

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS**

“CREATING SUCCESS TOGETHER...ONE STUDENT AT A TIME”

ANNUAL FINANCIAL REPORT

For The Year Ended June 30, 2011

JARAMILLO ACCOUNTING GROUP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
Year Ended June 30, 2011**

**WITH
REPORT OF INDEPENDENT
AUDITORS**

**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, 2011**

Board of Education

Mr. Damon Brown
Mr. Barry Hittson
Mr. Zach Osborn
Mr. Alfred Newkirk
Mr. Raymond Rivale

President
Vice-President
Secretary
Member
Member

School Officials

Dr. Tena Hoyle
Mr. Justin Sumpter

Superintendent
Business Manager



REPORT OF INDEPENDENT AUDITORS

Mr. Hector Balderas
New Mexico State Auditor
&
The 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, the aggregate remaining fund information, and the budgetary comparisons of the general and major special revenue funds, of Des Moines Municipal Schools (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's non-major governmental funds and the budgetary comparisons for the major 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, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.



Mr. Hector Balderas
New Mexico State Auditor
&
The Board of Education
Des Moines Municipal Schools

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, the aggregate remaining fund information, and the budgetary comparisons of the general and major special revenue funds of the District, as of June 30, 2011, and the respective changes in financial position, 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 the District as of June 30, 2011, and the respective changes in financial position, and the respective budgetary comparisons and the non-major governmental funds for the year 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 May 12, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 is not required to be part of, the basic financial statements.



Mr. Hector Balderas
New Mexico State Auditor
&
The Board of Education
Des Moines Municipal Schools

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 the District. 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 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.

A handwritten signature in black ink that reads 'JAG LLC'. The signature is stylized, with a large, sweeping initial 'J' that loops around the 'A' and 'G'.

Jaramillo Accounting Group LLC
Albuquerque, New Mexico
May 12, 2014

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF NET ASSETS
As of June 30, 2011**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 575,238
Taxes receivable	39,942
Due from grantors	42,793
Total current assets	<u>657,973</u>
Non-current assets	
Capital assets	7,024,425
Less accumulated depreciation	<u>(2,667,196)</u>
Total non-current assets	<u>4,357,229</u>
 Total assets	 \$ <u><u>5,015,202</u></u>
LIABILITIES	
Current liabilities	
Deferred revenue	\$ 150,296
Accounts payable	14,852
Accrued liabilities	62,607
Accrued interest	723
Current portion of long-term obligations	45,000
Total current liabilities	<u>273,478</u>
Long-term obligations	
Non-current portion of long-term obligations	115,000
Compensated absences	13,696
Total long-term obligations	<u>128,696</u>
 Total liabilities	 <u><u>402,174</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	4,197,229
Restricted for	
Capital projects	131,798
Debt service	138,565
Special grants	116,406
Unrestricted	29,030
Total net assets	<u><u>4,613,028</u></u>
 Total net assets and liabilities	 \$ <u><u>5,015,202</u></u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2011**

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Expenses:					
Governmental activities:					
Direct instruction	\$ 954,073	41,002	116,360	-	(796,711)
Instructional support	1,043,199	-	246,471	-	(796,728)
Food services	30,065	13,089	29,999	-	13,023
Depreciation	182,444	-	-	-	(182,444)
Interest on long-term obligations	6,983	-	-	-	(6,983)
Total Governmental activities	\$ 2,216,764	54,091	392,830	-	(1,769,843)
General revenues:					
Taxes:					
					12,985
					60,704
					69,278
Federal and State aid not restricted to specific purpose:					
					963,062
					467,839
					10,415
Other					26,418
Interest and investment earnings					9,857
Total general revenues					1,620,558
					(149,285)
					4,786,185
					(23,872)
					4,762,313
					\$ 4,613,028

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2011

	<i>Fund 10000</i>	<i>Fund 24101</i>	<i>Fund 24106</i>	<i>Fund 29130</i>
	General	Title I	IDEA-B Entitlement	School Based Health Center
Assets				
Cash and cash equivalent	\$ 249,379	-	-	72,127
Accounts receivable, collectible	3,463	-	-	-
Due from grantor	-	18,670	7,771	-
Due from other funds	-	20,346	21,587	-
Total Assets	<u>\$ 252,842</u>	<u>39,016</u>	<u>29,358</u>	<u>72,127</u>
Liabilities				
Cash overdraft	-	39,016	29,358	-
Accounts payable	-	-	-	-
Accrued liabilities	62,607	-	-	-
Interest payable	-	-	-	-
Due to other funds	47,507	-	-	-
Deferred revenues	-	-	-	72,127
Total Liabilities	<u>110,114</u>	<u>39,016</u>	<u>29,358</u>	<u>72,127</u>
Fund Balance				
Restricted for debt service				
Restricted for capital projects	-	-	-	-
Restricted by grantor	-	-	-	-
Unassigned	142,728	-	-	-
Total Fund Balance	<u>142,728</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities And Fund Balances	<u>\$ 252,842</u>	<u>39,016</u>	<u>29,358</u>	<u>72,127</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2011

	<i>Fund 31900</i> Educational Technology Equipment Act	<i>Fund 41000</i> Debt Service	<i>Fund 43000</i> Educational Technology Debt Service	Other Governmental	Total
Assets					
Cash and cash equivalent	\$ 85,164	92,931	31,299	158,682	\$ 689,582
Accounts receivable, collectible	-	13,890	1,168	21,421	39,942
Due from grantor	-	-	-	16,352	42,793
Due from other funds	-	-	-	5,574	47,507
Total Assets	<u>\$ 85,164</u>	<u>106,821</u>	<u>32,467</u>	<u>202,029</u>	<u>819,824</u>
Liabilities					
Cash overdraft	-	-	-	45,970	114,344
Accounts payable	12,574	-	-	2,278	14,852
Accrued liabilities	-	-	-	-	62,607
Interest payable	-	300	423	-	723
Due to other funds	-	-	-	-	47,507
Deferred revenues	-	-	-	78,169	150,296
Total Liabilities	<u>12,574</u>	<u>300</u>	<u>423</u>	<u>126,417</u>	<u>390,329</u>
Fund Balance					
Restricted for debt service	-	106,521	32,044	-	138,565
Restricted for capital projects	72,590	-	-	59,208	131,798
Restricted by grantor	-	-	-	42,726	42,726
Unassigned	-	-	-	(26,322)	116,406
Total Fund Balance	<u>72,590</u>	<u>106,521</u>	<u>32,044</u>	<u>75,612</u>	<u>429,495</u>
Total Liabilities And Fund Balances	<u>\$ 85,164</u>	<u>106,821</u>	<u>32,467</u>	<u>202,029</u>	<u>819,824</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MONICIPAL SCHOOLS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For The Year Ended June 30, 2011**

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

Total fund balances - governmental funds	\$	429,495
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	7,024,425	
Accumulated depreciation	<u>(2,667,196)</u>	
		4,357,229

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	(160,000)	
Compensated absences	<u>(13,696)</u>	
		<u>(173,696)</u>

Total net assets - government funds	\$	<u><u>4,613,028</u></u>
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See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011

	<i>Fund 10000</i>	<i>Fund 24101</i>	<i>Fund 24106</i>	<i>Fund 29130</i> School Based Health Center
Revenues	General	Title I	IDEA-B Entitlement	
Property taxes	12,985	-	-	-
Charges for services	-	-	-	-
Local sources	21,538	-	-	-
State sources	1,647,844	-	-	55,879
Federal sources	-	35,601	33,121	-
Earnings from investments	1,184	-	-	-
Total Revenues	<u>1,683,551</u>	<u>35,601</u>	<u>33,121</u>	<u>55,879</u>
Expenditures				
Current:				
Direct instruction	837,338	35,601	33,121	-
Instructional support	830,022	-	-	55,879
Food services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Bonds	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>1,667,360</u>	<u>35,601</u>	<u>33,121</u>	<u>55,879</u>
Excess (deficiency) of revenues over expenditures	16,191	-		-
Other financing sources (uses)				
Transfer in	-	20,346	21,587	-
Transfer out	(47,507)	-	-	-
Total other financing sources (uses)	<u>(47,507)</u>	<u>20,346</u>	<u>21,587</u>	<u>-</u>
Net change in fund balance	<u>(31,316)</u>	<u>20,346</u>	<u>21,587</u>	<u>-</u>
Fund balance beginning of year	150,409	-	-	-
Restatement	23,635	(20,346)	(21,587)	-
Fund balance beginning of year - as restated	<u>174,044</u>	<u>(20,346)</u>	<u>(21,587)</u>	<u>-</u>
Fund balance end of year	<u>\$ 142,728</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011

	<i>Fund 31900</i> Educational Technology Equipment Act	<i>Fund 41000</i> Debt Service	<i>Fund 43000</i> Educational Technology Debt Service	Other Governmental	Total
Revenues					
Property taxes	-	59,583	9,695	60,704	142,967
Charges for services	-	-	-	41,002	41,002
Local sources	-	-	-	28,616	50,154
State sources	-	-	-	-	1,703,723
Federal sources	-	-	-	65,070	133,792
Earnings from investments	1,168	6,396	-	1,109	9,857
Total Revenues	<u>1,168</u>	<u>65,979</u>	<u>9,695</u>	<u>196,501</u>	<u>2,081,495</u>
Expenditures					
Current:					
Direct instruction	-	-	-	76,052	982,112
Instructional support	29,020	2,240	309	125,729	1,043,199
Food services	-	-	-	30,065	30,065
Capital outlay	-	-	-	-	-
Debt service					
Bonds	-	45,000	70,000	-	115,000
Interest	-	4,871	2,112	-	6,983
Total Expenditures	<u>29,020</u>	<u>52,111</u>	<u>72,421</u>	<u>231,846</u>	<u>2,177,359</u>
Excess (deficiency) of revenues over expenditures	(27,852)	13,868	(62,726)	(35,345)	(95,864)
Other financing sources (uses)					
Transfer in	-	-	-	5,574	47,507
Transfer out	-	-	-	-	(47,507)
Total other financing sources (uses)	-	-	-	5,574	-
Net change in fund balance	<u>(27,852)</u>	<u>13,868</u>	<u>(62,726)</u>	<u>(29,771)</u>	<u>(95,864)</u>
Fund balance beginning of year	100,442	92,653	94,770	110,957	574,289
Restatement	-	-	-	(5,574)	(23,872)
Fund balance beginning of year - as restated	<u>100,442</u>	<u>92,653</u>	<u>94,770</u>	<u>105,383</u>	<u>525,359</u>
Fund balance end of year	<u>\$ 72,590</u>	<u>106,521</u>	<u>32,044</u>	<u>75,612</u>	<u>429,495</u>

See accompanying notes.

