180
Due from grantor	-	-	-	-	-	-	16,409	73,850
Inventory, at cost	-	-	-	-	-	-	-	708
Total assets	\$ 72,178	\$ -	\$ 32,117	\$ 100,442	\$ 99,214	\$ 96,214	\$ 23,621	\$ 746,775
LIABILITIES								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,441
Accounts payable	-	-	-	-	-	-	-	-
Interest payable	-	-	-	-	6,561	1,444	-	8,005
Due to other funds	-	26,322	-	-	-	-	-	26,322
Deferred revenues	-	-	-	-	-	-	15,695	105,776
Total liabilities	-	26,322	-	-	6,561	1,444	15,695	197,544
FUND BALANCE								
Reserved for inventory	-	-	-	-	-	-	-	708
Reserved for retirement of long-term debt	-	-	-	-	92,653	94,770	-	187,423
Unreserved:								
Designated for subsequent years expenditures	-	-	-	-	-	-	-	-
Undesignated, reported in:								
General Fund	-	-	-	-	-	-	-	150,409
Special Revenue Funds	-	-	-	-	-	-	7,926	32,276
Capital Projects Fund	72,178	(26,322)	32,117	100,442	-	-	-	178,415
Total fund balance	72,178	(26,322)	32,117	100,442	92,653	94,770	7,926	549,231
Total liabilities and fund balance	\$ 72,178	\$ -	\$ 32,117	\$ 100,442	\$ 99,214	\$ 96,214	\$ 23,621	\$ 746,775

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2010

Statement 4

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

Total fund balances - governmental funds		\$ 549,231
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		
The cost of capital assets	7,024,425	
Accumulated depreciation	<u>(2,484,752)</u>	
		4,539,673
Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:		
Bonds payable	(275,000)	
Compensated absences	<u>(27,719)</u>	
		<u>(302,719)</u>
Total net assets - governmental funds		<u>\$ 4,786,185</u>

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues, Expenditures and Changes
in Fund Balances - All Governmental Fund
Year Ended June 30, 2010

	General	Cafeteria	Title I	IDEA-B Entitlement	Title I - Stimulus	NM Community Foundation	Technology for Education	School Based Health Center
REVENUES								
Property taxes	\$ 10,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	12,384	-	-	-	-	-	-
Local sources	5,990	-	-	-	-	2,539	-	59,121
State sources	1,603,755	-	-	-	-	-	770	-
Federal sources	-	34,853	27,849	17,109	10,633	-	-	-
Earnings from investments	1,811	-	-	-	-	-	-	-
Total revenues	1,622,279	47,237	27,849	17,109	10,633	2,539	770	59,121
EXPENDITURES								
Current:								
Direct instruction	759,626	-	27,849	17,109	10,633	-	770	-
Instructional support	839,624	-	-	-	-	2,539	-	59,121
Food services	41,619	32,516	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	1,640,869	32,516	27,849	17,109	10,633	2,539	770	59,121
Net change in fund balance	(18,590)	14,721	-	-	-	-	-	-
Fund balance beginning of year	168,999	10,337	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-	-	-
Fund balance beginning of year - restated	168,999	10,337	-	-	-	-	-	-
Fund balance end of year	\$ 150,409	\$ 25,058	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues, Expenditures and Changes
in Fund Balances - All Governmental Fund
Year Ended June 30, 2010

	Bond Building	Special Capital Outlay - State	Capital Improvements SB-9	Educational Technology Equipment Act	Debt Service	Educational Technology Debt	Other Governmental	Total
REVENUES								
Property taxes	\$ -	\$ -	\$ 47,696	\$ -	\$ 137,017	\$ 91,141	\$ -	\$ 286,567
Charges for services							37,702	50,086
Local sources	911	-	-	-	-	-	-	68,561
State sources							1,362	1,605,887
Federal sources							113,047	203,491
Earnings from investments	1,453		200	2,275	2,108			7,847
Total revenues	2,364		47,886	2,275	139,125	91,141	152,111	2,222,439
EXPENDITURES								
Current:								
Direct instruction							138,527	954,514
Instructional support	19,832		34,719	45,386	2,337	3,362	10,448	1,017,368
Food services							1,000	75,135
Capital outlay								
Debt service:								
Bonds					115,000	70,000		185,000
Interest					15,361	3,369		18,730
Total expenditures	19,832		34,719	45,386	132,698	76,731	149,975	2,250,747
Net change in fund balance	(17,468)		13,167	(43,111)	6,427	14,410	2,136	(28,308)
Fund balance beginning of year	89,646	(26,322)	18,950	143,553	84,425	80,360	5,790	575,738
Prior period adjustment					1,801			1,801
Fund balance beginning of year - restated	89,646	(26,322)	18,950	143,553	86,225	80,360	5,790	577,539
Fund balance end of year	\$ 72,178	\$ (26,322)	\$ 32,117	\$ 100,442	\$ 92,653	\$ 94,770	\$ 7,926	\$ 549,231

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010

Statement 6

Total net change in fund balances - governmental funds \$ (28,308)

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

Capital outlays to purchase or build capital
assets are reported in governmental funds as
expenditures. However, for governmental
activities those costs are shown in the statement
of net assets and allocated over their estimated
useful lives as annual depreciation expenses in the
statement of activities. This is the amount by which
depreciation exceeds capital outlays in the period.

Depreciation expense	(191,621)	
Capital outlays		<u> </u>
Excess of capital outlay over depreciation expense		(191,621)

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

Compensated absences	(27,719)
----------------------	----------

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

Bond issue costs	(47,840)
Repayment of long-term debt	<u>185,000</u>

Change in net assets of governmental activities	<u>\$ (110,488)</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 10,292	\$ 10,292	\$ 7,496	\$ (2,796)
Charges for services	-	-	-	-
Local sources	16,500	16,500	5,990	(10,510)
State sources	1,747,197	1,747,197	1,603,755	(143,442)
Federal sources	-	-	-	-
Earnings from investments	2,000	2,000	1,811	(189)
Total revenues	<u>\$ 1,775,989</u>	<u>\$ 1,775,989</u>	<u>\$ 1,619,052</u>	<u>\$ (156,937)</u>
EXPENDITURES				
Direct instruction	\$ 828,896	\$ 828,896	\$ 759,626	\$ 69,270
Instructional support	924,979	924,979	853,887	71,092
Food services	39,181	39,181	41,619	(2,438)
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 1,793,056</u>	<u>\$ 1,793,056</u>	<u>\$ 1,655,132</u>	<u>\$ 137,924</u>
BUDGETED CASH BALANCE	<u>\$ 17,067</u>	<u>\$ 17,067</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Cafeteria Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	11,300	11,300	11,313	13
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	15,000	15,000	34,853	19,853
Earnings from investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 26,300</u>	<u>\$ 26,300</u>	<u>\$ 46,166</u>	<u>\$ 19,866</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	-	-	-	-
Food services	38,415	38,415	33,206	5,209
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 38,415</u>	<u>\$ 38,415</u>	<u>\$ 33,206</u>	<u>\$ 5,209</u>
BUDGETED CASH BALANCE	<u>\$ 12,115</u>	<u>\$ 12,115</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Title I Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 44,141	\$ 44,141	\$ 37,372	\$ (6,769)
Total revenues	<u>\$ 44,141</u>	<u>\$ 44,141</u>	<u>\$ 37,372</u>	<u>\$ (6,769)</u>
EXPENDITURES				
Direct instruction	\$ 44,141	\$ 44,141	\$ 27,849	\$ 16,292
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 44,141</u>	<u>\$ 44,141</u>	<u>\$ 27,849</u>	<u>\$ 16,292</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
IDEA-B Entitlement Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 17,820	\$ 17,820	\$ 10,656	\$ (7,164)
Total revenues	<u>\$ 17,820</u>	<u>\$ 17,820</u>	<u>\$ 10,656</u>	<u>\$ (7,164)</u>
EXPENDITURES				
Direct instruction	\$ 17,820	\$ 17,820	\$ 17,109	\$ 711
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 17,820</u>	<u>\$ 17,820</u>	<u>\$ 17,109</u>	<u>\$ 711</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Title I - Stimulus Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 9,767	\$ 9,767	\$ -	\$ (9,767)
Total revenues	<u>\$ 9,767</u>	<u>\$ 9,767</u>	<u>\$ -</u>	<u>\$ (9,767)</u>
EXPENDITURES				
Direct instruction	\$ 9,767	\$ 9,767	\$ 10,633	\$ (866)
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 9,767</u>	<u>\$ 9,767</u>	<u>\$ 10,633</u>	<u>\$ (866)</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
NM Community Foundation Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	13,000	13,000	2,539	10,461
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 13,000</u>	<u>\$ 13,000</u>	<u>\$ 2,539</u>	<u>\$ 10,461</u>
BUDGETED CASH BALANCE	<u>\$ 13,000</u>	<u>\$ 13,000</u>		

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Technology for Education Fund
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 3,750	\$ 3,750	\$ 4,657	\$ 907
Total revenues	<u>\$ 3,750</u>	<u>\$ 3,750</u>	<u>\$ 4,657</u>	<u>\$ 907</u>
EXPENDITURES				
Direct instruction	\$ 3,750	\$ 3,750	\$ 770	\$ 2,980
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 3,750</u>	<u>\$ 3,750</u>	<u>\$ 770</u>	<u>\$ 2,980</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
School Based Health Center Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 60,000	\$ 60,000	\$ 61,756	\$ 1,756
Total revenues	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 61,756</u>	<u>\$ 1,756</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	81,500	81,500	59,121	22,379
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 81,500</u>	<u>\$ 81,500</u>	<u>\$ 59,121</u>	<u>\$ 22,379</u>
BUDGETED CASH BALANCE	<u>\$ 21,500</u>	<u>\$ 21,500</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Fiduciary
Assets and Liabilities - Agency Funds
June 30, 2010

ASSETS	
Cash	\$ <u>77,514</u>
Total Assets	<u>\$ 77,514</u>
LIABILITIES	
Deposits held for others	\$ <u>77,514</u>
Total Liabilities	<u>\$ 77,514</u>

The accompanying notes are an integral part of these financial state

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The District implemented the provisions of GASB #'s 34, 37 and 38 effective July 1, 2000. As part of Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

A. Reporting Entity

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

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

Notes to Financial Statements (continued)

own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

B. Basis of Presentation

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

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

Governmental Funds

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

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

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

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

Special Revenue Fund - IDEA-B Entitlement - To account for resources received for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority for this program are the American Recovery and Reinvestment Act.

Notes to Financial Statements (continued)

Special Revenue Fund - Title I Stimulus - To account for funds received from the Federal Government to supplement State and Local funding to help low-achieving children, especially in high-poverty schools. The program finances the additional academic support and learning opportunities that are often required to help disadvantaged students progress along with their classmates. Financing and authority for this program are the American Recovery and Reinvestment Act.

Special Revenue Fund - NM Community Foundation - To account for monies provided by the Atlantic Philanthropies to fund the New Mexico Integrated Services in School Initiative, which is designed to enable middle school students to succeed in school and their communities.

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

Special Revenue Fund - School Based Health Center - To account for resources provided by the State for the purpose of providing a health center on campus for students.

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

Capital Projects Fund - Special Capital Outlay State - To account for resources received for the construction of improvements to School property funded by a special legislative appropriation from the State of New Mexico.

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

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

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

Debt Service Fund - Educational Technology Bonds - To account for resources received for the purpose of paying technology bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

Notes to Financial Statements (continued)

Agency Funds - account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School Activity Fund - Accounts for assets held by the District as an agent for the individual schools and school organizations.

The District also reports additional Governmental Funds as non-major. They include:

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

All governmental funds for the School District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of Indirect Expenses

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

Fund Financial Statements (FFS)

Governmental Funds

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

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

REVENUES

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

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

Sales and use taxes (which include oil/gas taxes and equipment taxes) are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available.

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

Notes to Financial Statements (continued)

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

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

Fiduciary Funds

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

D. Budgets and Budgetary Accounting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.

Notes to Financial Statements (continued)

3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Des Moines Municipal Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

E. Encumbrances

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

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

Notes to Financial Statements (continued)

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

2. Investments

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

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

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

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

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool.