**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 - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011**

Total net changes in fund balances - governmental funds	\$	(95,864)
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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 expenses	(182,444)	
Capital outlays	-	
Excess of capital outlay over depreciation expense	-	(182,444)

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 (increase) decrease in the liabilities for the year were:

Compensated absences	14,023
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The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds while the repayments of the principal of long-term debt consumes the current of financial resources of governmental funds.

Repayment of principal on long-term debt	115,000
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Change in net assets of governmental activities	\$	<u>(149,285)</u>
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See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS
GENERAL FUND (10000)(Combination of Funds 11000, 12000, 13000, and 14000)
For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ -	-	13,398	13,398
Charges sources	-	-	-	-
Local sources	12,341	18,341	21,538	3,197
State sources	1,658,592	1,677,672	1,647,844	(29,828)
Federal sources	-	-	-	-
Earnings from investments	-	-	1,184	1,184
Total revenues	<u>\$ 1,670,933</u>	<u>1,696,013</u>	<u>1,683,964</u>	<u>(12,049)</u>
EXPENDITURES				
Direct instruction	\$ 787,470	763,031	837,338	(74,307)
Instructional support	911,794	961,313	830,022	131,291
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 1,699,264</u>	<u>1,724,344</u>	<u>1,667,360</u>	<u>56,984</u>
BUDGETED CASH BALANCE	<u>\$ 28,331</u>	<u>28,331</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 1,683,964
Change in receivables	413
Modified accrual basis	<u>\$ 1,683,551</u>
EXPENDITURES	
Budgetary basis	\$ 1,667,360
Change in payables	-
Modified accrual basis	<u>\$ 1,667,360</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE I FUND (24101)
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 27,301	67,823	35,601	(32,222)
Total revenues	<u>\$ 27,301</u>	<u>67,823</u>	<u>35,601</u>	<u>(32,222)</u>
EXPENDITURES				
Direct instruction	\$ 27,301	67,823	35,601	32,222
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 27,301</u>	<u>67,823</u>	<u>35,601</u>	<u>32,222</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 35,601
Change in receivables	-
Modified accrual basis	<u>\$ 35,601</u>
EXPENDITURES	
Budgetary basis	\$ 35,601
Change in payables	-
Modified accrual basis	<u>\$ 35,601</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS
IDEA-B ENTITLEMENT FUND (24106)
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 33,121	33,121	33,121	-
Total revenues	<u>\$ 33,121</u>	<u>33,121</u>	<u>33,121</u>	<u>-</u>
 EXPENDITURES				
Direct instruction	\$ 33,121	33,121	33,121	-
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 33,121</u>	<u>33,121</u>	<u>33,121</u>	<u>-</u>
 BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 33,121
Change in receivables	-
Modified accrual basis	<u>\$ 33,121</u>
 EXPENDITURES	
Budgetary basis	\$ 33,121
Change in payables	-
Modified accrual basis	<u>\$ 33,121</u>

See accompanying notes.

**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 (29130)
For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local sources	\$ 60,000	60,000	55,879	(4,121)
Total revenues	<u>\$ 60,000</u>	<u>60,000</u>	<u>55,879</u>	<u>(4,121)</u>
EXPENDITURES				
Direct instruction	\$ -	-	-	-
Instructional support	60,000	60,000	55,879	4,121
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 60,000</u>	<u>60,000</u>	<u>55,879</u>	<u>4,121</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 55,879
Change in receivables	-
Modified accrual basis	<u>\$ 55,879</u>
EXPENDITURES	
Budgetary basis	\$ 55,879
Change in payables	-
Modified accrual basis	<u>\$ 55,879</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EDUCATIONAL TECHNOLOGY EQUIPMENT ACT - 31900
For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Earnings from investments	\$ 1,250	1,250	1,168	(82)
Total revenues	<u>\$ 1,250</u>	<u>1,250</u>	<u>1,168</u>	<u>(82)</u>
EXPENDITURES				
Capital outlay	\$ 97,957	97,957	16,446	81,511
Total expenditures	<u>\$ 97,957</u>	<u>97,957</u>	<u>16,446</u>	<u>81,511</u>
BUDGETED CASH BALANCE	<u>\$ 96,707</u>	<u>96,707</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES

Budgetary basis	\$ 1,168
Change in receivables	-
Modified accrual basis	<u>\$ 1,168</u>

EXPENDITURES

Budgetary basis	\$ 16,446
Change in payables	(12,574)
Modified accrual basis	<u>\$ 29,020</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES - AGENCY FUNDS
As of June 30, 2011**

Assets

Cash and cash equivalent	\$ 77,984
Total Assets	<u>\$ 77,984</u>

Liabilities

Deposits held for others	<u>\$ 77,984</u>
Total Liabilities	<u>\$ 77,984</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 State of America (GAAP) as applied to governmental units. The Governmental Accounting Standards 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.

A. Reporting Entity

The Des Moines Municipal Schools Board of Education 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 Board of Education 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 BOE 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 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 Board of Education 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Governmental Funds

Major Funds - The major funds presented in the fund financial statements include the following (in addition to the General Fund). The major funds are presented in front of the footnotes to the financial statements:

General Fund (10000) – The primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds. This fund includes the following sub-funds: Operational (11000), Teacherage (12000), Transportation (13000) and Instructional Material (14000).

Special Revenue Fund – Title I (24101) - 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 (24106) – To account for resources received for the operation and maintenance of meeting special education need of children with disabilities. Financing and authority for this program are the American Recovery and Reinvestment Act.

Special Revenue Fund – School Based Health Center (29130) – To account for resources provided by the State for the purpose of providing a health center on campus for students.

Special Revenue Fund – Educational Technology Equipment Act (31900) – 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.

Debt Services Fund – Debt Service (41000) – To account for resources for the purpose of paying general obligation bonds and interest coupons. Fund are received from property taxes levied against property located within the school district and levied specifically for this purpose.

Debt Services Fund – Educational Technology Bonds (43000) – To account for resources for the purpose of paying technology bonds and interest coupons. Fund are received from property taxes levied against property located within the school district and levied specifically for this purpose.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Agency Funds – Account for assets that the government holds for others in an agency capacity. These agency fund are as follows:

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

Non-Major Funds - The District also reports additional Governmental Funds as non-major located behind the footnotes to the financial statements. They include:

Special Revenue Fund - Food Services (21000) – This program provided 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, Section 2-12, 60 Stat. 230, 42 U.S.C 1751 et seq.; 80 stat. 889, as amended, 84 sta. 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 sat. 3341; Public Law 100-71, 101 stat. 430.

Special Revenue Fund - Athletics (22000) - This fund provides financing for school athletic activities. Funding is provided by fees from patrons. Fund is authorized by 6-20-2 NMAC.

Special Revenue Fund - Title V (24150) - 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.

Special Revenue Fund – Title I Stimulus (24201) – 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 – Improving Teacher Quality (24154) - 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Special Revenue Fund - Safe Routes to Schools (24146) - 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, and Efficient Transportation Act: A Legacy for Users.

Special Revenue Fund – Medicaid (25153) - 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.

Special Revenue Fund - REAP (Rural Education Achievement Program) (25233) - To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Special Revenue Fund - SEG Federal Stimulus (25250) - 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.

Special Revenue Fund - Heath Schools and Communities (26173) - 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.

Special Revenue Fund – Incentives for School Improvement Act (27138) - 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Special Revenue Fund - School Improvement Framework (27164) - 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.

Special Revenue Fund - GO Bond School Library (27170) - To account for monies received from the SBI, Laws of 2010 Appropriation, Second Special Session, Chapter 3, Section BJ to be used to acquire library books, equipment and library resources for public school libraries statewide.

Special Revenue Fund - Rural Revitalization (27503) - 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".

Special Revenue Fund - Youth Conservation Corp (28133) - 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.

Special Revenue Fund – Union County Grant (29107) - 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.

Special Revenue Fund – Bond Building (31100) – To account for resources received from the state of general obligation bonds for the purpose of constructing and renovating school buildings.

Special Revenue Fund – Special Capital Outlay State (31400) – 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.

Special Revenue Fund – Capital Improvements SB-9 (31700) – 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.

All governmental fund 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 the GASB.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 general revenues.

Allocation of Indirect Expense

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 debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements

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

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 fund present increase and decrease 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.

EXPENDITURES

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

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 Secretary of Education) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimate 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 (PED) 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 member 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 request 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 commitment 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 year's budget.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 three months or less from the date of acquisition.

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

2. Investments

All money not immediately necessary for the public use 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

- d. 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.

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 3,463	15,058	21,421	39,942
Local sources	-	-	-	-
Intergovernmental	-	-	-	-
	<u>\$ 3,463</u>	<u>15,058</u>	<u>21,421</u>	<u>39,942</u>

4. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value).

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

Estimated useful life is management's estimate of how long the assets 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 included roads, bridges, traffic signals, etc. The District did not own any infrastructures assets.

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

5. Deferred Revenues

The District reports deferred revenues on its Statement of Net Assets and fund balance sheet.

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

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

6. 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

7. Fund Balance of Fund Financial Statements

The fund financial statements utilize a fund balance presentation. Fund balances are categorized as follows:

Nonspendable - portion of net resources that cannot be spent because of their form or because they must remain intact.

Restricted - amounts constrained by external parties, constitutional provision, or enabling legislation.

Committed - amounts constrained by a government using its highest level of decision-making authority. The Board of Education is the highest level of decision making authority. There are no committed funds in the current year.

Assigned - amounts a government intends to use for a particular purpose. There are no assigned funds in the current year.

Unassigned - amounts that are not constrained at all will be reported in the general fund.

8. Net Assets of Governmental Activities Financial Statements

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 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

9. 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

10. 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 revenue and expenditure during the reporting period. Actual results could differ from those estimates.

2. DEPOSITORY COLLATERAL

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

Farmers & Stockmen's Bank	Checking (Main Account)	\$	668,560
Farmers & Stockmen's Bank	Checking (NMPSIA & NMERB)		19,757
Farmers & Stockmen's Bank	Checking (TT&L)		-
Farmers & Stockmen's Bank	Certificate of Deposit		23,002
Farmers & Stockmen's Bank	Certificate of Deposit		29,017
Farmers & Stockmen's Bank	Certificate of Deposit		3,362
		\$	<u>743,698</u>
Total amount of deposits		\$	743,698
Outstanding checks			<u>(90,476)</u>
Total per financial statements		\$	<u>653,222</u>
Cash – Governmental activities		\$	575,238
Cash – Agency funds			<u>77,984</u>
Total per financial statements		\$	<u>653,222</u>

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
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As June 30, 2011, the carrying amount of the School District's bank balance was \$743,698. Of this balance \$305,381 was covered by federal depository insurance and the remaining \$438,317 was covered by collateral.

Cash on deposit at June 30, 2011	\$ 743,698
Less F.D.I.C	<u>(305,381)</u>
Uninsured Funds	438,317
50% Collateral Requirement	219,159
Pledged Collateral	<u>836,550</u>
Excess of Pledged Collateral	<u>\$ 617,392</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 District does not have a deposit policy for custodial credit risk other than following state statutes noted in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2011, \$438,317 of the District's bank balance of \$743,698 was exposed to custodial credit risk:

Uninsured and uncollateralized	\$ -
Uninsured and collateralized with Securities held by the pledging bank's trust department, not in the District's name	<u>438,317</u>
	<u>\$ 438,317</u>

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the District's 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. New Mexico 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 NW, N.A.</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FFCB #31331X2Q4	09-04-13	<u>\$836,550</u>

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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2011 are as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
Governmental activities:				
Land	\$ 1,000	-	-	1,000
Total assets not being depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Land improvements	449,457	-	-	449,457
Building & building improvements	5,666,511	-	-	5,666,511
Vehicles	213,229	-	-	213,229
Equipment	537,212	-	-	537,212
Furniture & fixtures	<u>157,016</u>	<u>-</u>	<u>-</u>	<u>157,016</u>
Total depreciable assets	<u>7,023,425</u>	<u>-</u>	<u>-</u>	<u>7,023,425</u>
Total assets	<u>7,024,425</u>	<u>-</u>	<u>-</u>	<u>7,024,425</u>
Accumulated depreciation:				
Land improvements	121,724	20,651	-	142,375
Building & building improvements	1,584,847	136,064	-	1,720,911
Vehicles	167,620	9,730	-	177,350
Equipment	509,918	10,814	-	520,732
Furniture & fixtures	<u>100,643</u>	<u>5,185</u>	<u>-</u>	<u>105,828</u>
Total	<u>2,484,752</u>	<u>182,444</u>	<u>-</u>	<u>2,667,196</u>
Governmental activities				
Capital assets, net	<u>\$ 4,539,673</u>	<u>182,444</u>	<u>-</u>	<u>4,357,229</u>

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities:

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

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
General Obligation Bonds	\$ 275,000	-	(115,000)	160,000	\$ 45,000
Compensated Absences	27,719	-	(14,023)	13,696	-
Total	\$ 302,719	-	(129,023)	173,696	\$ 45,000

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, Food Services 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, 2011:

General obligation bonds	
Payable, June 30, 2010	\$ 275,000
Bonds paid	(115,000)
Bonds issued	<u>-</u>
General obligation bonds	
Payable, June 30, 2011	\$ <u>160,000</u>

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.

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DES MOINES MUNICIPAL SCHOOLS
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YEAR ENDED JUNE 30, 2011**

The details of the bond issues and the remaining retirement amounts are summarized below.

Series	Date of Issue	Amount	Interest Rate	Balance
2003	04-15-03	\$ 200,000	2.85% - 4.35%	\$ 80,000
2004	08-20-04	175,000	3.00% - 3.00%	80,000
				<u>\$ 160,000</u>

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

Year	Principal	Interest	Total
2012	\$ 45,000	\$ 4,974	\$ 49,974
2013	45,000	3,336	48,336
2014	50,000	1,553	51,553
	<u>\$ 160,000</u>	<u>\$ 10,163</u>	<u>\$ 170,163</u>

Operating Leases

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

Short-Term Liabilities

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

REVENUES

Property Tax Levies

The School District's property taxes are levied each year of 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.

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."

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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) bi-lingual 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 \$963,062 in state equalization guarantee distributions during the year ended June 30, 2011. Additionally, the school received \$467,839 in emergency state equalization.

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 12 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 during 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 member ship 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 \$189,908 in transportation distributions during the year ended June 30, 2011.

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YEAR ENDED JUNE 30, 2011**

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.

Public School Capital Outlay

Under the provisions of Chapter 22, Article 2 4, 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 was certified by the property tax division; and
5. The school district has provided insurance for building 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.

**STATE OF NEW MEXICO
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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, 2011, the District received \$0 in special capital outlay funds.

A. Instructional Materials

The New Mexico Public Education Department (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational material. 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, 2011, 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.

B. 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.

5. DEFERRED REVENUE

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

6. 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.

7. RELATED PARTY TRANSACTION

The District contracts with Right Click Technologies, owned by a board member's relative, for E-rate, network, and computer services. The amount paid to this vendor during the year ended June 30, 2011 was \$12,864. There were no amounts due to or from Right Click Technologies at June 30, 2011.

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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. INSURANCE COVERAGE

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and commissions; 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 provided 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

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for all risks listed above.

11. 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

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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, 2011, 2010, and 2009 were \$106,257, \$117,663 and \$112,620, respectively, which equal to the amount of the required contributions for each fiscal year.

12. 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 employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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.

**STATE OF NEW MEXICO
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

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 of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The 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, 2011, 2010 and 2009 were \$14,558 \$11,599 and \$11,046, respectively, which equal, the required contributions for each year.

13. DUE TO AND DUE FROM OTHER FUNDS

<u>Fund</u>	<u>Due To</u>	<u>Due from</u>
11000	\$ -	47,507
24101	20,346	-
24106	21,587	-
24150	713	-
25154	882	-
25146	2,808	-
27164	886	-
27170	31	-
29107	254	-
	<u>\$ 47,507</u>	<u>47,507</u>

Due to and due from accounts have been set up as the operating fund owes cash to the above accounts.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011**

14. INTERFUND TRANSFERS

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
11000	\$ -	47,507
24101	20,346	-
24106	21,587	-
24150	713	-
25154	882	-
25146	2,808	-
27164	886	-
27170	31	-
29107	254	-
	<u>\$ 47,507</u>	<u>47,507</u>

Interfund transfers have been set up to offset the due to / from in Note 13.

15. RESTATEMENT – FUND BALANCE/STATEMENT OF ACTIVITIES

The following fund balances / net assets have been restated as of July 1, 2010:

23,635	Fund 11000 included checking account not previously recorded
(20,346)	Fund 11000 owes fund 24101 for grant over expenditures
(21,587)	Fund 11000 owes fund 24106 for grant over expenditures
(713)	Fund 11000 owes fund 24150 for grant over expenditures
(882)	Fund 11000 owes fund 24154 for grant over expenditures
(2,808)	Fund 11000 owes fund 25146 for grant over expenditures
(886)	Fund 11000 owes fund 24164 for grant over expenditures
(31)	Fund 11000 owes fund 24170 for grant over expenditures
(254)	Fund 11000 owes fund 29107 for grant over expenditures
<u>(23,872)</u>	Total amount of Restatement

16. NEGATIVE FUND BALANCE

Fund 12000 (Teacherage) and Fund 31400 (Special Capital Outlay – State) have negative fund balances of \$1,006 and \$26,322, respectively, due to over expenditures prior to fiscal year 2011. Management expects to restore the fund balances in the future from fund 11000.

17. CONCENTRATIONS

The District depends on financial resources flowing from, 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)
DEBT SERVICE FUND (41000)
For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 51,562	51,562	86,023	34,461
Earnings from investments	1,162	1,162	135	(1,027)
Total revenues	<u>\$ 52,724</u>	<u>52,724</u>	<u>86,158</u>	<u>33,434</u>
EXPENDITURES				
Bank fees / other charges	\$ 600	600	2,240	(1,640)
Bonds principal	134,727	134,727	45,000	89,727
Bond interest	6,562	6,562	4,871	1,691
Total expenditures	<u>\$ 141,889</u>	<u>141,889</u>	<u>52,111</u>	<u>89,778</u>
BUDGETED CASH BALANCE	<u>\$ 89,165</u>	<u>89,165</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES

Budgetary basis	\$ 86,158
Change in receivables	20,179
Modified accrual basis	<u>\$ 65,979</u>

EXPENDITURES

Budgetary basis	\$ 52,111
Change in payables	-
Modified accrual basis	<u>\$ 52,111</u>

See accompanying notes.

**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 (43000)
For The Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 71,444	71,444	35,213	(36,231)
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 71,444</u>	<u>71,444</u>	<u>35,213</u>	<u>(36,231)</u>
EXPENDITURES				
Bank fees / other charges	\$ 750	750	309	441
Bonds principal	151,708	151,708	70,000	81,708
Bond interest	1,444	1,444	3,134	(1,690)
Total expenditures	<u>\$ 153,902</u>	<u>153,902</u>	<u>73,443</u>	<u>80,459</u>
BUDGETED CASH BALANCE	<u>\$ 82,458</u>	<u>82,458</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 35,213
Change in receivables	25,518
Modified accrual basis	<u>\$ 9,695</u>
EXPENDITURES	
Budgetary basis	\$ 73,443
Change in payables	1,022
Modified accrual basis	<u>\$ 72,421</u>

See accompanying notes.

NON-MAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
BALANCE SHEET - ALL NON-MAJOR
GOVERNMENTAL FUNDS
As of June 30, 2011

	<i>Fund 21000</i>	<i>Fund 22000</i>	<i>Fund 24109</i>	<i>Fund 24150</i>	<i>Fund 24154</i>
	Food Services	Athletics	Preschool	Title V	Improving Teacher Quality
Assets					
Cash and cash equivalent	\$ 31,064	4,645	-	-	-
Accounts receivable, collectible	7,017	-	-	-	-
Due from grantor	-	-	995	-	4,942
Due from other funds	-	-	-	713	882
Total Assets	\$ 38,081	4,645	995	713	5,824
Liabilities					
Cash overdraft	-	-	995	713	5,824
Accounts payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Interest payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Total Liabilities	-	-	995	713	5,824
Fund Balance					
Restricted for debt service	-	-	-	-	-
Restricted for capital projects	-	-	-	-	-
Restricted by grantor	38,081	4,645	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balance	38,081	4,645	-	-	-
Total Liabilities And Fund Balances	\$ 38,081	4,645	995	713	5,824

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
BALANCE SHEET - ALL NON-MAJOR
GOVERNMENTAL FUNDS
As of June 30, 2011

	<i>Fund 24201</i>	<i>Fund 25146</i>	<i>Fund 25153</i>	<i>Fund 25233</i>	<i>Fund 25250</i>	<i>Fund 25255</i>
	Title I - Stimulus	Safe Routes to Schools	Medicaid	REAP	SEG - Federal Stimulus	Ed Job Fund
Assets						
Cash and cash equivalent	\$ -	-	1	24,737	3,041	-
Accounts receivable, collectible	-	-	-	-	-	-
Due from grantor	10,415	-	-	-	-	-
Due from other funds	-	2,808	-	-	-	-
Total Assets	\$ 10,415	2,808	1	24,737	3,041	-
Liabilities						
Cash overdraft	8,137	2,808	-	-	-	-
Accounts payable	2,278	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenues	-	-	1	24,737	3,041	-
Total Liabilities	10,415	2,808	1	24,737	3,041	-
Fund Balance						
Restricted for debt service	-	-	-	-	-	-
Restricted for capital projects	-	-	-	-	-	-
Restricted by grantor	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balance	-	-	-	-	-	-
Total Liabilities And Fund Balances	\$ 10,415	2,808	1	24,737	3,041	-