3. Accounts Receivable

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

Notes to Financial Statements (continued)

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 3,279	\$ 80,829	\$ -	\$ 84,108
Local sources	-	1,072	-	1,072
Intergovernmental	-	-	-	-
	<u>\$ 3,279</u>	<u>\$ 81,901</u>	<u>\$ -</u>	<u>\$ 85,180</u>

4. Inventories

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Land improvements	50 years
Buildings & building improvements	20 to 50 years
Furniture & equipment	10 years
Auto/Vehicle	10 years

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

Notes to Financial Statements (continued)

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

6. Deferred Revenues

The District reports deferred revenues on its Statement of Net Assets and fund balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

7. Compensated Absences

All 12-month or full time employees earn vacation and sick leave in amounts varying with tenure and classification. Employees cannot accumulate more than 20 days of vacation leave. Upon retirement, unused vacation leave up to 20 days is paid to employees. No reimbursement or accrual is made for unused sick leave.

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

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

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

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

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

8. Fund Balances of Fund Financial Statements

Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The District designates the portion of the year-end fund balance, not otherwise designated or reserved, for subsequent years' expenditures. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

9. Restricted Net Assets

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

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

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

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

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

10. Interfund Transactions

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

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

11. Estimates

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

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

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

NMFA	Checking	<u>\$ -</u>
Farmers & Stockmens Bank	Checking	\$ 648,385
Farmers & Stockmens Bank	Checking	-
Farmers & Stockmens Bank	Checking	23,636
Farmers & Stockmens Bank	Certificate of Deposit	29,017
Farmers & Stockmens Bank	Certificate of Deposit	23,002
Farmers & Stockmens Bank	Certificate of Deposit	<u>3,363</u>
		<u>\$ 727,403</u>
Total amount on deposit		\$ 727,403
Outstanding checks		<u>(120,293)</u>
Total per financial statements		<u>\$ 607,110</u>

At June 30, 2010, the carrying amount of the School Districts deposits was \$607,110 and the bank balance was \$729,204. Of this balance \$305,381 was covered by federal depository insurance and \$422,022 was covered by collateral. The remaining \$0 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30, 2010	\$ 727,403
Less F.D.I.C.	<u>(305,381)</u>
Uninsured Funds	422,022
50% Collateral Requirement	211,011
Pledged Collateral	<u>830,400</u>
Excess of Pledged Collateral	<u>\$ 619,389</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2010, \$422,022 of the School's bank balance of \$727,403 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ -
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>422,022</u>
Total	<u>\$ 422,022</u>

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Notes to Financial Statements (continued)

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>Wells Fargo Northwest, NA</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FFCB #31331X2Q4	09-04-13	<u>\$ 830,400</u>

As of June 30, 2010, the School District had the following cash and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking accounts	<u>\$ 727,403</u>	Less than 6 months

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

The amount held at the New Mexico Finance Authority totaling \$1,801 is collateralized within the NMFA guidelines. This information is not available by individual Agency but the financial statements for the NMFA are available by writing to the New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2010 are as follows:

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
Governmental activities:				
Land	\$ 1,000	\$ -	\$ -	1,000
Total not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Land improvements	449,457	-	-	449,457
Buildings & building improvements	5,666,511	-	-	5,666,511
Vehicles	213,229	-	-	213,229
Equipment	537,212	-	-	537,212
Furniture & fixtures	157,016	-	-	157,016
Total	<u>7,023,425</u>	<u>-</u>	<u>-</u>	<u>7,023,425</u>
Less accumulated depreciation:				
Land improvements	101,073	20,651	-	121,724
Buildings & building improvements	1,448,713	136,134	-	1,584,847
Vehicles	155,669	11,951	-	167,620
Equipment	493,196	16,722	-	509,918
Furniture & fixtures	94,480	6,163	-	100,643
Total	<u>2,293,131</u>	<u>191,621</u>	<u>-</u>	<u>2,484,752</u>
Governmental activities				
Capital assets, net	<u>\$ 4,731,294</u>	<u>\$ 191,621</u>	<u>\$ -</u>	<u>\$ 4,539,673</u>

Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

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

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
General Obligation Bonds	\$ 460,000	\$ -	\$ 185,000	\$ 275,000	\$ 115,000
Compensated Absences	-	27,719	-	27,719	-
Total	\$ 460,000	\$ 27,719	\$ 185,000	\$ 302,719	\$ 115,000

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

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

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

General obligation bonds payable, June 30, 2009	\$ 460,000
Bonds paid	(185,000)
Bonds issued	-
	<u> </u>
General obligation bonds payable, June 30, 2010	<u>\$ 275,000</u>

The details of the bond issues and the remaining retirement schedule are summarized below. The bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to school buildings and improving school grounds. For the purpose of providing the necessary funds to meet the interest and principal as they become due, there is annually assessed, levied, and collected a tax upon all of the taxable property within the school district.

<u>Series</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
2006	08-01-06	\$ 260,000	4.00% - 4.125%	\$ 70,000
2003	04-15-03	\$ 200,000	2.85% - 4.35%	105,000
2004	08-20-04	\$ 175,000	3.00% - 3.00%	<u>100,000</u>
				<u>\$ 275,000</u>

Notes to Financial Statements (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 115,000	\$ 8,005	\$ 123,005
2012	45,000	4,974	49,974
2013	45,000	3,336	48,336
2014	50,000	1,553	51,553
2015	20,000	300	20,300
	<u>\$ 275,000</u>	<u>\$ 18,168</u>	<u>\$ 293,168</u>

B. Operating Leases

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

C. Short-Term Liabilities

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

5. REVENUES

A. Property Tax Levies

The School District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund and SB-9 Capital Improvement Fund. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after 30 days. Taxes on real property are liens on the property on January 1 of the year for which the taxes are imposed.

B. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$1,393,198 in state equalization guarantee distributions during the year ended June 30, 2010.

C. Transportation Distribution

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

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

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

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

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

The District received \$203,382 in transportation distribution during the year ended June 30, 2010.

D. SB-9 State Match

The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District received \$0 in state SB-9 matching during the year ended June 30, 2010.

E. Public School Capital Outlay

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

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

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

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

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

During the year ended June 30, 2010, the District received \$0 in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2010, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, 2010, the District received \$7,175 in instructional materials allocation.

Notes to Financial Statements (continued)

G. Federal Grants

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

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

6. DEFERRED REVENUE

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

7. CASH OVERDRAFTS

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

8. HIGH PLAINS REGIONAL EDUCATIONAL COOPERATIVE #3

The School District is a member of the High Plains Regional Educational Cooperative #3. The High Plains Regional Educational Cooperative #3 issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that audit report can be obtained by writing to the High Plains Regional Educational Cooperative #3, 144 South First Street, Raton, New Mexico, 87740.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Cafeteria</u>	<u>Title I</u>	<u>IDEA-B Entitlement</u>
Revenues per modified accrual basis	\$ 1,622,279	\$ 47,237	\$ 27,849	\$ 17,109
Receivables	(3,227)	(1,071)	-	-
Deferred revenues/Due from grantor	-	-	9,523	(6,453)
	<u>\$ 1,619,052</u>	<u>\$ 46,166</u>	<u>\$ 37,372</u>	<u>\$ 10,656</u>
Revenues per budgetary basis				
Expenditures per modified accrual basis	\$ 1,640,869	\$ 32,516	\$ 27,849	\$ 17,109
Inventory changes	-	690	-	-
Accounts payable	14,263	-	-	-
County collection costs	-	-	-	-
Interest payable	-	-	-	-
	<u>\$ 1,655,132</u>	<u>\$ 33,206</u>	<u>\$ 27,849</u>	<u>\$ 17,109</u>
Expenditures per budgetary basis				

Notes to Financial Statements (continued)

	<u>Title I Stimulus</u>	<u>NM Community Foundation</u>	<u>Technology for Education</u>	<u>School Based Health Center</u>
Revenues per modified accrual basis	\$ 10,633	\$ 2,539	\$ 770	\$ 59,121
Receivables	-	-	-	-
Deferred revenues/Due from grantor	(10,633)	(2,539)	3,887	2,635
Revenues per budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,657</u>	<u>\$ 61,756</u>
Expenditures per modified accrual basis	\$ 10,633	\$ 2,539	\$ 770	\$ 59,121
Inventory changes	-	-	-	-
Accounts payable	-	-	-	-
County collection costs	-	-	-	-
Interest payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 10,633</u>	<u>\$ 2,539</u>	<u>\$ 770</u>	<u>\$ 59,121</u>

	<u>Bond Building</u>	<u>Special Capital Outlay State</u>	<u>Capital Improvements SB-9</u>	<u>Educational Technology Equipment Act</u>
Revenues per modified accrual basis	\$ 2,364	\$ -	\$ 47,886	\$ 2,275
Receivables	-	-	(13,651)	-
Deferred revenues/Due from grantor	-	-	-	-
Revenues per budgetary basis	<u>\$ 2,364</u>	<u>\$ -</u>	<u>\$ 34,235</u>	<u>\$ 2,275</u>
Expenditures per modified accrual basis	\$ 19,832	\$ -	\$ 34,719	\$ 45,386
Inventory changes	-	-	-	-
Accounts payable	-	-	-	12,771
County collection costs	3,135	-	(138)	-
Interest payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 22,967</u>	<u>\$ -</u>	<u>\$ 34,581</u>	<u>\$ 58,157</u>

	<u>Debt Service</u>	<u>Educational Technology Debt Service</u>	<u>Non-Major Special Revenue</u>
Revenues per modified accrual basis	\$ 139,125	\$ 91,141	\$ 152,111
Receivables	(40,203)	(26,467)	-
Deferred revenues/Due from grantor	-	-	(3,263)
Revenues per budgetary basis	<u>\$ 98,922</u>	<u>\$ 64,674</u>	<u>\$ 148,848</u>
Expenditures per modified accrual basis	\$ 132,698	\$ 76,731	\$ 149,975
Inventory changes	-	-	-
Accounts payable	-	-	-
County collection costs	(403)	(268)	-
Interest payable	(3,764)	962	-
Expenditures per budgetary basis	<u>\$ 128,531</u>	<u>\$ 77,425</u>	<u>\$ 149,975</u>

10. INSURANCE COVERAGE

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

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

11. RISK MANAGEMENT

The school 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. The school carries insurance for all risks listed above.

12. RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 7.825% of their gross salary. Des Moines Municipal School District is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Des Moines Municipal School District are established in State statute under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Des Moines Municipal School District's contributions to ERB for the years ending June 30, 2010, 2009, and 2008 were \$117,663, \$112,626 and \$116,443, respectively, which equal to the amount of the required contributions for each fiscal year.

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

Plan Description. Des Moines Municipal School District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established

by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65 of their salary. Employers joining the program after 01/01/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

Des Moines Municipal School District's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$11,599, \$11,046 and \$14,062, respectively, which equal the required contributions for each year.

14. BUDGET VIOLATIONS

The following funds had budget overruns:

Title I - Stimulus	\$	866
Debt Service	\$	668
Educational Technology		
Debt Service	\$	2,322
Improving Teacher Quality	\$	441
Athletics	\$	16,937
Teacherage	\$	1,006
Transportation	\$	2,394
Instructional Materials	\$	2,547
General Fund	\$	2,438

15. RESTATEMENT - FUND BALANCE/STATEMENT OF ACTIVITIES

The fund balance and net assets were restated at the beginning of the year for \$1,801 in cash not previously reported. This amount was cash held at NMFA that had not yet been spent on its original purpose.