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
BALANCE SHEET - ALL NON-MAJOR
GOVERNMENTAL FUNDS
As of June 30, 2011

	<i>Fund 26173</i> Healthy School/ Communities	<i>Fund 26176</i> Dental (NM Community Foundation)	<i>Fund 27117</i> Technology for Education	<i>Fund 27138</i> Incentives for School Improvements	<i>Fund 27164</i> School Improvement Framework
Assets					
Cash and cash equivalent	\$ 33	27,835	14,756	6,619	-
Accounts receivable, collectible	-	-	-	-	-
Due from grantor	-	-	-	-	-
Due from other funds	-	-	-	-	886
Total Assets	\$ 33	27,835	14,756	6,619	886
Liabilities					
Cash overdraft	-	-	-	-	886
Accounts payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Interest payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenues	33	27,835	14,756	6,619	-
Total Liabilities	33	27,835	14,756	6,619	886
Fund Balance					
Restricted for debt service	-	-	-	-	-
Restricted for capital projects	-	-	-	-	-
Restricted by grantor	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balance	-	-	-	-	-
Total Liabilities And Fund Balances	\$ 33	27,835	14,756	6,619	886

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
BALANCE SHEET - ALL NON-MAJOR
GOVERNMENTAL FUNDS
As of June 30, 2011

	<i>Fund 27170</i>	<i>Fund 27503</i>	<i>Fund 28133</i>	<i>Fund 29107</i>	<i>Fund 31100</i>
	GO Bond Library	Rural Revitalization	Youth Conservation Group	Union County Grant	Bond Building
Assets					
Cash and cash equivalent	\$ -	499	648	-	34,043
Accounts receivable, collectible	-	-	-	-	-
Due from grantor	-	-	-	-	-
Due from other funds	31	-	-	254	-
Total Assets	<u>\$ 31</u>	<u>499</u>	<u>648</u>	<u>254</u>	<u>34,043</u>
Liabilities					
Cash overdraft	31	-	-	254	-
Accounts payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Interest payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenues	-	499	648	-	-
Total Liabilities	<u>31</u>	<u>499</u>	<u>648</u>	<u>254</u>	<u>-</u>
Fund Balance					
Restricted for debt service	-	-	-	-	-
Restricted for capital projects	-	-	-	-	34,043
Restricted by grantor	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,043</u>
Total Liabilities And Fund Balances	<u>\$ 31</u>	<u>499</u>	<u>648</u>	<u>254</u>	<u>34,043</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
BALANCE SHEET - ALL NON-MAJOR
GOVERNMENTAL FUNDS
As of June 30, 2011

	<i>Fund 31400</i> Special Capital Outlay - State	<i>Fund 31700</i> Capital Improvements SB-9	Totals
Assets			
Cash and cash equivalent	\$ -	10,761	\$ 158,682
Accounts receivable, collectible	-	14,404	21,421
Due from grantor	-	-	16,352
Due from other funds	-	-	5,574
Total Assets	<u>\$ -</u>	<u>25,165</u>	<u>202,029</u>
Liabilities			
Cash overdraft	26,322	-	45,970
Accounts payable	-	-	2,278
Accrued liabilities	-	-	-
Interest payable	-	-	-
Due to other funds	-	-	-
Deferred revenues	-	-	78,169
Total Liabilities	<u>26,322</u>	<u>-</u>	<u>126,417</u>
Fund Balance			
Restricted for debt service	-	-	-
Restricted for capital projects	-	25,165	59,208
Restricted by grantor	-	-	42,726
Unassigned	(26,322)	-	(26,322)
Total Fund Balance	<u>(26,322)</u>	<u>25,165</u>	<u>75,612</u>
Total Liabilities And Fund Balances	<u>\$ -</u>	<u>25,165</u>	<u>\$ 202,029</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011

	<i>Fund 21000</i>	<i>Fund 22000</i>	<i>Fund 24109</i>	<i>Fund 24150</i>	<i>Fund 24154</i>
	Food Services	Athletics	Preschool	Title V	Improving Teacher Quality
Revenues					
Property taxes	\$ -	-	-	-	-
Charges for services	13,089	27,913	-	-	-
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	29,999	-	995	-	4,942
Earnings from investments	-	-	-	-	-
Total Revenues	<u>43,088</u>	<u>27,913</u>	<u>995</u>	<u>-</u>	<u>4,942</u>
Expenditures					
Current:					
Direct instruction	-	31,194	-	-	4,942
Instructional support	-	-	995	-	-
Food services	30,065	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Bonds	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>30,065</u>	<u>31,194</u>	<u>995</u>	<u>-</u>	<u>4,942</u>
Excess (deficiency of revenues over expenditures)	13,023	(3,281)	-	-	-
Other financing sources (uses)					
Transfer in	-	-	-	713	882
Transfer out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	713	882
Net change in fund balance	<u>13,023</u>	<u>(3,281)</u>	<u>-</u>	<u>713</u>	<u>882</u>
Fund balance beginning of year	25,058	7,926	-	-	-
Restatement	-	-	-	(713)	(882)
Fund balance beginning of year - as restated	<u>25,058</u>	<u>7,926</u>	<u>-</u>	<u>(713)</u>	<u>(882)</u>
Fund balance end of year	<u>\$ 38,081</u>	<u>4,645</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011

	<i>Fund 24201</i>	<i>Fund 25146</i>	<i>Fund 25153</i>	<i>Fund 25233</i>	<i>Fund 25250</i>
	Title I - Stimulus	Safe Routes to Schools	Medicaid	REAP	SEG - Federal Stimulus
Revenues					
Property taxes	\$ -	-	-	-	-
Charges for services	-	-	-	-	-
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	10,415	-	-	16,923	1,796
Earnings from investments	-	-	-	-	-
Total Revenues	<u>10,415</u>	<u>-</u>	<u>-</u>	<u>16,923</u>	<u>1,796</u>
Expenditures					
Current:					
Direct instruction	10,415	-	-	-	1,796
Instructional support	-	-	-	16,923	-
Food services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Bonds	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>10,415</u>	<u>-</u>	<u>-</u>	<u>16,923</u>	<u>1,796</u>
Excess (deficiency of revenues over expenditures)	-	-	-	-	-
Other financing sources (uses)					
Transfer in	-	2,808	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	-	<u>2,808</u>	-	-	-
Net change in fund balance	-	<u>2,808</u>	-	-	-
Fund balance beginning of year	-	-	-	-	-
Restatement	-	(2,808)	-	-	-
Fund balance beginning of year - as restated	-	<u>(2,808)</u>	-	-	-
Fund balance end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011

	<i>Fund 25255</i>	<i>Fund 26173</i>	<i>Fund 26176</i>	<i>Fund 27117</i>	<i>Fund 27138</i>
	Ed Job Fund	Healthy School/ Communities	Dental (NM Community Foundation)	Technology for Education	Incentives for School Improvements
Revenues					
Property taxes	\$ -	-	-	-	-
Charges for services	-	-	-	-	-
Local sources	27,705	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Earnings from investments	-	-	-	-	-
Total Revenues	<u>27,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Current:					
Direct instruction	27,705	-	-	-	-
Instructional support	-	-	-	-	-
Food services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Bonds	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>27,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency of revenues over expenditures)	-	-	-	-	-
Other financing sources (uses)					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance beginning of year	-	-	-	-	-
Restatement	-	-	-	-	-
Fund balance beginning of year - as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011

	<i>Fund 27164</i>	<i>Fund 27170</i>	<i>Fund 27503</i>	<i>Fund 28133</i>	<i>Fund 29107</i>
	School Improvement Framework	Go Bond Library	Rural Revitalization	Youth Conservation Group	Union County Grant
Revenues					
Property taxes	\$ -	-	-	-	-
Charges for services	-	-	-	-	-
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	-	-	-	-
Earnings from investments	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Current:					
Direct instruction	-	-	-	-	-
Instructional support	-	-	-	-	-
Food services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Bonds	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency of revenues over expenditures)	-	-	-	-	-
Other financing sources (uses)					
Transfer in	886	31	-	-	254
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>886</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>254</u>
Net change in fund balance	<u>886</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>254</u>
Fund balance beginning of year	-	-	-	-	-
Restatement	(886)	(31)	-	-	(254)
Fund balance beginning of year - as restated	<u>(886)</u>	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>(254)</u>
Fund balance end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2011

	<i>Fund 31100</i>	<i>Fund 31400</i>	<i>Fund 31700</i>	
	Bond Building	Special Capital Outlay - State	Capital Improvements SB-9	Totals
Revenues				
Property taxes	\$ -	-	60,704	\$ 60,704
Charges for services	-	-	-	41,002
Local sources	911	-	-	28,616
State sources	-	-	-	-
Federal sources	-	-	-	65,070
Earnings from investments	500	-	609	1,109
Total Revenues	<u>1,411</u>	<u>-</u>	<u>61,313</u>	<u>196,501</u>
Expenditures				
Current:				
Direct instruction	-	-	-	76,052
Instructional support	39,546	-	68,265	125,729
Food services	-	-	-	30,065
Capital outlay	-	-	-	-
Debt service				
Bonds	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>39,546</u>	<u>-</u>	<u>68,265</u>	<u>231,846</u>
Excess (deficiency of revenues over expenditures)	(38,135)	-	(6,952)	(35,345)
Other financing sources (uses)				
Transfer in	-	-	-	5,574
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,574</u>
Net change in fund balance	<u>(38,135)</u>	<u>-</u>	<u>(6,952)</u>	<u>(29,771)</u>
Fund balance beginning of year	72,178	(26,322)	32,117	110,957
Restatement	-	-	-	(5,574)
Fund balance beginning of year - as restated	<u>72,178</u>	<u>(26,322)</u>	<u>32,117</u>	<u>105,383</u>
Fund balance end of year	<u>\$ 34,043</u>	<u>(26,322)</u>	<u>25,165</u>	<u>\$ 75,612</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOOD SERVICES (21000)
For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ -	-	-	-
Charges sources	8,000	8,000	13,089	5,089
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	42,036	42,036	29,999	(12,037)
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 50,036</u>	<u>50,036</u>	<u>43,088</u>	<u>(6,948)</u>
EXPENDITURES				
Direct instruction	\$ -	-	-	-
Instructional support	-	-	-	-
Food services	50,036	50,036	30,065	19,971
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 50,036</u>	<u>50,036</u>	<u>30,065</u>	<u>19,971</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 43,088
Change in receivables	-
Modified accrual basis	<u>\$ 43,088</u>
EXPENDITURES	
Budgetary basis	\$ 30,065
Change in payables	-
Modified accrual basis	<u>\$ 30,065</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - ATHLETICS (22000)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 29,210	29,210	27,663	(1,547)
Total revenues	\$ 29,210	29,210	27,663	(1,547)
EXPENDITURES				
Direct instruction	\$ 35,000	35,000	31,194	3,806
Total expenditures	\$ 35,000	35,000	31,194	3,806
BUDGETED CASH BALANCE	\$ 5,790	5,790		

Reconciliation of budgetary basis to modified accrual statements

REVENUES

Budgetary basis	\$ 27,663
Change in receivables	(250)
Modified accrual basis	\$ 27,913

EXPENDITURES

Budgetary basis	\$ 31,194
Change in payables	-
Modified accrual basis	\$ 31,194

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - PRESCHOOL (24109)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local sources	\$ 995	995	-	(995)
Total revenues	<u>\$ 995</u>	<u>995</u>	<u>-</u>	<u>(995)</u>
EXPENDITURES				
Direct instruction	\$ 995	995	995	-
Total expenditures	<u>\$ 995</u>	<u>995</u>	<u>995</u>	<u>-</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	(995)
Modified accrual basis	<u>\$ 995</u>
EXPENDITURES	
Budgetary basis	\$ 995
Change in payables	-
Modified accrual basis	<u>\$ 995</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - TITLE V (24150)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

	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>

Reconciliation of budgetary basis to modified accrual statements

REVENUES

Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>

EXPENDITURES

Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - IMPROVING TEACHER QUALITY (24154)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 4,942	4,942	-	(4,942)
Total revenues	\$ 4,942	4,942	-	(4,942)
EXPENDITURES				
Direct instruction	\$ 4,942	4,942	4,942	-
Instructional support	-	-	-	-
Total expenditures	\$ 4,942	4,942	4,942	-

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	(4,942)
Modified accrual basis	\$ 4,942
EXPENDITURES	
Budgetary basis	\$ 4,942
Change in payables	-
Modified accrual basis	\$ 4,942

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE I - STIMULUS FUND (24201)
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ -	10,415	10,415	-
Total revenues	<u>\$ -</u>	<u>10,415</u>	<u>10,415</u>	<u>-</u>
EXPENDITURES				
Direct instruction	\$ -	10,415	10,415	-
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>10,415</u>	<u>10,415</u>	<u>-</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 10,415
Change in receivables	-
Modified accrual basis	<u>\$ 10,415</u>
EXPENDITURES	
Budgetary basis	\$ 10,415
Change in payables	-
Modified accrual basis	<u>\$ 10,415</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - SAFE ROUTES TO SCHOOL (25146)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

	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>

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - MEDICAID (25153)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

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

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - REAP (25233)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 20,669	20,669	33,161	12,492
Total revenues	<u>\$ 20,669</u>	<u>20,669</u>	<u>33,161</u>	<u>12,492</u>
EXPENDITURES				
Instructional support	\$ 20,669	20,669	16,923	3,746
Total expenditures	<u>\$ 20,669</u>	<u>20,669</u>	<u>16,923</u>	<u>3,746</u>

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 33,161
Change in receivables	16,238
Modified accrual basis	<u>\$ 16,923</u>
EXPENDITURES	
Budgetary basis	\$ 16,923
Change in payables	-
Modified accrual basis	<u>\$ 16,923</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - SEG - FEDERAL STIMULUS (25250)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 30,941	30,982	14,432	(16,550)
Total revenues	\$ 30,941	30,982	14,432	(16,550)
EXPENDITURES				
Instructional support	\$ 10,242	10,283	1,796	8,487
Total expenditures	\$ 10,242	10,283	1,796	8,487

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 14,432
Change in receivables	12,636
Modified accrual basis	\$ 1,796
EXPENDITURES	
Budgetary basis	\$ 1,796
Change in payables	-
Modified accrual basis	\$ 1,796

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ED JOB FUND (25255)
For The Year Ended June 30, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amount</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Federal sources	\$ -	106	27,705	27,599
Total revenues	<u>\$ -</u>	<u>106</u>	<u>27,705</u>	<u>27,599</u>
EXPENDITURES				
Direct instruction	\$ -	106	27,705	(27,599)
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>106</u>	<u>27,705</u>	<u>(27,599)</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 27,705
Change in receivables	-
Modified accrual basis	<u>\$ 27,705</u>
EXPENDITURES	
Budgetary basis	\$ 27,705
Change in payables	-
Modified accrual basis	<u>\$ 27,705</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - HEALTHY SCHOOL/COMMUNITIES (26173)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	-	-	-
Total revenues	\$ -	-	-	-
EXPENDITURES				
Food services	\$ -	-	-	-
Total expenditures	\$ -	-	-	-
BUDGETED CASH BALANCE	\$			

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	\$ -
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	\$ -

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DENTAL (NM COMMUNITY FOUNDATION FUND)(26176)
For The Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local sources	\$ 10,543	10,543	-	(10,543)
Total revenues	<u>\$ 10,543</u>	<u>10,543</u>	<u>-</u>	<u>(10,543)</u>
EXPENDITURES				
Direct instruction	\$ 10,543	10,543	-	10,543
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 10,543</u>	<u>10,543</u>	<u>-</u>	<u>10,543</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TECHNOLOGY FOR EDUCATION FUND (27117)
For The Year Ended June 30, 2011

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

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - INCENTIVES FOR SCHOOL IMPROV (27138)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

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

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	\$ -
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	\$ -

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - SCHOOL IMPROVEMENT FRAMEWORK (27164)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

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

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	\$ -
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	\$ -

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - GO BOND LIBRARY (27170)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

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

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	\$ -
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	\$ -

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - RURAL REVITALIZATION (27503)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

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

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - YOUTH CONSERVATION CORP. (28133)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

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

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	\$ -
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	\$ -

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
NON-MAJOR SPECIAL REVENUE - UNION COUNTY GRANT (29107)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011

	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>

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BOND BUILDING FUND (31110)
For The Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	-	911	911
Earnings on investments	983	983	500	(483)
Total revenues	<u>\$ 983</u>	<u>983</u>	<u>1,411</u>	<u>428</u>
EXPENDITURES				
Capital outlay	\$ 74,108	74,108	39,546	34,562
Total expenditures	<u>\$ 74,108</u>	<u>74,108</u>	<u>39,546</u>	<u>34,562</u>
BUDGETED CASH BALANCE	<u>\$ 73,125</u>	<u>73,125</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 1,411
Change in receivables	-
Modified accrual basis	<u>\$ 1,411</u>
EXPENDITURES	
Budgetary basis	\$ 39,546
Change in payables	-
Modified accrual basis	<u>\$ 39,546</u>

See accompanying notes.

STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL CAPITAL OUTLAY - STATE (31400)
For The Year Ended June 30, 2011

	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>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

See accompanying notes.

**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 (31700)
For The Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 48,947	48,947	60,115	11,168
State sources	29,313	29,313	-	(29,313)
Earnings on investments	-	-	609	609
Total revenues	<u>\$ 78,260</u>	<u>78,260</u>	<u>60,724</u>	<u>(17,536)</u>
EXPENDITURES				
Capital outlay	\$ 81,612	81,612	68,265	13,347
Total expenditures	<u>\$ 81,612</u>	<u>81,612</u>	<u>68,265</u>	<u>13,347</u>
BUDGETED CASH BALANCE	<u>\$ 3,352</u>	<u>3,352</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 60,724
Change in receivables	(589)
Modified accrual basis	<u>\$ 61,313</u>
EXPENDITURES	
Budgetary basis	\$ 68,265
Change in payables	-
Modified accrual basis	<u>\$ 68,265</u>

See accompanying notes.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF COMBINING BALANCE SHEET
GENERAL FUND (10000)
Year Ended June 30, 2011**

	<i>Fund 11000</i>	<i>Fund 12000</i>	<i>Fund 13000</i>	<i>Fund 14000</i>	
	Operational	Teacherage	Transportation	Instructional Materials	Total
ASSETS					
Cash and cash equivalent	\$ 232,581	-	6,410	11,394	250,385
Accounts receivable, net collectible	3,463	-	-	-	3,463
Total assets	<u>\$ 236,044</u>	<u>-</u>	<u>6,410</u>	<u>11,394</u>	<u>253,848</u>
LIABILITIES					
Accounts payable	-	-	-	-	-
Accrued liabilities	62,607	-	-	-	62,607
Due to other funds	47,507	-	-	-	47,507
Cash overdraft	-	1,006	-	-	1,006
Rental deposit	-	-	-	-	-
Total liabilities	<u>110,114</u>	<u>1,006</u>	<u>-</u>	<u>-</u>	<u>111,120</u>
FUND BALANCES					
Unassigned	125,930	(1,006)	6,410	11,394	142,728
Total fund balance	<u>125,930</u>	<u>(1,006)</u>	<u>6,410</u>	<u>11,394</u>	<u>142,728</u>
Total Liabilities And Fund Balances	<u>\$ 236,044</u>	<u>-</u>	<u>6,410</u>	<u>11,394</u>	<u>253,848</u>

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
STATEMENT OF COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND (10000)
Year Ended June 30, 2011**

	<i>Fund 11000</i>	<i>Fund 12000</i>	<i>Fund 13000</i>	<i>Fund 14000</i>	
	Operational	Teacherage	Transportation	Instructional Materials	Total
REVENUES					
Property taxes	\$ 12,985	-	-	-	12,985
Charges for services	-	-	-	-	-
Local sources	21,538	-	-	-	21,538
State sources	1,457,319	-	189,908	617	1,647,844
Federal sources	-	-	-	-	-
Earnings from investments	1,184	-	-	-	1,184
Total revenues	<u>1,493,026</u>	<u>-</u>	<u>189,908</u>	<u>617</u>	<u>1,683,551</u>
EXPENDITURES					
Direct instruction	837,338	-	-	7,746	845,084
Instructional support	588,191	-	234,051	34	822,276
Food service	-	-	-	-	-
Total expenditures	<u>1,425,529</u>	<u>-</u>	<u>234,051</u>	<u>7,780</u>	<u>1,667,360</u>
Excess (deficiency) of revenues over expenditures	67,497	-	(44,143)	(7,163)	16,191
Other financing sources (uses)					
Transfer in	-	-	-	-	-
Transfer out	(47,507)	-	-	-	(47,507)
Total other financing sources (uses)	(47,507)	-	-	-	(47,507)
Net change in fund balance	19,990	-	(44,143)	(7,163)	(31,316)
Fund balance at beginning of year	<u>82,305</u>	<u>(1,006)</u>	<u>50,553</u>	<u>18,557</u>	<u>150,409</u>
Prior period restatement	23,635	-	-	-	23,635
Fund balance at end of year	<u>\$ 125,930</u>	<u>(1,006)</u>	<u>6,410</u>	<u>11,394</u>	<u>142,728</u>