16. CONCENTRATIONS

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

OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Bond Building Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 911	\$ 911
Earnings on investments	<u>5,500</u>	<u>5,500</u>	<u>1,453</u>	<u>(4,047)</u>
Total revenues	<u>\$ 5,500</u>	<u>\$ 5,500</u>	<u>\$ 2,364</u>	<u>\$ (3,136)</u>
EXPENDITURES				
Capital outlay	<u>\$ 114,884</u>	<u>\$ 114,884</u>	<u>\$ 22,967</u>	<u>\$ 91,917</u>
Total expenditures	<u>\$ 114,884</u>	<u>\$ 114,884</u>	<u>\$ 22,967</u>	<u>\$ 91,917</u>
BUDGETED CASH BALANCE	<u>\$ 109,384</u>	<u>\$ 109,384</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Special Capital Outlay - State Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Capital Improvements - SB-9 Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 45,431	\$ 45,431	\$ 34,035	\$ (11,396)
State sources	26,016	26,016	-	(26,016)
Earnings from investments	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>
Total revenues	<u>\$ 71,447</u>	<u>\$ 71,447</u>	<u>\$ 34,235</u>	<u>\$ (37,212)</u>
EXPENDITURES				
Capital outlay	<u>\$ 71,447</u>	<u>\$ 71,447</u>	<u>\$ 34,581</u>	<u>\$ 36,866</u>
Total expenditures	<u>\$ 71,447</u>	<u>\$ 71,447</u>	<u>\$ 34,581</u>	<u>\$ 36,866</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Educational Technology Equipment Act
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 5,000	\$ 5,000	\$ 2,275	\$ (2,725)
Total revenues	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 2,275</u>	<u>\$ (2,725)</u>
EXPENDITURES				
Capital outlay	\$ 175,990	\$ 175,990	\$ 58,157	\$ 117,833
Total expenditures	<u>\$ 175,990</u>	<u>\$ 175,990</u>	<u>\$ 58,157</u>	<u>\$ 117,833</u>
BUDGETED CASH BALANCE	<u>\$ 170,990</u>	<u>\$ 170,990</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
Debt Service Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 126,600	\$ 126,600	\$ 96,814	\$ (29,786)
Earnings from investments	<u>1,100</u>	<u>1,100</u>	<u>2,108</u>	<u>1,008</u>
Total revenues	<u>\$ 127,700</u>	<u>\$ 127,700</u>	<u>\$ 98,922</u>	<u>\$ (28,778)</u>
EXPENDITURES				
Instructional support	\$ 1,266	\$ 1,266	\$ 1,934	\$ (668)
Bonds paid	298,613	298,613	115,000	183,613
Coupons paid	<u>11,600</u>	<u>11,600</u>	<u>11,597</u>	<u>3</u>
Total expenditures	<u>\$ 311,479</u>	<u>\$ 311,479</u>	<u>\$ 128,531</u>	<u>\$ 182,948</u>
BUDGETED CASH BALANCE	<u>\$ 183,779</u>	<u>\$ 183,779</u>		

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Educational Technology Debt Service Fund
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 74,332	\$ 74,332	\$ 64,674	\$ (9,658)
Earnings from investments	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 74,332</u>	<u>\$ 74,332</u>	<u>\$ 64,674</u>	<u>\$ (9,658)</u>
EXPENDITURES				
Instructional support	\$ 772	\$ 772	\$ 3,094	\$ (2,322)
Bonds paid	70,000	70,000	70,000	-
Coupons paid	<u>4,331</u>	<u>4,331</u>	<u>4,331</u>	<u>-</u>
Total expenditures	<u>\$ 75,103</u>	<u>\$ 75,103</u>	<u>\$ 77,425</u>	<u>\$ (2,322)</u>
BUDGETED CASH BALANCE	<u>\$ 78,274</u>	<u>\$ 78,274</u>		

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

NON-MAJOR GOVERNMENTAL FUNDS

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

TITLE V - To account for resources received to assist State and Local educational agencies in the reform of elementary and secondary education. Financing and authority is provided by the Elementary and Secondary Education Act of 1965, Title VI, as amended, 20 U.S.C. 7301-7373.

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

SAFE ROUTES TO SCHOOL - To account for resources received as a federal-aid program to enable and encourage children to walk and bicycle to school, to make bicycling and walking to school a safer and more appealing transportation alternative and to facilitate planning, development, and implementation of projects and activities that will improve safety and reduce traffic, fuel consumption and air pollution in the vicinity of schools. Financing and authority provided by the Section 1404 of the 2005 Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users (SAFETEA-LU).

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

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

SEG - FEDERAL STIMULUS - To account for resources received from the American Recovery and Reinvestment Act of 2009 (ARRA) for direct instruction in the form of salaries and benefits.

HEALTHY SCHOOLS AND COMMUNITIES - To account for resources received to be used to create healthy school environments. Financing and authority provided by the Association for Supervision and Curriculum Development.

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

Non-Major Special Revenue Funds - Continued

SCHOOL IMPROVEMENT FRAMEWORK - To account for resources received from the State of New Mexico Public Education Department through a "Quality School District" award as a result of the district meeting Adequate Yearly Progress. These funds are to be used for Library acquisitions. The Fund is authorized by the Public Education Department.

GO BOND SCHOOL LIBRARY - To account for monies received from the SB1, Laws of 2010 Appropriation, Second Special Session, Chapter 3, Section B3 to be used to acquire library books, equipment and library resources for public school libraries statewide.

RURAL REVITALIZATION - To account for resources received for the New Mexico Rural Revitalization Initiative (Laws of 2008, Chapter 3, Section 4). The award is to be used for a "Mural Project".

YOUTH CONSERVATION CORP - To account for resources received from Energy, Minerals and Natural Resources Department to provide for youth conservation activities and training. Financing and authority provided by Energy, Minerals and Natural Resources Department.

NM GEAR UP - To encourage eligible entities to provide supportive services to elementary and middle schools, and secondary school students who are at risk of dropping out of school; and information to students and their parents about the advantages of obtaining a post-secondary education and the college financing options for the students and their parents. Authorization granted through Higher Education Act, Title IV, Part A, Subpart 2, Chapter 2, 20 U.S.C. 1070a-21-1070a-28.

UNION COUNTY GRANT - To account for resources received from Union County to educate students, educators and parents about alcohol, DWI and tobacco. Financing and authority provided by Union County.

ATHLETICS FUND - This fund provides financing for school athletic activities. Funding is provided by fees from patrons. Fund is authorized by 6-20-2 NMAC.

	Title V	Improving Teacher Quality	Safe Routes to Schools	Medicaid	REAP	SEG - Federal Stimulus	Healthy School/ Communities	Incentives for School Improvements
ASSETS								
Cash on deposit	\$ -	\$ -	\$ -	\$ 1	\$ 8,399	\$ -	\$ 28	\$ 6,619
Due from grantor	713	1,544	2,815	-	-	9,824	-	-
Total assets	<u>713</u>	<u>\$ 1,544</u>	<u>\$ 2,815</u>	<u>\$ 1</u>	<u>\$ 8,399</u>	<u>\$ 9,824</u>	<u>\$ 28</u>	<u>\$ 6,619</u>
LIABILITIES								
Cash overdraft	\$ 713	\$ 1,544	\$ 2,815	\$ -	\$ -	\$ 9,824	\$ -	\$ -
Deferred revenue	-	-	-	1	8,399	-	28	6,619
Total liabilities	713	1,544	2,815	1	8,399	9,824	28	6,619
FUND BALANCES								
Unreserved:								
Undesignated	-	-	-	-	-	-	-	-
Total fund balance	-	-	-	-	-	-	-	-
Total liabilities and fund balance	<u>713</u>	<u>\$ 1,544</u>	<u>\$ 2,815</u>	<u>\$ 1</u>	<u>\$ 8,399</u>	<u>\$ 9,824</u>	<u>\$ 28</u>	<u>\$ 6,619</u>

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

STATE OF NEW MEXICO
DES MOINES
MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2010

	School Improvement Framework	GO Bond Library	Rural Revitalization	Youth Conservation Group	Gear Up	Union County Grant	Athletics	Totals
ASSETS								
Cash on deposit	\$ -	\$ -	\$ -	\$ 648	\$ -	\$ -	\$ 7,926	\$ 23,621
Due from grantor	886	31	-	-	342	254	-	16,409
Total assets	\$ 886	\$ 31	\$ -	\$ 648	\$ 342	\$ 254	\$ 7,926	\$ 40,030
LIABILITIES								
Cash overdraft	\$ 886	\$ 31	\$ -	\$ -	\$ 342	\$ 254	\$ -	\$ 16,409
Deferred revenue	-	-	-	648	-	-	-	15,695
Total liabilities	886	31	-	648	342	254	-	32,104
FUND BALANCES								
Unreserved:								
Undesignated							7,926	7,926
Total fund balance							7,926	7,926
Total liabilities and fund balance	\$ 886	\$ 31	\$ -	\$ 648	\$ 342	\$ 254	\$ 7,926	\$ 40,030

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended June 30, 2010

	Title V	Improving Teacher Quality	Safe Routes to School	Medicaid	REAP	SEG - Federal Stimulus	Healthy School/ Communities	Incentives for School Improvements
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	1,000	-
Federal sources	27	563	-	-	9,937	102,520	-	-
Total revenues	27	563	-	-	9,937	102,520	1,000	-
EXPENDITURES								
Direct instruction	-	441	-	-	-	102,520	-	-
Instructional support	27	122	-	-	9,937	-	-	-
Food services	-	-	-	-	-	-	1,000	-
Total expenditures	27	563	-	-	9,937	102,520	1,000	-
Net change in fund balance	-	-	-	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year Ended June 30, 2010

	School Improvement Framework	GO Bond Library	Rural Revitalization	Youth Conservation Corp.	Gear Up	Union County Grant	Athletics	Totals
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,702	\$ 37,702
Local sources	-	-	-	-	-	-	-	-
State sources	-	-	362	-	-	-	-	1,362
Federal sources	-	-	-	-	-	-	-	113,047
Total revenues	-	-	362	-	-	-	37,702	152,111
EXPENDITURES								
Direct instruction	-	-	-	-	-	-	35,566	138,527
Instructional support	-	-	362	-	-	-	-	10,448
Food services	-	-	-	-	-	-	-	1,000
Total expenditures	-	-	362	-	-	-	35,566	149,975
Net change in fund balance	-	-	-	-	-	-	2,136	2,136
Fund balance at beginning of year	-	-	-	-	-	-	5,790	5,790
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,926	\$ 7,926

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Title V
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 512	\$ 512	\$ -	\$ (512)
Total revenues	<u>\$ 512</u>	<u>\$ 512</u>	<u>\$ -</u>	<u>\$ (512)</u>
EXPENDITURES				
Instructional support	\$ 512	\$ 512	\$ 27	\$ 485
Total expenditures	<u>\$ 512</u>	<u>\$ 512</u>	<u>\$ 27</u>	<u>\$ 485</u>

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Non-Major Special Revenue - Improving Teacher Quality
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 4,864	\$ 4,864	\$ 1,588	\$ (3,276)
Total revenues	<u>\$ 4,864</u>	<u>\$ 4,864</u>	<u>\$ 1,588</u>	<u>\$ (3,276)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ 441	\$ (441)
Instructional support	4,864	4,864	122	4,742
Total expenditures	<u>\$ 4,864</u>	<u>\$ 4,864</u>	<u>\$ 563</u>	<u>\$ 4,301</u>

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Safe Routes to School
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Medicaid
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - REAP
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 20,699	\$ 20,699	\$ -	\$ (20,699)
Total revenues	<u>\$ 20,699</u>	<u>\$ 20,699</u>	<u>\$ -</u>	<u>\$ (20,699)</u>
EXPENDITURES				
Instructional support	\$ 20,699	\$ 20,699	\$ 9,937	\$ 10,762
Total expenditures	<u>\$ 20,699</u>	<u>\$ 20,699</u>	<u>\$ 9,937</u>	<u>\$ 10,762</u>

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - SEG - Federal Stimulus
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 118,059	\$ 118,059	\$ 92,696	\$ (25,363)
Total revenues	<u>\$ 118,059</u>	<u>\$ 118,059</u>	<u>\$ 92,696</u>	<u>\$ (25,363)</u>
EXPENDITURES				
Instructional support	\$ 118,059	\$ 118,059	\$ 102,520	\$ 15,539
Total expenditures	<u>\$ 118,059</u>	<u>\$ 118,059</u>	<u>\$ 102,520</u>	<u>\$ 15,539</u>

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Non-Major Special Revenue - Healthy School/Communities
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Food services	\$ 1,028	\$ 1,028	\$ 1,000	\$ 28
Total expenditures	<u>\$ 1,028</u>	<u>\$ 1,028</u>	<u>\$ 1,000</u>	<u>\$ 28</u>
BUDGETED CASH BALANCE	<u>\$ 1,028</u>	<u>\$ 1,028</u>		

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Incentives for School Improvements
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - School Improvement Framework
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - GO Bond Library
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Rural Revitalization
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 362	\$ 362	\$ 16,862	\$ 16,500
Total revenues	<u>\$ 362</u>	<u>\$ 362</u>	<u>\$ 16,862</u>	<u>\$ 16,500</u>
EXPENDITURES				
Instructional support	\$ 362	\$ 362	\$ 362	\$ -
Total expenditures	<u>\$ 362</u>	<u>\$ 362</u>	<u>\$ 362</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Youth Conservation Corp.
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Gear Up
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Union County Grant
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Non-Major Special Revenue - Athletics
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for services	\$ 15,000	\$ 15,000	\$ 37,702	\$ 22,702
Total revenues	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 37,702</u>	<u>\$ 22,702</u>
EXPENDITURES				
Direct instruction	\$ 18,629	\$ 18,629	\$ 35,566	\$ (16,937)
Total expenditures	<u>\$ 18,629</u>	<u>\$ 18,629</u>	<u>\$ 35,566</u>	<u>\$ (16,937)</u>
BUDGETED CASH BALANCE	<u>\$ 3,629</u>	<u>\$ 3,629</u>		

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

GENERAL FUND

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

TEACHERAGE FUND - To account for resources received from the rental of School owned facilities.