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
GENERAL FUND - OPERATIONAL FUND (11000)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ -	-	-	-
Charges for Services	-	-	-	-
Local sources	12,341	12,341	21,538	9,197
State sources	1,451,967	1,424,145	1,457,319	33,174
Federal sources	-	-	-	-
Earnings from investments	-	-	1,184	1,184
Total revenues	<u>1,464,308</u>	<u>1,436,486</u>	<u>1,480,041</u>	<u>43,555</u>
EXPENDITURES				
Direct instruction	787,470	759,648	837,338	(77,690)
Instructional support	705,169	705,169	587,518	117,651
Food services	-	-	-	-
Total expenditures	<u>1,492,639</u>	<u>1,464,817</u>	<u>1,424,856</u>	<u>39,961</u>
BUDGETED CASH BALANCE	<u>\$ (28,331)</u>	<u>(28,331)</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ 1,480,041
Change in receivables	<u>-</u>
Modified accrual basis	<u>\$ 1,480,041</u>
EXPENDITURES	
Budgetary basis	\$ 1,424,856
(Decrease) in payables	<u>-</u>
Modified accrual basis	<u>\$ 1,424,856</u>

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
GENERAL FUND - TEACHERAGE FUND (12000)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	-	-	-
Charges for Services	-	-	-	-
Local sources	-	6,000	-	(6,000)
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	-	6,000	-	(6,000)
EXPENDITURES				
Direct instruction	-	-	-	-
Repairs and maintenance	-	6,000	-	6,000
Food services	-	-	-	-
Total expenditures	-	6,000	-	6,000
BUDGETED CASH BALANCE	\$ -	-		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	\$ -
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	\$ -

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
GENERAL FUND - TRANSPORTATION FUND (13000)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	-	-	-
Charges for Services	-	-	-	-
Local sources	-	-	-	-
State sources	206,625	250,144	189,908	(60,236)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>206,625</u>	<u>250,144</u>	<u>189,908</u>	<u>(60,236)</u>
EXPENDITURES				
Direct instruction	-	-	-	-
Instructional support	206,625	250,144	234,725	15,419
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>206,625</u>	<u>250,144</u>	<u>234,725</u>	<u>15,419</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES	
Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>
EXPENDITURES	
Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
GENERAL FUND - INSTRUCTIONAL MATERIALS FUND (14000)
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2011**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	-	-	-
Charges for Services	-	-	-	-
Local sources	-	-	-	-
State sources	-	3,383	617	(2,766)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>-</u>	<u>3,383</u>	<u>617</u>	<u>(2,766)</u>
EXPENDITURES				
Direct instruction	-	3,383	7,746	(4,363)
Instructional support	-	-	34	(34)
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>3,383</u>	<u>7,780</u>	<u>(4,397)</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>-</u>		

Reconciliation of budgetary basis to modified accrual statements

REVENUES

Budgetary basis	\$ -
Change in receivables	-
Modified accrual basis	<u>\$ -</u>

EXPENDITURES

Budgetary basis	\$ -
Change in payables	-
Modified accrual basis	<u>\$ -</u>

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, 2011**

		General Fund 10000									
		<i>Fund 11000</i>	<i>Fund 12000</i>	<i>Fund 13000</i>	<i>Fund 14000</i>	<i>Fund 21000</i>	<i>Fund 22000</i>	<i>Funds **</i>			
		Operational	Teacherage	Transportation	Instructional Materials	Food Services	Athletics	State/ Local			
Cash balance, June 30, 2010	\$	79,026	(1,006)	50,553	18,557	23,278	7,926	93,049			
Cash receipts, 2010-2011		1,467,020	-	189,908	-	37,844	27,912	80,000			
Cash disbursements, 2010-2011		(1,422,248)	-	(234,051)	(7,163)	(30,058)	(31,193)	(54,512)			
Cash balance, June 30, 2011	\$	123,798	(1,006)	6,410	11,394	31,064	4,645	118,537			
		<i>Fund 31900</i>	<i>Funds **</i>	<i>Fund 31000</i>	<i>Fund 31400</i>	<i>Fund 31700</i>	<i>Fund 41000</i>	<i>Fund 43000</i>	Total		
		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, 2010	\$	100,442	(34,802)	72,178	(26,321)	18,303	58,884	69,529	529,596		
Cash receipts, 2010-2011		1,168	80,933	1,141	-	60,114	86,157	35,213	2,067,410		
Cash disbursements, 2010-2011		(16,446)	(102,394)	(39,276)	-	(67,656)	(52,110)	(73,443)	(2,130,550)		
Cash balance, June 30, 2011	\$	85,164	(56,263)	34,043	(26,321)	10,761	92,931	31,299	466,456		
									62,607		
									26,418		
									19,757		
									\$	575,238	
											62,607
											26,418
											19,757
											\$ 575,238

* Funds include 25146, 25153, 26173, 26176, 27138, 27170,
27503, 28133, 29107, 27117, 27164, 29130

** Funds include 24101, 24106, 24201, 24150, 25250, 25233, 25255

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS
For The Year Ended June 30, 2011**

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS				
Cash and cash equivalent	\$ 77,514	23,240	22,770	77,984
Total assets	\$ 77,514	23,240	22,770	77,984
LIABILITIES				
Deposits held for others:				
Business Professionals	694	220	220	694
Cheerleaders	2,735	-	675	2,060
Class of 2010	(2,582)	2,582	-	-
Class of 2011	(2,385)	2,816	681	(250)
Class of 2012	1,957	-	2,258	(301)
Class of 2013	3,098	846	3,438	506
Class of 2014	81	219	1,825	(1,525)
Class of 2015	49	14	157	(94)
Class of 2016	-	112	1,173	(1,061)
Class of 2017	115	-	115	-
Computers for Education	275	135	-	410
Counselor Fund	(1,214)	-	-	(1,214)
CSAC Group	193	-	-	193
Demonettes	32	1,455	1,599	(112)
District C - FCCLA	96	-	-	96
District C - FFA	1,246	-	-	1,246
FCCLA	(539)	-	-	(539)
FFA	(66)	5,241	6,972	(1,797)
FFA Investment	\$ 3,363	-	-	3,363
Graduated Seniors 2009	(65)	65	-	-
Honor Society	926	-	81	845
HS Shop Fund	166	-	-	166
In/out	197	4,868	-	5,065
Library	1,508	-	-	1,508
Miscellaneous	1,522	4,571	4,339	1,754
Peer Helpers	326	-	-	326
Rodeo Club	186	344	8	522
Scholarship Activity	-	13,815	3,500	10,315
Scholarships	10,237	-	10,237	-
Scholarships	52,019	-	-	52,019
Scholastic Misc.	2,248	-	2,248	-
Student Council	814	-	-	814
Studio C	650	-	-	650
Unused	-	327	-	327
Yearbook	\$ (368)	3,395	1,027	2,000
Total liabilities	\$ 77,514	41,025	40,553	77,984



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

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

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general and major special revenue funds, of Des Moines Municipal Schools (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's 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, 2011 and have issued our report thereon dated May 12, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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



Mr. Hector Balderas
New Mexico State Auditor
&
The Board of Education
Des Moines Municipal Schools

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting: 07-01, 08-01, 09-04, 09-05, 10-05, 10-16, 10-17, 10-29, 10-30, 10-48, 11-01, and 11-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-01, 07-03, 08-02, 09-03, 09-06, 10-01, 10-02, 10-06, 10-07, 10-11 to 10-15, 10-18, 10-19, 10-21, 10-24 to 10-26, 10-32 to 10-34, 10-36 to 10-38, 10-40 to 10-42, 10-45, 10-47, and 10-49.

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

This report is intended solely for the information and use of management, the Board of Education, others within the District, the NM Public Education Department, the NM State Auditor's Office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'JAG LLC', is written over the company name.

Jaramillo Accounting Group LLC
Albuquerque, New Mexico
May 12, 2014

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

<u>#</u>	<u>Finding</u>	<u>Status of Prior Year Finding</u>	<u>Compliance</u>	<u>Significant Deficiency</u>	<u>Other Matter</u>	<u>Material Weakness</u>
07-01	Budget Overruns	Repeated	X	X		
07-03	Inventory of Cafeteria Food	Repeated	X			
08-01	Bank Reconciliations	Repeated		X		
08-02	Late Audit Report	Repeated	X			
09-03	Approval of Travel Reimbursements	Repeated			X	
09-04	Reconciliation of Activity Funds	Repeated		X		
09-05	Segregation of Duties	Repeated		X		
09-06	Incomplete Employee Files	Repeated	X			
10-01	Fees Spent out of Wrong Fund	Repeated			X	
10-02	Amounts Paid from the Wrong Fund	Repeated			X	
10-03	Transactions made by Third Parties	Cleared	X			
10-04	Extremely Old & Ambiguous Payment	Cleared	X			
10-05	Restricted Cash Loans to Other Funds	Repeated		X		
10-06	Penalties Charged for Overdue DOL Filings	Repeated	X			
10-07	Textbook Purchases paid out of Wrong Fund	Repeated	X			
10-08	Cash paid for Athletic Meals	Cleared			X	
10-09	Repairs for Teacherage out of SB-9	Cleared	X			
10-10	Missing Board Meeting Minutes	Cleared	X			
10-11	Incorrect ERA Reports	Repeated	X			
10-12	Incorrect RHCA Reports	Repeated	X			
10-13	Unsubstantiated Annual Leave	Repeated	X			
10-14	W-3 Not Submitted to SSA	Repeated	X			
10-15	941 Reports Not Submitted Correctly	Repeated	X			
10-16	Payment made for Insufficient 941 (2008)	Repeated		X		
10-17	Payment made for Insufficient 941 (2007)	Repeated		X		
10-18	New Hire Reporting Reports not Filed	Repeated	X			
10-19	DOL Reports Not Filed	Repeated	X			
10-20	Missing Payment from W-2	Cleared	X			
10-21	W-9 Forms Not Available	Repeated	X			
10-22	1099 Form Not Filed for a Referee	Cleared	X			
10-23	Superintendent's Annual Leave paid on 1099 Form Incorrectly	Cleared	X			
10-24	No Depreciation Policy	Repeated			X	
10-25	1099 Forms Not Prepared	Repeated	X			
10-26	Deficit Activity Fund Balance	Repeated	X			

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2011**

<u>#</u>	<u>Finding</u>	<u>Status of Prior Year Finding</u>	<u>Compliance</u>	<u>Significant Deficiency</u>	<u>Other Matter</u>	<u>Material Weakness</u>
10-27	Special Revenue Fund Included in Activity Funds	Cleared	X			
10-28	Deficit Cash Balance - GEAR UP	Cleared	X			
10-29	Revenues Not Deposited > 60 days	Repeated		X		
10-30	Cash Deficits not Resolved until FY13	Repeated		X		
10-31	NMFA Cash Balances Not Reported on Books of Record	Cleared	X			
10-32	Outstanding Cafeteria Charges Required Support for	Repeated	X			
10-33	Disbursements	Repeated	X			
10-34	Balances still Owed to NMPSIA for Employee Insurances	Repeated	X			
10-35	Owner/Operator Bus Contracts Incorrect	Combined w/ 10-48		X		
10-36	Unadjusted Activity Fund Cash Balances	Repeated	X			
10-37	Public Education Quarterly Reports Incorrect	Repeated	X			
10-38	Incorrect Outstanding Check List	Repeated	X			
10-39	Damage Deposit Not Charged	Cleared	X			
10-40	Missing Rental Agreement	Repeated	X			
10-41	No Bus Driver List for Required Drug Testing	Repeated	X			
10-42	Incorrect Posting of Receipts	Repeated	X			
10-43	Teacherage Transactions without a Teacherage Fund	Cleared	X			
10-44	No Rent Charged for use of the Teacherage	Cleared	X			
10-45	Clause Required Missing in Lease Agreement	Repeated	X			
10-46	No Contract with REC Approved	Cleared	X			
10-47	Outstanding Balances	Repeated	X			
10-48	Owner/Operator Equipment Contracts Difference than Actual Amounts Paid	Repeated		X		
10-49	E-Rate Monies Lost	Repeated	X			
10-50	Discussion of Audit Findings in Open Session of Board Meeting	Cleared	X			

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

07-01 Budget Overruns (Compliance/Significant Deficiency)

CONDITION

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

General Fund (10000) (Direct Instruction)	\$ 74,307
Ed Job Fund (25255) (Direct Instruction)	27,599
Debt Service Fund 41000 (Instructional Support)	1,640
Ed Tech Debt Service Fund (Bond Interest)	1,690

CRITERIA

All funds are required to have an approved budget for expenditures per Chapter 22, Article 8 of NMSA 1978. Sound financial management and 6.20.2.9 NMAC require that budgets not be exceeded at the legal level of control. For school districts, the expenditure function is the legal level of control.

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.

MANAGEMENT'S RESPONSE

Management is currently reviewing funds and submitting BARs and RFRs to PED for approval as required and as needed and in a timely manner.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

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

CONDITION

The Cafeteria Department is not taking an inventory of cafeteria food and non-food items each month and preparing an inventory list.

CRITERIA

NMSA 6.20.2.16 requires that each school district take a physical inventory of remaining goods and materials of an expendable nature (items that are consumed in the normal course of operating a district). School districts shall establish adequate internal accounting control procedures over supplies inventory in accordance with GAAP). 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 that inventory to management.

EFFECT

PED regulations were not followed.

RECOMMENDATION

Management should ensure they take and prepares an inventory each month.

MANAGEMENT'S RESPONSE

Management is currently requiring the Cafeteria Department to turn into the Business Office a monthly inventory.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

08-01 Bank Reconciliations (Significant Deficiency)

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.

MANAGEMENT'S RESPONSE

The current Business Manager reconciles the bank statements on a monthly basis.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

08-02 Late Audit Report (Compliance)

CONDITION

The June 30, 2011 audit report was not submitted to the State Auditor's Office by the required deadline of November 15th.

CRITERIA

According to NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies; all School District audits are due to the State Auditor's Office by November 15th.

CAUSE

The School District had turnover in personnel and prior audit firms.

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 NM State Auditor deadline.

MANAGEMENT'S 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 NM State Auditor's deadline.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

09-03 Approval of Travel Reimbursements (Other Matter)

CONDITION

In three instances tested, the former Superintendent authorized her 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

A board member or other person independent of the process should authorize the current Superintendent's per diem requests.

MANAGEMENT'S RESPONSE

The Business Manager and/or the School Board will authorize the Superintendent's reimbursement for travel and/or other expenditures.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

09-04 Activity Funds (Significant Deficiency)

CONDITION

Individual activity fund cash balances were not timely reconciled to the bank accounts until after June 30, 2013. We also noted that sponsors were not providing reconciliations of fundraisers to the business office.

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 2011 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.

MANAGEMENT'S RESPONSE

Management has hired an experienced Business Manager and activity funds are reconciled.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

09-05 Segregation of Duties (Significant Deficiency)

CONDITION

The former business manager had access to all functions of the cash receipts and disbursement procedures and payroll functions. Additionally, the District's general ledger software (currently Visions) was not reviewed for proper segregation of duties access control. We also noted that there was no documentation of review of bank statements.

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 and every District transaction cycle are weakened. There is a higher risk of fraud or errors.

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.

MANAGEMENT'S 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

09-06 Incomplete Employee Files (Compliance)

CONDITION

It was noted in the prior year that personnel files were missing current W-4 forms and I-9 forms. Per management this was not corrected until 2013-14.

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.

MANAGEMENT'S 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.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

10-01 Fees Spent Out of Wrong Fund (Other Matter)

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.

MANAGEMENT'S RESPONSE

Management is reviewing accounts and efforts are made to see that funds are from the appropriate accounts.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

10-02 Amounts Paid From the Wrong Fund (Other Matter)

CONDITION

Management has noted that there were amounts coded to incorrect funds and accounts. They have corrected what they have found to this point; however, the control deficiency existed until 2013.

CRITERIA

Proper accounting requires that expenditures be posted correctly in the books and records for complete, accurate reporting of the District's finances.

CAUSE

Management did not ensure these amounts were paid from the correct fund at the time.

EFFECT

Financial statements of both funds could have been incorrectly stated.

RECOMMENDATION

Management should ensure all amounts are paid from the correct fund.

MANAGEMENT'S RESPONSE

Best efforts are being made to see that expenditures are paid from the correct funds.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

10-05 Cash Loaned to Other Funds (Significant Deficiency)

CONDITION

There are due to/from other funds as a result of the District overspending their funding and budgets. 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.

MANAGEMENT'S RESPONSE

Management is monitoring fund balances and filing requests for reimbursements periodically therefore removing the need to loan monies from one fund to another.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

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

CONDITION

A fee of \$250 was charged for late filing of the Department of Labor reports dating back to June 2008. Reports were filed late consistently until they were caught up in 2013.

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 fees that were not budgeted for and the District was not in compliance with the reporting deadlines.

RECOMMENDATION

Management should ensure all payroll reports are submitted timely to avoid late fees.

MANAGEMENT'S RESPONSE

Currently, payroll reports are filed on a timely basis therefore avoiding penalties.

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

CONDITION

Management paid \$12,719 for Other Services and \$990 for General Supplies 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 services and supplies.

CAUSE

Management was unaware that these payments were made incorrectly out of the Educational Technology Equipment Act Fund.

EFFECT

Management's financial statements could be inaccurate.

RECOMMENDATION

Management should ensure that all payments are made from the correct fund.

MANAGEMENT'S RESPONSE

Management is making best efforts to code expenditures to the appropriate funds.

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10-11 Incorrect ERB Reports (Compliance)

CONDITION

The ERA reports were inaccurate and the District was not able to reconcile these amounts until 2013. After reconciliation, the amount reported to ERB (\$104,599) was \$1,086 lower than the general ledger (\$105,685).

CRITERIA

All ERB reports should be properly supported by payroll records and include all employees required to contribute to ERB.

CAUSE

Management was not ensuring these reports were submitted correctly or properly supported by payroll records.

EFFECT

The School District will also owe penalties and interest and not be in compliance.

RECOMMENDATION

Management should correct and submit amended ERB reports immediately so as to amount of penalties and limit the interest.

MANAGEMENT'S RESPONSE

ERB reports are now current, all balances due have been paid and are being submitted in a timely manner.

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10-12 Incorrect RHCA Reports (Compliance)

CONDITION

Retiree Health Care Act Reports could not be verified as correct as none of them matched the underlying payroll records. This was not corrected until 2013. After reconciliation, RHCA showed a credit of \$1,538.53 less a late fee of \$8.21.

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

Required reporting was not accurate or complete, affecting employee's retirement amounts.

RECOMMENDATION

Management should correct and submit amended RHCA reports immediately so as to obtain the overpayment.

MANAGEMENT'S RESPONSE

RHCA reports have been filed and account is now current. Management will see that payroll records support RHCA reports.

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10-13 Unsubstantiated Annual Leave (Compliance)

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. The balance at June 30, 2011 was \$13,696.

CRITERIA

All annual leave balances should be substantiated by leave records, approved leave usage reports and leave balance reports for each pay period.

CAUSE

Management at the time 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.

MANAGEMENT'S RESPONSE

Currently, leave requests are submitted for approval and posted accordingly. Pay adjusted when unpaid leave is taken.

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

CONDITION

The original W-2s and/or the 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, during 2013.

CRITERIA

Per IRS Instructions for Forms W-3 and W-2, a W-3 report is to be submitted along with all W-2s to the Social Security Administration by February 28th.

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 s and W-2 s are submitted to the Social Security Administration by the required deadline.

MANAGEMENT'S RESPONSE

Management will see that 941s are reconciled to W-2 s and W-3 s are submitted by the required deadline.

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10-15 941 Reports Not Submitted Correctly (Compliance)

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 until 2013.

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.

MANAGEMENT'S RESPONSE

Currently 941 reports that are submitted to the IRS are kept on file and are reconciled to the payrolls to which they correspond.

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10-16 Payment Made for Insufficient 941 Report (2009) (Significant Deficiency)

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. This was not researched and corrected until 2013.

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.

MANAGEMENT'S RESPONSE

Current management has been working with an IRS representative to reconcile prior year reports and amounts. To-date we have reconciled and resolved our accounts with the IRS.

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

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.

MANAGEMENT'S RESPONSE

Current management has been working with an IRS representative to reconcile prior year reports and amounts. To-date we have reconciled and resolved our accounts with the IRS.

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10-18 New Hire Reporting Reports Not Filed (Compliance)

CONDITION

The School District did not properly report newly hired employees to a State directory within 20 days of hire. New hire reporting was not implemented until 2013 a new Business Manager.

CRITERIA

New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity 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 at the time did not know of this requirement.

EFFECT

The School District did not comply with New Mexico State Statute 50-13-I or the PRWORA of 1996.

RECOMMENDATION

Management should ensure that this requirement is completed on a monthly basis.

MANAGEMENT'S RESPONSE

Currently, New Hire reports are filed after payrolls have been run for the month.