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

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Combining Balance Sheet
 General Fund
 June 30, 2010

	Operational	Teacherege	Transporation	Instructional Materials	Total
ASSETS					
Cash on deposit	\$ 79,026	-	\$ 50,553	\$ 18,557	\$ 148,136
Accounts receivable, collectible	<u>3,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,279</u>
Total assets	<u>\$ 82,305</u>	<u>-</u>	<u>\$ 50,553</u>	<u>\$ 18,557</u>	<u>\$ 151,415</u>
LIABILITIES					
Accounts payable	\$ -	-	-	-	-
Cash overdraft	<u>-</u>	<u>1,006</u>	<u>-</u>	<u>-</u>	<u>1,006</u>
Rental deposits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>1,006</u>	<u>-</u>	<u>-</u>	<u>1,006</u>
FUND BALANCES					
Unreserved:					
Undesignated for subsequent year's expenditures	<u>82,305</u>	<u>(1,006)</u>	<u>50,553</u>	<u>18,557</u>	<u>150,409</u>
Total fund balance	<u>82,305</u>	<u>(1,006)</u>	<u>50,553</u>	<u>18,557</u>	<u>150,409</u>
Total liabilities and fund balance	<u>\$ 82,305</u>	<u>-</u>	<u>\$ 50,553</u>	<u>\$ 18,557</u>	<u>\$ 151,415</u>

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2010

	Operational	Teacheraage	Transportation	Instructional Materials	Total
REVENUES					
Property taxes	\$ 10,723	-	-	-	\$ 10,723
Charges for services	-	-	-	-	-
Local sources	5,990	-	-	-	5,990
State sources	1,393,198	-	203,382	7,175	1,603,755
Federal sources	-	-	-	-	-
Earnings from investments	1,811	-	-	-	1,811
Total revenues	<u>1,411,722</u>	<u>-</u>	<u>203,382</u>	<u>7,175</u>	<u>1,622,279</u>
EXPENDITURES					
Direct instruction	754,075	-	-	5,551	759,626
Instructional support	628,503	1,006	209,508	607	839,624
Food service	41,619	-	-	-	41,619
Total expenditures	<u>1,424,197</u>	<u>1,006</u>	<u>209,508</u>	<u>6,158</u>	<u>1,640,869</u>
Net change in fund balance	(12,475)	(1,006)	(6,126)	1,017	(18,590)
Fund balance at beginning of year	94,780	-	56,679	17,540	168,999
Fund balance at end of year	<u>\$ 82,305</u>	<u>\$ (1,006)</u>	<u>\$ 50,553</u>	<u>\$ 18,557</u>	<u>\$ 150,409</u>

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

STATE OF NEW MEXICO
 DES MOINES MUNICIPAL SCHOOLS
 General Fund - Operational Fund
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 10,292	\$ 10,292	\$ 7,496	\$ (2,796)
Charges for services	-	-	-	-
Local sources	16,500	16,500	5,990	(10,510)
State sources	1,533,191	1,533,191	1,393,198	(139,993)
Federal sources	-	-	-	-
Earnings from investments	2,000	2,000	1,811	(189)
Total revenues	<u>\$ 1,561,983</u>	<u>\$ 1,561,983</u>	<u>\$ 1,408,495</u>	<u>\$ (153,488)</u>
EXPENDITURES				
Direct instruction	\$ 825,797	\$ 825,797	\$ 754,075	\$ 71,722
Instructional support	714,072	714,072	639,485	74,587
Food services	39,181	39,181	41,619	(2,438)
Total expenditures	<u>\$ 1,579,050</u>	<u>\$ 1,579,050</u>	<u>\$ 1,435,179</u>	<u>\$ 143,871</u>
BUDGETED CASH BALANCE	<u>\$ 17,067</u>	<u>\$ 17,067</u>		
REVENUES				
Budgetary basis			\$ 1,408,495	
Increase in receivables			3,227	
Modified accrual basis			<u>\$ 1,411,722</u>	
EXPENDITURES				
Budgetary basis			\$ 1,435,179	
(Decrease) in payables			(10,982)	
Modified accrual basis			<u>\$ 1,424,197</u>	

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

STATE OF NEW MEXICO
 DES MOINIES MUNICIPAL SCHOOLS
 General Fund - Teacherage Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	-	-	1,006	(1,006)
Food services	-	-	-	-
Total expenditures	\$ -	\$ -	\$ 1,006	\$ (1,006)
BUDGETED CASH BALANCE	\$ -	\$ -		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
General Fund - Transportation Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	210,395	210,395	203,382	(7,013)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 210,395</u>	<u>\$ 210,395</u>	<u>\$ 203,382</u>	<u>\$ (7,013)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	210,395	210,395	212,789	(2,394)
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 210,395</u>	<u>\$ 210,395</u>	<u>\$ 212,789</u>	<u>\$ (2,394)</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
General Fund - Instructional Materials Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	3,611	3,611	7,175	3,564
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 3,611</u>	<u>\$ 3,611</u>	<u>\$ 7,175</u>	<u>\$ 3,564</u>
EXPENDITURES				
Direct instruction	\$ 3,099	\$ 3,099	\$ 5,551	\$ (2,452)
Instructional support	512	512	607	(95)
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 3,611</u>	<u>\$ 3,611</u>	<u>\$ 6,158</u>	<u>\$ (2,547)</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Schedule of Cash Receipts and
Disbursements - All Funds by
School District Classification
Year Ended June 30, 2010

	Operational	Teacherae	Transportation	Instructional Materials	Food Services	Athletics	Non- Instructional	
Cash balance, June 30, 2009	\$ 105,710	\$ -	\$ 59,960	\$ 17,540	\$ 10,318	\$ 5,790	\$ 71,350	
Cash Receipts, 2009-2010	1,408,495	-	203,382	7,175	46,166	37,702	32,357	
Cash Disbursements, 2009-2010	(1,435,179)	(1,006)	(212,789)	(6,158)	(33,205)	(35,566)	(26,193)	
Cash balance, June 30, 2010	<u>\$ 79,026</u>	<u>\$ (1,006)</u>	<u>\$ 50,553</u>	<u>\$ 18,557</u>	<u>\$ 23,278</u>	<u>\$ 7,926</u>	<u>\$ 77,514</u>	
		Ed Tech Equipment Act	Federal Projects	Bond Building	Special Capital Outlay State	Capital Improvement SB-9	Debt Service	Ed Tech Debt Service
Cash balance, June 30, 2009	\$ 76,380	\$ 156,324	\$ (37,611)	\$ 92,781	\$ -	\$ 18,649	\$ 86,692	\$ 82,280
Cash Receipts, 2009-2010	83,275	2,275	142,312	2,364	-	34,235	98,922	64,674
Prior period adjustment	-	-	-	-	-	-	1,801	-
Cash Disbursements, 2009-2010	(63,792)	(58,157)	(168,638)	(22,967)	-	(34,581)	(128,531)	(77,425)
Cash balance, June 30, 2010	<u>\$ 95,863</u>	<u>\$ 100,442</u>	<u>\$ (63,937)</u>	<u>\$ 72,178</u>	<u>\$ -</u>	<u>\$ 18,303</u>	<u>\$ 58,884</u>	<u>\$ 69,529</u>

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
Schedule of Changes in Assets
and Liabilities - All Agency Funds
Year Ended June 30, 2010

	Balances June 30, 2009	Additions	Deletions	Balances June 30, 2010
ASSETS				
Cash and cash equivalent	\$ 71,350	\$ 32,357	\$ 26,193	\$ 77,514
Total assets	<u>\$ 71,350</u>	<u>\$ 32,357</u>	<u>\$ 26,193</u>	<u>\$ 77,514</u>
LIABILITIES				
Deposits held for others:				
Miscellaneous	\$ -	\$ 1,632	\$ 110	\$ 1,522
In/out	380	-	183	197
Unused	-	50	50	-
Class of 2010	(1,480)	35	1,137	(2,582)
Class of 2011	(621)	630	2,394	(2,385)
Class of 2012	1,403	2,245	1,691	1,957
Class of 2013	1,110	1,988	-	3,098
Class of 2014	45	36	-	81
Class of 2015	49	-	-	49
Class of 2016	-	-	-	-
Class of 2017	-	115	-	115
Yearbook	(922)	3,005	2,451	(368)
FFA	1,654	5,975	7,695	(66)
Student Council	814	-	-	814
Cheerleaders	772	3,004	1,041	2,735
FCCLA	(816)	364	87	(539)
Honor Society	876	186	136	926
Business Professionals	620	74	-	694
HS Shop Fund	-	166	-	166
Computers for Education	40	235	-	275
Library	1,508	-	-	1,508
Peer Helpers	326	-	-	326
Scholarships	6,926	9,561	6,250	10,237
Counselor Fund	(85)	1,044	2,173	(1,214)
Gear Up	(342)	342	-	-
Demonettes	-	272	240	32
Studio C	-	650	-	650
Rodeo Club	186	555	555	186
CSAC Group	-	193	-	193
Scholastic Misc.	2,248	-	-	2,248
District C - FCCLA	96	-	-	96
Scholarships	52,019	-	-	52,019
District C - FFA	1,246	-	-	1,246
Graduated Seniors 2009	(65)	-	-	(65)
FFA Investment	3,363	-	-	3,363
Total liabilities	<u>\$ 71,350</u>	<u>\$ 32,357</u>	<u>\$ 26,193</u>	<u>\$ 77,514</u>

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

Rice and Associates, C.P.A.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Cafeteria, Title I, IDEA-B Entitlement, Title I Stimulus, NM Community Foundation, Technology for Education and School Based Health Center Funds of Des Moines Municipal Schools, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 3, 2013. We also have audited the financial statements of each of the Schools' non-major governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material control is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Status of Findings that we consider to be a significant deficiency in internal control over financial reporting. They are listed as Bank Reconciliations (08-01), Unreconciled Activity Funds (09-04), Segregation of Duties (09-05), Restricted Cash Loaned to Other funds (10-05), Payment Made for Insufficient 941 Report (2008)(10-16), Payment Made for Insufficient 941 Report (2007)(10-17), Revenues Received Not Deposited for Over Sixty Days (10-29), Cash Deficits Not Resolved Until Fiscal Year 2013 (10-30), Owner /Operator Bus Contracts Incorrect (10-35) and Owner/Operator Equipment Contracts Different Than Actual Amounts Paid (10-48). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Des Moines Municipal Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which is described in the accompanying Status of Findings as Budget Overruns (07-01), Inventory of Cafeteria Food Not Prepared Monthly (07-03), Late Audit Report (08-02), Employee Files Incomplete (09-06), Transactions Made By Third Parties Not Recorded On Books of Record (10-03), Extremely Old and Ambiguous Payment Made (10-04), Penalties Charged For Overdue Filings of Department of Labor Reports (10-06), Textbook Purchases Paid Out of the Wrong Fund (10-07), Repairs For Teacherage Paid Out of SB-9 Fund Incorrectly (10-09), Missing Board Meeting Minutes (10-10), Incorrect ERA Reports (10-11), Incorrect RHCA Reports (10-12), Unsubstantiated Annual Leave (10-13), Original W-3 Not Submitted to the Social Security Administration (10-14), 941 Reports Not Submitted Correctly (10-15), New Hire Reporting Reports Not Filed (10-18), Department of Labor Reports Not Filed (10-19), Missing Payment From W-2 (10-20), W-9 Forms Not Available (10-21), 1099 Form Not Filed for a Referee (10-22), Superintendents Annual Leave Paid on 1099 Form Incorrectly (10-23), 1099 Forms Not Prepared (10-25), Deficit Activity Fund Balances (10-26), Special Revenue Fund Included in Activity Funds (10-27), Deficit Cash Balance (10-28), NMFA Cash Balances Not Reported on Books of Record (10-31), Outstanding Cafeteria Charges (10-32), Required Support for Disbursements (10-33), Balance Still Owed to NMPSIA For Employee Insurances (10-34), Unadjusted Activity Fund Cash Balances (10-36), PED Quarterly Reports Incorrect (10-37), Incorrect Outstanding Check List (10-38), Damage Deposit Not charged (10-39), Rental Agreement Not Obtained (10-40), No Bus Driver List For Required Drug Testing (10-41), Incorrect Posting of

Receipts (10-42), Teacherage Transactions Without a Teacherage Fund (10-43), No Rent Charged for Use of the Teacherage (10-44), Clause Required Missing in Lease Agreement (10-45), No Contract With REC Approved (10-46), Outstanding Balances (10-47), E-Rate Monies Lost (10-49) and Discussion of Audit Findings in Open Session of Board Meeting (10-50).