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10-19 Department of Labor Reports Not Filed (Compliance)

CONDITION

The Department of Labor reports were not filed for the fiscal years 2010-12. 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.

MANAGEMENT'S RESPONSE

Currently, Department of Labor reports are filed timely and the wage base rate has been verified and entered into the system.

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10-21 W-9 Forms Not Available (Compliance)

CONDITION

IRS W-9 Request for Taxpayer Identification Number and Certification forms were not kept on file for the calendar years 2010-12.

CRITERIA

Complete and signed 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 1099s 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.

MANAGEMENT'S RESPONSE

Management is working to collect W-9 forms on vendors and will be filed in a W-9 binder.

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10-24 No Depreciation Policy (Significant Deficiency)

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.

MANAGEMENT'S RESPONSE

Management will submit a depreciation policy to the School Board for approval and implement such policy.

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10-25 1099 Forms Not Prepared (Compliance)

CONDITION

Management did not prepare 1099 forms for several vendors listed that received over \$600 in payments until 2013.

CRITERIA

A 1099 form is to be prepared for all non-employee recipients that receive more than \$600 in payments.

CAUSE

Management did not ensure 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.

MANAGEMENT'S RESPONSE

Management will prepare 1099s 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 1099s.

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10-26 Deficit Activity Fund Balances (Compliance)

CONDITION

Nine of the individual activity accounts (totaling \$6,799) had a deficit balance as of June 30, 2011.

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.

MANAGEMENT'S 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.

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10-29 Revenues Received Not Deposited within 24 hours (Significant Deficiency)

CONDITION

Cash receipts are not always deposited into the bank within 24 hours as required.

CRITERIA

All receipts received are to be deposited according to PED four hours within twenty regulations.

CAUSE

Management at the time was 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 within deposit all receipts twenty four hours.

MANAGEMENT'S 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.

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

CONDITION

The School District had eleven (11) different funds that ended in a cash deficit in 2010 totaling \$(114,344). 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 at the time was not requesting/submitting these requests timely.

EFFECT

The Operational Fund now has to cover \$(114,344) 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.

MANAGEMENT'S RESPONSE

Currently, requests for reimbursements are being submitted periodically as to receive reimbursement of funds expended.

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10-32 Outstanding Cafeteria Charges (Compliance)

CONDITION

Management allowed cafeteria charges to accrue up over \$1,000 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. 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.

MANAGEMENT'S 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.

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10-33 Required Support for Disbursements & Procurement (Compliance)

CONDITION

Eleven out of eleven payments tested were made to vendors without the proper documentation to support the disbursements totaling \$533,908. There was no signature of receipt or documentation that the goods received were verified complete. Management paid four amounts that were different than the summary invoices. Three of the eleven tested did not have procurement documentation on file. Also, the corresponding purchase requisitions and purchase orders related to these disbursements were dated on the same day as the check payment date and without signatures for approval.

CRITERIA

The Public Education Department requires adequate support and approval of all disbursements made. These items include:

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 was 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 and state statutes over procurement are followed.

MANAGEMENT'S 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.

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

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 for insurance health, dental, etc., \$7,840 was still owed to NMPSIA for employee insurance – this was corrected in 2013.

CRITERIA

The NMPSIA bills should be reconciled each month to the amounts deducted from each employee and to ensure they are correct 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.

MANAGEMENT'S RESPONSE

Currently, Management is reconciling NMPSIA bills on a monthly basis. All accounts are current.

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10-36 Unadjusted Activity Fund Cash Balances (Compliance)

CONDITION

Management did not make the adjustments provided by the auditor to adjust the Activity Fund cash balances for the prior fiscal year. At June 30, 2011, there was a \$529 difference between the bank reconciliation detail and the general ledger. Activity funds were reconciled during 2013.

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 - 2013 fiscal years.

RECOMMENDATION

Management should post all adjustments to the books of record immediately.

MANAGEMENT'S RESPONSE

Any required adjustments will be made to the books of record as to ensure accurate cash balances.

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10-37 Public Education Quarterly Reports Incorrect (Compliance)

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 at the time was not ensuring these reports were submitted correctly or on time.

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.

MANAGEMENT'S RESPONSE

Currently, quarterly reports submitted to PED are filed correctly and in a timely manner.

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10-38 Incorrect Outstanding Check List (Compliance)

CONDITION

The outstanding check list provided included approximately \$30,000 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 approximately \$30,000.

RECOMMENDATION

Management should ensure correct information be provided to the auditors.

MANAGEMENT'S RESPONSE

Management will work to see that records provided to auditors are accurate. This work continues for the records for the FY12- FY13- FY14.

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10-40 Missing Rental Agreement (Compliance)

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.

MANAGEMENT'S RESPONSE

Management will obtain a rental contract for the Teacherage to address the terms of residing in such property.

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

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 COL drivers in a drug test “pool” immediately.

MANAGEMENT’S RESPONSE

At the beginning of the 2013-2014 school year management entered into a contract with White Sands Drug & Alcohol Testing. COL drivers have been included in a random drug testing pool.

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10-42 Posting of Receipts (Compliance)

CONDITION

Two receipt's, totaling \$75,939, of six receipts tested did not have a deposit ticket or receipt of funds. For all six tested (\$172,178), there was no review or approval documented.

CRITERIA

All receipts received should have backup, be posted to the correct fund based on the request for reimbursement submitted to the Public Education Department, and be reviewed and approved.

CAUSE

Management did not ensure all receipts were posted correctly.

EFFECT

The deposits and cash receipts may not be accurate and the lack of controls leaves this area susceptible to fraud or error.

RECOMMENDATION

Management should ensure all receipts are properly documented and approved.

MANAGEMENT'S RESPONSE

Management is reviewing and reconciling funds to see that receipts are entered into the correct funds.

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10-45 Clause Required Missing in Lease Agreement (Compliance)

CONDITION

The lease agreement for copiers signed by management had the “unappropriated clause” missing. This lease is \$1,177 per month, began in March 2011, and runs for 60 months.

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.

MANAGEMENT’S RESPONSE

Management will contact the company and see that an “unappropriated clause” is included in the current and future contracts.

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10-47 Outstanding Balances (Compliance)

CONDITION

The School District had cash balances in certain funds that represent grants that have not been utilized for several years. For example, the Technology Education Fund had a \$14,756 cash balance at both June 30, 2010 and 2011.

CRITERIA

Each grant has a specified time period in which they are to be utilized. Utilizing grant monies could potentially alleviate the necessity for using operational funds which are low.

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.

MANAGEMENT'S RESPONSE

Better efforts will be made to see that budgets are approved and spent according to the grant agreements.

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

CONDITION

Prior to fiscal year 2011, 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. In the past, the other two appear to be overpaid by \$10,290. Contract addendums were not obtained. Management is currently working to revise the contracts.

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 could have overpaid or underpaid bus drivers.

RECOMMENDATION

All changes to contracts need to be supported by signed, approved contract addendums.

MANAGEMENT'S RESPONSE

Currently, addendums are made to contracts as changes occur and both parties will sign both contract and contract addendums.

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10-49 E-Rate Monies Lost (Compliance)

CONDITION

The School District was eligible for more grant money than was used for E-rate. The District has since partnered with a technology company that tracks this properly.

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 grant resources.

RECOMMENDATION

Management should ensure all resources are received as soon as possible and used to continue projects, make disbursements or pay salaries.

MANAGEMENT'S RESPONSE

E-Rate applications are currently submitted and E-Rate funds are received.

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11-01 Financial Close & Reporting (Significant Deficiency)

CONDITION

The District had not implemented an effective financial close and reporting process controls for the year ended June 30, 2011. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the District's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report the District's transactions.
- Monitoring assigned personnel are completing their task timely and accurately.
- Support for journal entries was not maintained.
- In testing subsequent receipts for the E-rate grant program, we were unable to review support for an invoice submitted in the amount of \$16,410 collected in December 2011 and were therefore unable to determine whether the amount was properly included or excluded as a June 30, 2011 receivable.

CRITERIA

There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal weaknesses according to "Statement on Auditing Standards (SAS) 115 Communication of Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.
- The financial close and reporting is considered a significant process of internal control and should be performed by the District's staff.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

11-01 Financial Close & Reporting (Significant Deficiency) (Continued)

EFFECT

The District was not ready for its audit in a timely manner which has resulted in a significant number of material adjustments and audit findings. Additionally, prior to fiscal year 2011, net improper postings of (\$23,872) have resulted a restatement of fund balances at July 1, 2011.

CAUSE

The District has experienced turnover in key positions and will need to train employees in these positions.

RECOMMENDATION

We recommend the District institute procedures to ensure there is a proper monthly, quarterly and year-end financial close to its accounts as well as preparation and understanding of the adjustments and financial statements, with limited assistance from the auditors. Additionally, the District should maintain backup documentation for all journal entries and all supporting receipts of invoices submitted for billing.

MANAGEMENT'S RESPONSE

Current management is ensuring proper monthly, quarterly, and year-end closings and will provide adjustments for the audit and the financial statements.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2011**

11-02 Payroll Records (Significant Deficiency)

CONDITION

Two of the five payroll items tested did not have backup documentation, such as a timesheet and other payroll-related documentation on file. Three of the five tested on the payroll register totaling \$6,400 did not agree to the general ledger. Three of the five benefit/salary agreements tested were not signed and approved.

CRITERIA

Payroll is considered a significant transaction cycle to the District; payroll normally accounts for over 85% of Districts' operating costs. It is crucial to have contracts, agreements, leave, timesheets, deductions documentation signed, reviewed, current, and kept on-file for reference and audit trail.

EFFECT

The amounts paid to employees may have been incorrect and legal issues could arise.

CAUSE

The District has experienced turnover in key positions and will need to train employees in these positions.

RECOMMENDATION

We recommend the District institute procedures to ensure there is a proper documentation, review, and approval of all payroll-related items.

MANAGEMENT'S RESPONSE

Management is currently requiring timesheets and performing a detailed review of payroll. The District has since updated all personnel files.

**STATE OF NEW MEXICO
DES MOINES MUNICIPAL SCHOOLS
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2011**

An exit conference was held at the School District on April 29, 2014 to discuss the audit report. In attendance were the following individuals:

Management

Ms. Stacy Diller, Superintendent,
Ms. Terri Trujillo, Business Manager,
Ms. Debbie Martinez, Assistant Business Manager

Governance

Mr. Damon Brown, School Board President
Mr. Barry Hittson, School Board Vice-President
Mr. Scott Werner, School Board Member,
Mr. Alfred Newkirk, School Board Member,
Ms. Pam Sorensen, Audit Committee Member (Community Member),

Independent Auditors

Ms. Audrey Jaramillo, CPA, CFE
Mr. Scott Eliason, CPA

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended June 30, 2011 were prepared by Jaramillo Accounting Group LLC (JAG) with the assistance of management.