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying Status of Findings as Travel Reimbursement Approved By Employee Requesting It (09-03), Fees Spent Out of the Wrong Fund (10-01), Amounts Paid From the Wrong Fund (10-02), Cash Paid For Athletic Meals (10-08) and No Depreciation Policy (10-24).

Des Moines Municipal Schools responses to the findings identified in our audit are described in the accompanying Status of Findings. We did not audit the Des Moines Municipal Schools responses and, accordingly, we express no opinion on them.

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

Rico & Associates, LLP

Albuquerque, New Mexico
October 3, 2013

STATE OF NEW MEXICO
Des Moines MUNICIPAL SCHOOLS
Status of Findings
June 30, 2010

Prior Year Audit Findings:

1. Budget Overruns (07-01) - Repeated.
2. Inventory of Cafeteria Food Not Prepared Monthly (07-03) - Repeated.
3. Bank Reconciliations (08-01) - Repeated.
4. Late Audit Report (08-02) - Repeated.
5. Incomplete Minutes (09-01) - Resolved.
6. Board Action of a Related Party (09-02) - Resolved.
7. Travel Reimbursement Approved by Employee Requesting It (09-03) - Repeated.
8. Unreconciled Activity Funds (09-04) - Repeated.
9. Segregation of Duties (09-05) - Repeated.
10. Employees Files Incomplete (09-06) - Repeated.

Current Year Audit Findings:

1. Fees Spent Out of Wrong Fund (10-01)
2. Amounts Paid From the Wrong Fund (10-02)
3. Transactions Made by Third Parties Not Recorded on Books of Record (10-03)
4. Extremely Old and Ambiguous Payment Made (10-04)
5. Restricted Cash Loaned to Other Funds (10-05)
6. Penalties Charged for Overdue Filings of Department of Labor Reports (10-06)
7. Textbook Purchases Paid Out of the Wrong Fund (10-07)
8. Cash Paid for Athletic Meals (10-08)
9. Repairs for Teacherage Paid Out of SB-9 Fund Incorrectly (10-09)
10. Missing Board Meeting Minutes (10-10)
11. Incorrect ERA Reports (10-11)
12. Incorrect RHCA Reports (10-12)
13. Unsubstantiated Annual Leave (10-13)

Current Year Audit Findings (continued):

14. Original W-3 Not Submitted to the Social Security Administration (10-14)
15. 941 Reports Not Submitted Correctly (10-15)
16. Payment Made for Insufficient 941 Report (2008) (10-16)
17. Payment Made for Insufficient 941 Report (2007) (10-17)
18. New Hire Reporting Reports Not Filed (10-18)
19. Department of Labor Reports Not Filed (10-19)
20. Missing Payment From W-2 (10-20)
21. W-9 Forms Not Available (10-21)
22. 1099 Form Not Filed for a Referee (10-22)
23. Superintendents Annual Leave Paid on 1099 Form Incorrectly (10-23)
24. No Depreciation Policy (10-24)
25. 1099 Forms Not Prepared (10-25)
26. Deficit Activity Fund Balances (10-26)
27. Special Revenue Fund Included in Activity Funds (10-27)
28. Deficit Cash Balance (10-28)
29. Revenues Received Not Deposited for Over Sixty Days (10-29)
30. Cash Deficits Not Resolved Until Fiscal Year 2013 (10-30)
31. NMFA Cash Balances Not Reported on Books of Record (10-31)
32. Outstanding Cafeteria Charges (10-32)
33. Required Support for Disbursements (10-33)
34. Balance Still Owed to NMPSIA For Employee Insurances (10-34)
35. Owner/Operator Bus Contracts Incorrect (10-35)
36. Unadjusted Activity Fund Cash Balances (10-36)
37. PED Quarterly Reports Incorrect (10-37)
38. Incorrect Outstanding Check List (10-38)
39. Damage Deposit Not Charged (10-39)
40. Rental Agreement Not Obtained (10-40)

Current Year Audit Findings (continued):

41. No Bus Driver List For Required Drug Testing (10-41)
42. Incorrect Posting of Receipts (10-42)
43. Teacherage Transactions Without a Teacherage Fund (10-43)
44. No Rent Charged for Use of the Teacherage (10-44)
45. Clause Required Missing in Lease Agreement (10-45)
46. No Contract With REC Approved (10-46)
47. Outstanding Balances (10-47)
48. Owner/Operator Equipment Contracts Different Than Actual Amounts Paid (10-48)
49. E-Rate Monies Lost (10-49)
50. Discussion of Audit Findings in Open Session of Board Meeting (10-50)

Budget Overruns

(07-01)

CONDITION The following funds were overspent according to the final approved budget. Budget adjustment requests were not submitted and approved to increase budget needs.

Title I - Stimulus	\$ 866
Debt Service	\$ 668
Educational Technology	
Debt Service	\$ 2,322
Improving Teacher Quality	\$ 441
Athletics	\$16,937
Teacherage	\$ 1,006
Transportation	\$ 2,394
Instructional Materials	\$ 2,547
General Fund	\$ 2,438

CRITERIA All funds are required to have an approved budget for expenditures per Chapter 22, Article 8 of NMSA 1978.

CAUSE Management did not ensure budget adjustment requests were submitted and approved.

EFFECT Violation of State Statutes regarding expenditures could result in a loss of future funding or the Operational Fund having to cover the unbudgeted expenditures.

RECOMMENDATION Management should ensure that all funds are reviewed periodically and all funds requiring budget adjustments have a BAR submitted and approved before the PED deadline to ensure State Statutes are followed.

RESPONSE Management is currently reviewing funds and submitting BARS and RFR's to PED for approval as required and as needed and in a timely manner.

Inventory of Cafeteria Food Not
Prepared Monthly
(07-03)

CONDITION	The Cafeteria Department is not taking an inventory of cafeteria food and non-food items each month and preparing an inventory list.
CRITERIA	According to PED regulations an inventory needs to be taken each month of cafeteria food and non-food items.
CAUSE	Management did not ensure that the Cafeteria Department took an inventory each month and provide a copy of that inventory to management.
EFFECT	PED regulations were not followed.
RECOMMENDATION	Management should ensure the Cafeteria Department takes and prepares an inventory each month.
RESPONSE	Management is currently requiring the Cafeteria Department to turn into the Business Office a monthly inventory.

Bank Reconciliations
(08-01)

CONDITION	The School Districts cash accounts were not reconciled to the books of record until after June 30, 2013. The School District had to pay a consultant to reconcile its books of record.
CRITERIA	All funds are required by Statute, NMSA 1978 6-10-2, and by District Policy, to be reconciled on a daily basis.
CAUSE	Management was not reconciling the bank accounts to the books of record.
EFFECT	The School District had to hire a consultant to reconcile its cash balances to the books of record before the audit of the June 30, 2010 fiscal year could be completed. Also, assets are not being adequately safeguarded.
RECOMMENDATION	Management should hire knowledgeable employees that can perform the business office duties adequately so the cash balance can be reconciled to the books of record on a daily basis.
RESPONSE	The current Business Manager reconciles the bank statements on a monthly basis.

Late Audit Report
(08-02)

CONDITION	The June 30, 2010 audit report was not submitted to the State Auditors Office by the required deadline of November 15, 2010.
CRITERIA	According to NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies; all School District audits are due to the State Auditors Office by November 15, 2010.
CAUSE	The School District had a changeover in Management during the year. As a result, a new auditing firm was selected.
EFFECT	NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies regulation was not followed.
RECOMMENDATION	Management should ensure that the books and records are reconciled and available for audit before the required SAO deadline.
RESPONSE	Management is reconciling books and records for past years for audit. Current books and records are kept current, therefore being prepared for the IPA and able to meet the State Auditor's Office deadline.

Approval of Travel Reimbursements
(09-03)

CONDITION	The Superintendent is authorizing their own per diem reimbursements.
CRITERIA	Good internal controls dictate that someone other than the person requesting the reimbursement approve the travel reimbursement.
CAUSE	The prior Superintendent ignored the procedure in place for per diem reimbursement requests.
EFFECT	Internal control procedures are circumvented allowing assets not to be adequately safeguarded.
RECOMMENDATION	The current Superintendent should not authorize their own per diem reimbursement requests.
RESPONSE	The Business Manager and/or the School Board will authorize the Superintendent's reimbursement for travel and/or other expenditures.

Activity Funds
(09-04)

CONDITION	Individual activity fund cash balances were not timely reconciled to the bank accounts until after June 30, 2013.
CRITERIA	All funds, including agency funds, are required by Statute, NMSA 1978 6-10-2, and by District policy, to be reconciled on a daily basis.
CAUSE	Management did not perform their assigned duties adequately by reconciling the books of record on a daily basis.
EFFECT	The School District had to hire a consultant to reconcile its cash balances of each of the activity funds before the audit of the June, 2010 fiscal year could be completed. Also, assets are not being adequately safeguarded.
RECOMMENDATION	Management should hire knowledgeable employees that can perform the business office duties adequately so activity balances can be reconciled on a daily basis.
RESPONSE	Management has hired an experienced Business Manager and activity funds are reconciled.

Segregation of Duties
(09-05)

CONDITION	Although not considered a significant deficiency in internal control, the business manager had access to all functions of the cash receipts and disbursement procedures and payroll functions.
CRITERIA	Good internal control would split responsibilities of various accounting functions to prevent compliance violations with both the state manual of procedures and in some cases grant requirements.
CAUSE	Management has not implemented required segregation to safeguard assets.
EFFECT	When duties are not segregated, then controls over cash management are weakened.
RECOMMENDATION	Re-evaluate the steps in the cash receipt and disbursement function and payroll functions and determine what steps or procedures could be moved to another position to perform and/or implemented in such a way to strengthen control over cash management.
RESPONSE	Duties have been segregated as to strengthen internal controls. Someone other than the Business Manager is now able to run payroll, prepare accounts payable and someone other than the business manager is receipting monies and another individual is posting the receipts.

Incomplete Employee Files

(09-06)

CONDITION	All five personnel files tested were missing current W-4 forms. One out of five chosen was missing the I-9 form.
CRITERIA	IRS regulations require a W-4 form and I-9 form be completed and included in each employees file.
CAUSE	Management did not ensure these forms were completed and kept in each employees file.
EFFECT	Management does not have any supporting documentation for amounts being withheld on behalf of the employee. If the amounts withheld were incorrect the School District could be liable for the amounts owed to the IRS. As for I-9 forms, IRS regulations are not being adhered to.
RECOMMENDATION	Management should go through each employees file and update and/or collect all required forms.
RESPONSE	Currently all employee files have been reviewed and required forms, such as W-4's and I-9's are in the employees files.

Fees Spent Out of Wrong Fund
(10-01)

CONDITION	The administrative fee of \$500 charged by the bank was paid from the Educational Technology Debt Service Fund instead of the General Obligation Debt Service Fund. Another administrative fee of \$500 charged by the bank was paid from the Bond Building Fund instead of the General Obligation Debt Service Fund. Also, a \$1,500 fee was paid out of the Education Technology Act Fund instead of the Educational Technology Debt Service Fund.
CRITERIA	All fees associated with a particular fund are to be paid by that fund.
CAUSE	Management did not ensure that these fees were paid from the correct fund.
EFFECT	Cash in these funds could be incorrectly stated if not adjusted.
RECOMMENDATION	Management should review all disbursements to ensure they are paid from the correct fund.
RESPONSE	Management is reviewing accounts and best efforts are made to see that funds are paid from the appropriate accounts.

Amounts Paid From the Wrong Fund
(10-02)

CONDITION	Management paid \$1,974 for repairs and chemicals out of the Bond Building Fund that should have been paid out of the SB-9 Fund.
CRITERIA	Chemicals and very minor repairs were not included in the description of the original Bond Issue. Therefore, these items should be paid out of the SB-9 Fund where these expenditures are normal and allowed.
CAUSE	Management did not ensure these amounts were paid from the correct fund.
EFFECT	Financial statements of both funds could have been incorrectly stated.
RECOMMENDATION	Management should ensure all amounts are paid from the correct fund.
RESPONSE	Best efforts are being made to see that expenditures are paid from the correct funds.

Transactions Made By Third Parties Not
Recorded on Books of Record
(10-03)

CONDITION	Funds held at New Mexico Finance Authority were used to pay an interest payment (\$1,800) on the General Obligation Bonds, however, was never recorded on the School District's books of record.
CRITERIA	All transactions whether actually made by management or outside parties needs to be posted/recorded to the entity's books of record.
CAUSE	Management did not insure this payment was booked.
EFFECT	Transactions have not been recorded, therefore possibly misstating financial information.
RECOMMENDATION	Management should ensure all amounts/transactions are posted/recorded to the entity's books of record.
RESPONSE	Management will see that expenditures, whether made by management or outside parties are approved and posted to the entity's books.

Extremely Old and Ambiguous Payment Made
(10-04)

CONDITION	Management made a payment of \$3,240 that dated back to July, 2009. The payment was made off a statement and not original invoices. Also, there was no detail concerning which students were served or how much the vendor was charging per student/hour of service.
CRITERIA	Management should pay all original invoices promptly upon receipt. Also, all payments made should have detail on how much is being charged to the School District.
CAUSE	Management did not ensure these invoices were original or paid in a timely manner.
EFFECT	Payments could be made incorrectly or paid twice or not owed but paid anyway.
RECOMMENDATION	Management should ensure all payments made are off original invoices and paid in a timely manner.
RESPONSE	Management has put processes in place to see that supporting documentation for payment of purchases are attached to purchase orders prior to payment and invoices are paid in a timely manner. Payments will be reconciled and paid from invoices not statements.

Restricted Cash Loaned to Other Funds
(10-05)

CONDITION	At the beginning of the fiscal year the Transportation Fund loaned the Title I Fund \$20,755. These monies are restricted for transportation expenditures and should not have been loaned to cover expenditures of another fund. If the School District did not have enough cash on hand to cover disbursements then the expenditures should not have been made.
CRITERIA	All funds except the Operational Fund are created and used for specific purposes based on Public Education Department Regulations and cannot be spent for any other reason or for expenditures of any other fund.
CAUSE	Management did not submit reimbursement requests in a timely manner to ensure cash balances were not in a deficit situation.
EFFECT	Cash balances from certain funds were used incorrectly to cover expenditures of other funds. If these cash balances were not paid back then the transportation fund would be in violation of PED regulations.
RECOMMENDATION	Management of the School District should request reimbursements of grants periodically to ensure cash balances of other funds do not need to be used - possibly violating PED regulations.
RESPONSE	Management is monitoring fund balances and filing requests for reimbursements periodically therefore removing the need to loan monies from one fund to another.

Penalties Charged for Overdue Filings
of Department of Labor Reports
(10-06)

CONDITION	A fee of \$250 was charged for late filing of the Department of Labor reports dating back to June, 2008. Also, there is no account code in the Public Education Departments chart of accounts for penalties, late fees, etc. so the School District can pay this fee.
CRITERIA	All filings of all payroll reports should be made in a timely basis so penalties are not assessed.
CAUSE	Management did not ensure these reports were filed timely. Also, the late fees were not investigated to ensure they were actually due.
EFFECT	Management paid \$250 that was not budgeted for.
RECOMMENDATION	Management should ensure all payroll reports are submitted timely to avoid late fees.
RESPONSE	Currently payroll reports are filed on a timely basis therefore avoiding penalties.

Textbook Purchases Paid Out of the Wrong Fund
(10-07)

CONDITION	Management paid \$13,000 for textbooks out of the Educational Technology Equipment Act Fund incorrectly.
CRITERIA	The Educational Technology Equipment Act Fund was created to pay for Technology and corresponding hardware/software, not textbooks.
CAUSE	Management was unaware that these payments were made incorrectly out of the Educational Technology Equipment Act Fund.
EFFECT	Managements financial statements could be overstated/understated.
RECOMMENDATION	Management should ensure that all payments are made from the correct fund.
RESPONSE	Management is making best efforts to review expenditures and coding them to the appropriate funds.

Cash Paid for Athletic Meals
(10-08)

CONDITION	Cash in the amount of \$2,080 was provided to pay for meals for students at a State Tournament. There was however, no sign up sheet to ensure these monies were actually used for meals. Also, there were no receipts attached to also verify these monies were used for meals.
CRITERIA	Receipts should be attached to substantiate all disbursements. Also, a sign up sheet should be attached to provide documentation that each student received a meal. Any amounts not spent should be returned to the School District and re-deposited into the bank account.
CAUSE	Management did not ensure that these procedures were followed.
EFFECT	Management cannot provide assurance that the \$2,080 was actually spent on meals.
RECOMMENDATION	Management should institute procedures to ensure these monies are properly supported by documentation to show the monies were spent for athletic meals.
RESPONSE	Procedures have been put in place to see that monies for meals are accounted for and documentation as to who, where and how much is spent is provided. Remainder of monies are to be returned with supporting documentation, reconciled and deposited back to original accounts.

Repairs for Teacherage Paid Out of SB-9 Fund Incorrectly
(10-09)

CONDITION	Teacherage repairs in the amount of \$385 were paid out of the SB-9 Fund and \$621 out of the Bond Building Fund incorrectly.
CRITERIA	All repairs for Teacherages are to be paid out of the Teacherage Fund.
CAUSE	Management was unaware that these repairs could not be paid out of the SB-9 or Bond Building Funds.
EFFECT	Disbursements were paid out of the wrong fund.
RECOMMENDATION	Management should ensure all payments are made out of the correct funds.
RESPONSE	Teacherage expenditures are being paid from the teacherage fund.

Missing Board Meeting Minutes
(10-10)

CONDITION The School District could not provide any Board Meeting Minutes for the following meetings until after the exit conference:

July 23, 2009	August 25, 2011
August 20, 2009	September 27, 2011
September 29, 2009	January 24, 2012
November 4, 2009	September 6, 2012
March 8, 2010	September 26, 2012
March 25, 2010	January 29, 2013
April 27, 2010	February 11, 2013
September 10, 2010	April 19, 2013
May 26, 2011	July 9, 2013
August 18, 2011	

The Board Meeting Minutes for the following meetings still cannot be provided.

October 8, 2009
February 20, 2013

CRITERIA According to the Open Meetings Act, Article 15, Section 10-15-1G "The board commission or other policy making body shall keep written minutes of all its meetings".

CAUSE Management is not ensuring this procedure is completed.

EFFECT Written approved minutes of the Board are not available as required by the Open Meetings Act.

RECOMMENDATION The Board should ensure that all future Board Minutes be prepared, approved, signed and available for review.

RESPONSE Management will see that signed minutes are prepared, approved, signed and available for review.

Incorrect ERA Reports
(10-11)

CONDITION	The ERA reports for 9 out of the 12 months submitted to ERA were incorrect. The total amount still owed when these reports are corrected is \$4,512.
CRITERIA	All ERA reports should be properly supported by payroll records and include all employees required to contribute to ERA.
CAUSE	Management was not ensuring these reports were submitted correctly or properly supported by payroll records.
EFFECT	The School District still owes \$4,512 to ERA. The School District will also owe penalties and interest on this amount.
RECOMMENDATION	Management should correct and submit amended ERA reports immediately so as to limit the amount of penalties and interest.
RESPONSE	ERA reports are current, all balances due have been paid and are being submitted in a timely manner.

Incorrect RHCA Reports
(10-12)

CONDITION	Retiree Health Care Act Reports could not be verified as correct as none of them matched the underlying payroll records. According to the difference in the reports submitted and the reports appearing to be correct is \$810 being overpaid (overall).
CRITERIA	All RHCA reports should be properly supported by payroll records and be calculated correctly according to RHCA contribution rates.
CAUSE	Management was not ensuring these reports were submitted correctly or properly supported by payroll records.
EFFECT	It appears the payments exceeded the amount due by \$810.
RECOMMENDATION	Management should correct and submit amended RHCA reports immediately so as to obtain the overpayment.
RESPONSE	RHCA reports have been filed and account is current. Management will see that payroll records support RHCA reports.

Unsubstantiated Annual Leave
(10-13)

CONDITION	None of the annual leave balances brought forward from the prior year or the amounts used during the year could be verified by underlying records.
CRITERIA	All annual leave balances should be substantiated by leave records, approved leave useage reports and leave balance reports for each pay period.
CAUSE	Management did not keep all annual leave records, including balance and leave used reports.
EFFECT	Annual leave could have been taken but not deducted correctly.
RECOMMENDATION	Management should re-establish leave procedures to ensure leave taken is approved and deducted each pay period.
RESPONSE	Currently leave requests are submitted for approval and posted accordingly. Pay adjusted when unpaid leave is taken.

Original W-3 Not Submitted to the
Social Security Administration
(10-14)

CONDITION	The original W-3 for the calendar year 2010 was not submitted to the Social Security Administration. It was not reconciled to all four 941 reports submitted to the IRS. A consultant was called in to amend the 941 reports and to submit a correct W-3 report.
CRITERIA	A W-3 report is to be submitted along with all W-2's to the Social Security Administration by February 28 th .
CAUSE	Management was not aware of this requirement.
EFFECT	Management did not comply with the Social Security Administration Regulations.
RECOMMENDATION	Management should ensure that all W-3 and W-2's are submitted to the Social Security Administration by the required deadline.
RESPONSE	Management will see that 941's are reconciled to W-2's and W-3's are submitted by the required deadline.

941 Reports Not Submitted Correctly
(10-15)

CONDITION	A copy of the original 941 reports submitted to the IRS were not kept on file. Also, they were not filed with correct amounts.
CRITERIA	All 941 reports need to be submitted with the correct amounts and a copy kept on file as well as the date submitted to the IRS.
CAUSE	Management was not preparing these reports correctly or keeping a copy on file.
EFFECT	The School District had to hire a consultant to amend and correct these reports.
RECOMMENDATION	Management should ensure these reports are prepared correctly and a copy kept on file.
RESPONSE	Currently 941 reports that are submitted to the IRS are kept on file and are reconciled to the payroll's to which they correspond.

Payment Made for Insufficient 941 Report (2008)
(10-16)

CONDITION Management paid \$7,018 to the IRS in August, 2009 for a 941 report dated June 30, 2008 (over a year later). There was no documentation supporting the research of this amount and whether it was actually due.

CRITERIA All payments made should be made promptly and be supported by the payroll report prepared and a copy kept on hand.

CAUSE Management did not research this request to ensure the amount was owed.

EFFECT Management could have paid \$7,018 that was not actually due since it was not researched and approved as due.

RECOMMENDATION All past due amounts should be investigated to ensure they are actually due.

RESPONSE Current management has been working with an IRS representative to reconcile prior year reports and amounts.

Payment Made for Insufficient 941 Report (2007)
(10-17)

CONDITION	Management paid \$16,417 to the IRS in October, 2009 for a 941 report dated September, 2007 (over 2 years old). There was no documentation supporting the research of this amount and whether it was actually due.
CRITERIA	All payments made should be made promptly and be supported by the payroll report prepared and a copy kept on hand.
CAUSE	Management did not research this request to ensure the amount was owed.
EFFECT	Management could have paid \$16,417 that was not actually due since it was not researched and approved as due.
RECOMMENDATION	All past due amounts should be investigated to ensure they are actually due.
RESPONSE	Current management has been working with an IRS Agent and will contact them to investigate the 2007 payment due.

New Hire Reporting Reports Not Filed
(10-18)

CONDITION	The School District did not properly report newly hired employees to a State directory within 20 days of their hire date.
CRITERIA	New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42. U.S.C. 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire.
CAUSE	Management did not know of this requirement.
EFFECT	The School District did not comply with New Mexico State Statute 50-13-1 or the PRWORA of 1996.
RECOMMENDATION	Management should ensure that this requirement is completed on a monthly basis.
RESPONSE	Currently New Hire reports are filed after payrolls have been run for the month.

Department of Labor Reports Not Filed
(10-19)

CONDITION	The Department of Labor reports were not filed for the fiscal year 2010. Since they were not filed, a copy was not available. Also, the base wage rate could not be verified as correct since the reports were not filed.
CRITERIA	Department of Labor reports are required to be filed quarterly based on requirements set forth by the New Mexico Department of Workforce Solutions. A copy should be kept on file after submission. Also, the correct base wage rate for the particular calendar year needs to be used.
CAUSE	Management did not ensure that these reports were filed and with the correct base wage rate.
EFFECT	Department of Workforce Solutions regulations were not followed.
RECOMMENDATION	The Department of Labor reports should be filed immediately with the correct base wage rate and a copy kept on file.
RESPONSE	Currently Department of Labor reports are filed timely and the wage base rate has been verified and entered into the system.

Missing Payment From W-2
(10-20)

CONDITION	An employee was paid \$2,932 on February, 2010 payroll. This amount was not included on the employee's W-2 for 2010.
CRITERIA	All payments made to employees need to be correctly reported on the employees W-2 according to IRS regulations.
CAUSE	Management shorted the employee's original check. The payment was going to be recorded on a 1099. However, the amount was not reported on a 1099 or on the employee's W-2.
EFFECT	The employees W-2 is incorrect.
RECOMMENDATION	Management should ensure that all future W-2's are filed correctly with all information/wages included.
RESPONSE	Payroll and W-2 information for employees will be reconciled. Payments to employees will be recorded on a W-2, not both 1099's and W-2's.

W-9 Forms Not Available
(10-21)

CONDITION	Valid W-9 forms were not kept on file for the calendar year 2010.
CRITERIA	Valid W-9 forms need to be filled out and kept on file to ensure 1099 information is correct (based on the W-9 forms)
CAUSE	Management did not ensure valid W-9 forms were collected and kept on hand so 1099's could be prepared correctly.
EFFECT	1099 forms could not be prepared correctly.
RECOMMENDATION	Management needs to ensure properly filled out and valid W-9 forms are collected and kept on hand each year.
RESPONSE	Management is working to collect W-9 forms on vendors and will be filed in a W-9 binder.

1099 Form Not Filed For a Referee
(10-22)

CONDITION	A referee for the School District that made \$986 did not have a 1099 form created and submitted to the IRS by management.
CRITERIA	All non-employees that receive over \$600 in payments are required to receive a 1099 form each calendar year based on IRS regulations.
CAUSE	Management should ensure that all future 1099's be filed for all vendors/individuals earning more than \$600.
EFFECT	IRS 1099 form regulations were not followed.
RECOMMENDATION	Management should ensure that all future 1099's be filed for all vendors/individuals earning more than \$600.
RESPONSE	Management will review records and submit 1099's for required vendors and/or individuals who earn more than \$600 in a calendar year. W-9's will be collected to determine required vendors.

Superintendents Annual Leave Paid on 1099 Form Incorrectly
(10-23)

CONDITION	A prior superintendent was paid unused annual leave but was reported on a 1099 not a W-2. Because this person was an employee the \$4,968 should have had taxes withheld and should have been reported with other wages on the W-2 form not on a 1099.
CRITERIA	All payments made to employees are to be reported on a W-2 <u>not</u> a 1099 form according to IRS regulations.
CAUSE	Management did not understand the difference between employees and sub-contractors.
EFFECT	Management did not follow IRS regulations concerning employees and W-2 reporting.
RECOMMENDATION	Management should ensure that all future leave is recorded on a W-2 form not on a 1099.
RESPONSE	Management will see that employees are not issued both a 1099 and a W-2, understanding that employee's earnings are to be reported on a W-2.

No Depreciation Policy
(10-24)

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

1099 Forms Not Prepared
(10-25)

CONDITION	Management did not prepare 1099 forms for several vendors listed that received over \$600 in payments.
CRITERIA	A 1099 form is to be prepared for all non-employee recipients that receive more than \$600 in payments.
CAUSE	Management did not insure that the IRS regulations concerning 1099 forms were followed.
EFFECT	IRS regulations concerning 1099 forms were not followed.
RECOMMENDATION	Management should ensure that 1099 forms are prepared and filed for all vendors/individuals that earn over \$600.
RESPONSE	Management will prepare 1099's for required vendors who have received payments of \$600 in a calendar year. W-9's will be collected to verify vendors who are required to receive such 1099's.

Deficit Activity Fund Balances
(10-26)

CONDITION	Seven of the individual activity accounts (totaling \$7,219) had a deficit balance as of June 30, 2010.
CRITERIA	According to the State Public Education Department Manual of Procedures "Under no circumstances shall an activity fund remain in a deficit balance at the end of the fiscal year".
CAUSE	Management was not aware of this requirement.
EFFECT	By creating deficit balances the management of the School District are creating a liability in which they will have to provide resources to eliminate these deficits.
RECOMMENDATION	Management should monitor the activity fund balances to ensure deficits do not occur and all monies owed to the School are collected.
RESPONSE	Currently management is monitoring activity funds to ensure deficits in such funds does not occur. Upon a request for expenditures in activity funds, availability of funds is verified before approval.

Special Revenue Fund Included in Activity Funds
(10-27)

CONDITION	Management included the NM Gear Up Special Revenue Fund incorrectly with the Activity Funds.
CRITERIA	According to Public Education Department regulations the NM Gear Up Fund should be reported as a Special Revenue Fund not an Activity Fund. The Public Education Department has designated a fund number 28138 verifying it as a Special Revenue Fund.
CAUSE	Management was not aware this should be reported as a Special Revenue Fund. Also, PED did not ensure this fund was included in the Special Revenue Fund in the PED quarterly report.
EFFECT	Funds are not being reported correctly on the prior audit report, the PED quarterly report or financial statements of the School District.
RECOMMENDATION	Management should familiarize itself with the different funds that receive monies from grants.
RESPONSE	Management will see that funds are reported under the correct fund.

Deficit Cash Balance
(10-28)

CONDITION	The NM Gear Up Fund has had a deficit cash balance of \$342 for over a year. This means no one in management has requested a reimbursement for this grant that spent \$342 of which the Operational must cover since the grant is now too old to recover the amount from PED.
CRITERIA	All grant reimbursement requests need to be requested from PED quarterly to ensure they are received to cover all expenditures made.
CAUSE	Management did not complete this procedure in a timely manner. Therefore, the Operational Fund will have to cover this deficit.
EFFECT	Management has missed recovering the \$342 owed to the School District.
RECOMMENDATION	Management should ensure reimbursement requests should be submitted quarterly to ensure all amounts due to the School District are received.
RESPONSE	Funds are currently being monitored and RFR's are submitted on a periodic basis.

Revenues Received Not Deposited for Over Sixty Days
(10-29)

CONDITION	A total of \$74,985 in real estate taxes were received before June 30, 2010, however, not deposited and recorded in the books of record until September 14, 2010.
CRITERIA	All receipts received are to be deposited within twenty four hours according to PED regulations.
CAUSE	Management is not performing their duties promptly.
EFFECT	Monies could be misplaced, lost or stolen if they are not deposited within twenty four hours.
RECOMMENDATION	Management should perform their duties promptly and deposit all receipts within twenty four hours.
RESPONSE	Management has informed the Business Office personnel of the requirement to deposit funds within a 24 hour period. Staff is also being educated that funds are to be turned into the office within 24 hours of being received.

Cash Deficits Not Resolved Until Fiscal Year 2013
(10-30)

CONDITION	The School District had five different funds that ended in a cash deficit in 2010 totaling \$30,130. These funds were replenished by a permanent cash transfer from the Operational Fund, however, not until fiscal year 2013 - three years later.
CRITERIA	Requests for reimbursement should be made on a quarterly basis from the Public Education Department.
CAUSE	Management was not requesting/submitting these requests. The Public Education Department did not inquire as to why these funds were still carrying cash deficits and reimbursement requests were not being submitted.
EFFECT	The Operational Fund now has to cover \$30,130 in expenditures that could have been covered by other resources.
RECOMMENDATION	Management should ensure that reimbursement requests are submitted quarterly to the Public Education Department.
RESPONSE	Currently requests for reimbursements are being submitted periodically as to receive reimbursement of funds expended.

NMFA Cash Balances Not Reported on Books of Record
(10-31)

CONDITION	The School District had a cash balance in a New Mexico Finance Authority Account in the amount of \$1,800. However, it was not recorded on the books of record or included in the 2009 audit report. The balance was \$-0- at June 30, 2010.
CRITERIA	All assets owned by the School District are to be included and reported on the books of record.
CAUSE	Management was not aware of this requirement.
EFFECT	Assets are not being safeguarded.
RECOMMENDATION	All amounts held by third parties are still required to be included in the School District's books of record. Management should take steps to ensure these assets are recorded.
RESPONSE	Management will see that assets are recorded in the books.

Outstanding Cafeteria Charges
(10-32)

CONDITION	Management allowed cafeteria charges to accrue up to \$1,072 before attempting collection. These collections were not received and deposited until after the fiscal year end. At the time there was not one employee assigned with the collection of cafeteria charges.
CRITERIA	An employee should be assigned to collect outstanding lunch/breakfast charges periodically and to ensure all charges are collected before the end of the fiscal year.
CAUSE	Management allowed these charges to accrue and then did not assign an employee to collect these amounts until after year-end.
EFFECT	If these amounts were not collected then the School District would have been short by \$1,072. Also, if these amounts had not been collected the School District could have been in violation of the anti-donation clause.
RECOMMENDATION	Management should assign an employee to collect outstanding cafeteria charges periodically to ensure all amounts owed are collected.
RESPONSE	Efforts are made to see that Cafeteria accounts are paid in advance. Those that have balances due are billed on a monthly basis. At the end of the school year every effort will be made to collect balances due before school closes. A list of outstanding accounts at the end of the school year will be recorded and collected before school begins the following year.

Required Support for Disbursements
(10-33)

CONDITION	Six out of six payments tested were made to vendors without the proper documentation to support the disbursements totaling \$20,778. There was no signature of receipt or documentation that the goods received were verified complete. Also, the purchase order was dated after the invoice. Management also paid five different checks for food (to one vendor) off of one statement instead of using the original invoices totaling \$18,400. There was no evidence of a signature of receipt or documentation that the goods received were verified complete. Also, the corresponding purchase orders were dated after the statement.
CRITERIA	The Public Education Department requires adequate support and approval of all disbursements made. These items include: <ol style="list-style-type: none">1. Approved purchase orders,2. Approved requisitions,3. An invoice,4. Three quotes or sealed bids (if applicable),5. Evidence of signature of approvals and signatures of receipt.
CAUSE	Management of the School District are not requiring all documentation be attached before purchases are made.
EFFECT	Public Education Department regulations have not been followed.
RECOMMENDATION	The School District should implement policies to ensure that all Public Education Department regulations are followed.
RESPONSE	Management has made personnel aware of the required documentation for expenditures. Currently there are procedures for authorizing approval to purchase and approval for payment where documentation is required before authorization can be made.

Balance Still Owed to NMPSIA For Employee Insurances
(10-34)

CONDITION	The NMPSIA balances charged each month were not reconciled to the employee deductions to ensure the amounts billed agreed to the amounts remitted each month. At the end of the fiscal year it appeared that \$7,840 was still owed to NMPSIA for employee insurance (health, dental, etc.)
CRITERIA	The NMPSIA bills should be reconciled each month to the amounts deducted from each employee to ensure they are correct and remitted to NMPSIA.
CAUSE	Management was not reconciling these bills monthly.
EFFECT	It appears that the School District still owes \$7,840 to NMPSIA.
RECOMMENDATION	Management should reconcile these bills and remit the amounts owed immediately.
RESPONSE	Currently Management is reconciling NMPSIA bills on a monthly basis. All accounts are current.

Owner/Operator Bus Contracts Incorrect
(10-35)

CONDITION	Two out of four Owner/Operator bus drivers were paid \$19,237 more than their signed contracts. One out of four was paid \$3,850 less than their signed contract. Contract addendums were not obtained.
CRITERIA	All adjustments made to Owner/Operator Bus Contracts should be prepared in a contract addendum and signed by both parties to ensure all adjustments are agreed to by both parties.
CAUSE	Management did not ensure a contract addendum was prepared for the changes to three out of four Owner/Operator bus drivers.
EFFECT	The School District could have overpaid two bus drivers by \$19,237 and underpaid one bus driver by \$3,850.
RECOMMENDATION	All changes to contracts need to be supported by signed, approved contract addendums.
RESPONSE	Currently bus contractors have signed contracts and contract addendums are prepared for adjustments made throughout the school year.

Unadjusted Activity Fund Cash Balances
(10-36)

CONDITION	Management did not make the adjustments provided by the auditor to adjust the Activity Fund cash balances for the 2009 fiscal year.
CRITERIA	All corrections made to the books of record should be made immediately so cash balances can be brought forward correctly.
CAUSE	Management did not ensure these adjustments were made.
EFFECT	Cash balances for the Activity Funds were incorrect on the books of record for the 2010 fiscal year.
RECOMMENDATION	Management should post all adjustments to the books of record immediately.
RESPONSE	Any required adjustments will be made to the books of record as to ensure accurate cash balances.

Public Education Quarterly Reports Incorrect
(10-37)

CONDITION	The quarterly reports submitted to the Public Education Department were not correct or submitted by the required deadline.
CRITERIA	The Public Educational Department requires quarterly reports be submitted for overview by the cognizant agency.
CAUSE	Management was not ensuring these reports were submitted correctly or on time. Also, the Public Education Department continued to allow management to submit these reports late.
EFFECT	Management did not follow Public Education Department regulations.
RECOMMENDATION	The new management should ensure all quarterly reports are submitted correctly and in a timely manner.
RESPONSE	Currently quarterly reports submitted to PED are filed correctly and in a timely manner.

Incorrect Outstanding Check List
(10-38)

CONDITION	The outstanding check list provided included \$12,964 in checks that were later voided by management. Thus, trial balances for several funds had to be adjusted to show these checks restored to cash.
CRITERIA	Outstanding check registers need to be complete and not include checks that have been restored to cash.
CAUSE	Management did not ensure this check list was correct when provided to the auditors.
EFFECT	Trial balances had to be adjusted by \$12,964.
RECOMMENDATION	Management should ensure correct information be provided to the auditors.
RESPONSE	Management will work to see that records provided to auditors are accurate. This work continues for the records for the FY11-FY12-FY13.

Damage Deposit Not Charged

(10-39)

CONDITION	Management did not ensure a damage deposit was charged for the rental of a Teacherage.
CRITERIA	A damage deposit should be obtained from every tenant when the rental agreement is signed. The amount of the deposit is to be determined by the Board for each teacherage.
CAUSE	Prior management did not ensure a security deposit was obtained on a tenant that was renting the Teacherage.
EFFECT	Damages could be sustained without any resources to ensure the damages could be recovered.
RECOMMENDATION	The Board should obtain a security deposit from all current tenants.
RESPONSE	Management will negotiate a rental contract for the Teacherage with employee and will address the security deposit in such contract.

Missing Rental Agreement
(10-40)

CONDITION	The School District rented a Teacherage without an approved, signed rental agreement.
CRITERIA	The School District should obtain a rental agreement from each tenant each fiscal year that sets forth all terms of the rent, duration, etc. of the rental agreement. These agreements should be signed by the School District and the renter each year.
CAUSE	Management did not ensure a rental agreement was obtained for each tenant.
EFFECT	The terms of the agreement have not been approved by both parties and may not be legally enforceable.
RECOMMENDATION	Management of the School District should obtain approved, signed rental agreements for each Teacherage at the start of the 2013-2014 fiscal year.
RESPONSE	Management will obtain a rental contract for the Teacherage to address the terms of residing in such property.

No Bus Driver List for Required Drug Testing
(10-41)

CONDITION	Management could not provide the list of CDL bus/activity drivers that are required to be included in a drug test "pool" each year.
CRITERIA	According to federal transportation guidelines all CDL bus drivers must be included in a drug test "pool" each year.
CAUSE	Management was not aware of this federal regulation.
EFFECT	The School District could be fined \$10,000 for each CDL driver not included in the "pool".
RECOMMENDATION	Management needs to include these CDL drivers in a drug test "pool" immediately.
RESPONSE	At the beginning of the 2013-2014 school year management entered into a contract with White Sands Drug & Alcohol Testing. CDL drivers have been included in a random drug testing pool.

Incorrect Posting of Receipts
(10-42)

CONDITION	Two receipts totaling \$10,072 were posted to the wrong Special Revenue Funds during the year.
CRITERIA	All receipts received should be posted to the correct fund based on the request for reimbursement submitted to the Public Education Department.
CAUSE	Management did not ensure all receipts were posted correctly.
EFFECT	The \$10,072 had to be corrected and posted to the correct Special Revenue Funds.
RECOMMENDATION	Management should ensure all receipts are posted to the correct Special Revenue Fund.
RESPONSE	Management is reviewing and reconciling funds to see that receipts are entered into the correct funds.

Teacherage Transactions Without a Teacherage Fund
(10-43)

CONDITION	The School District had Teacherage transactions without having a Teacherage Fund. The School District had a Teacherage Fund previously but it is unclear why this fund did not exist in the 2009-2010 fiscal year.
CRITERIA	According to Public Education Department regulations all Teacherage transactions are to be recorded in a Teacherage Fund.
CAUSE	It is unclear why this fund was not used/existed.
EFFECT	Expenditures occurred without any revenue resources.
RECOMMENDATION	Management should include all Teacherage transactions in a Teacherage Fund.
RESPONSE	Currently there is a Teacherage fund.

No Rent Charged For Use of the Teacherage
(10-44)

CONDITION	Management did not charge rent on the Teacherage that was being occupied by the Superintendent during 2009-2010.
CRITERIA	Use of any facilities of the School District should be charged a rental fee.
CAUSE	Neither the Board or Management ensured that a rental fee was charged for the use of the Teacherage.
EFFECT	The School District lost several thousand dollars in resources that could be used to update/renovate the Teacherage. Especially since no other fund can pay for Teacherage expenditures.
RECOMMENDATION	A rental fee should be charged for the use of the Teacherage.
RESPONSE	Currently a rental fee for the use of the Teacherage is being deducted from the employee's pay.

Clause Required Missing in Lease Agreement

(10-45)

CONDITION	The lease agreement for copiers signed by management had the "unappropriated clause" missing.
CRITERIA	According to State Statutes all operating leases are required to include an "unappropriated clause" to ensure if the local government ceases to continue then there is no liability to continue the lease.
CAUSE	Management did not ensure this clause was included.
EFFECT	State statutes are not being followed.
RECOMMENDATION	The clause should be included in the agreement as soon as possible.
RESPONSE	Management will contact the company and see that an "unappropriated clause" is included in the current and future contracts.

No Contract With REC Approved
(10-46)

CONDITION	The School District did not obtain an approved contract with the REC detailing all required amounts and services to be provided.
CRITERIA	The School District should obtain an approved/signed contract with the REC that will provide services to ensure all amounts and services are agreed to by both parties.
CAUSE	Management did not ensure that a signed/approved contract was obtained.
EFFECT	Management did not ensure a legally enforceable contract was obtained.
RECOMMENDATION	Management should obtain a signed/approved contract immediately.
RESPONSE	The REC did not provide contracts for services at the time of the 2009-2010 school year. Beginning 2010-2011 school year contracts were given to schools in the REC.

Outstanding Balances

(10-47)

CONDITION	The School District had cash balances in two Special Revenue Funds totaling \$7,267 that represent grants that have not been utilized for several years.
CRITERIA	Each grant has a specified time period in which they are to be utilized.
CAUSE	Management has not taken measures to ensure that all grants received are utilized in a timely manner according to the grant restrictions.
EFFECT	Monies are available to be used for special projects and the School District has not used them.
RECOMMENDATION	Management should approve budgets and spend the assets received according to the grant agreements.
RESPONSE	Better efforts will be made to see that budgets are approved and spent according to the grant agreements.

Owner/Operator Equipment Contracts Different
Than Actual Amounts Paid
(10-48)

CONDITION	All four owner/operator equipment contracts were different than the actual amounts paid to each bus driver. Two bus drivers appear to be underpaid by \$10,979. The other two appear to be overpaid by \$10,290. Contract addendums were not obtained.
CRITERIA	All adjustments made to Owner/Operator Bus Contracts should be prepared in a contract addendum and signed by both parties to ensure all adjustments are agreed to by both parties.
CAUSE	Management did not ensure a contract addendum was prepared for the changes to the four owner/operator equipment contracts.
EFFECT	The School District may still owe \$10,979 or overpaid the bus drivers by \$10,290.
RECOMMENDATION	All changes to contracts need to be supported by signed, approved contract addendums.
RESPONSE	Currently addendums are made to contracts as changes occur and both parties will sign both contract and contract addendums.

E-Rate Monies Lost
(10-49)

CONDITION	The School District received \$1,166 in E-Rate monies when the School District was eligible for \$11,295. Thus, losing \$10,129 in potential revenues that the School District could have used.
CRITERIA	All eligible monies that can be used as resources for continuing projects, disbursements or salaries should be obtained and used.
CAUSE	Management did not ensure the Funding Commitment Decision Letters were filled out and submitted by the deadline.
EFFECT	The School District missed out on \$10,129 in resources.
RECOMMENDATION	Management should ensure all resources are received as soon as possible and used to continue projects, make disbursements or pay salaries.
RESPONSE	E-Rate applications are currently submitted and E-Rate funds are received.

Discussion of Audit Findings in Open
Session of Board Meeting
(10-50)

CONDITION	The prior Business Manager explained that there were comments/findings from the audit for the fiscal year ending June 30, 2010 in the May 10, 2012 Board Minutes. This violates the SAO Rule that prohibits any discussion of comments/findings in open session until the audit report has been released by the SAO and becomes public record. An exit conference had not yet been scheduled .
CRITERIA	Audit comments/findings can be discussed in an open Board Meeting after the approval and release of the audit report by the SAO.
CAUSE	Management was unaware of this requirement.
EFFECT	The SAO Rule was not followed.
RECOMMENDATION	The Board and Superintendent should be more proactive in ensuring they are aware of all audit conferences, fieldwork schedules, etc..
RESPONSE	Current management is aware that information regarding the audit is not to be discussed until the audit has been released by the Office of the State Auditor. Current management meets with the audit committee so they are aware of the on-going work of the audit.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2010 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the School District on October 16, 2013, to discuss the current audit report. In attendance were Mr. Damon Brown, School Board President, Mr. Alfred Newkirk, School Board Member, Mr. Scott Osborn, School Board Member, Ms. Stacy Diller, Superintendent, Ms. Terri Trujillo, Business Manager, Ms. Teresa Barreras, Consultant, Ms. Ginger Doherty, Audit Committee Member (Parent), Ms. Pam Sorensen, Audit Committee Member (Community Member), Mr. Antonio Lucero and Ms. Pamela A. Rice, CPA, Contract Auditors. A properly closed regular session was held.