

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS

Audited Financial Statements
and Other Financial Information

June 30, 2012



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS**

**Audited Financial Statements
and Other Financial Information**

June 30, 2012

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**FLOYD MUNICIPAL SCHOOLS
OFFICIAL ROSTER**

BOARD OF EDUCATION

Leon Nall	President
Jim Chandler	Vice President
Jeff Essary	Secretary
James Love	Member
Clovis Gray	Member

SCHOOL OFFICIALS

Paul Benoit	Superintendent
Margie Plummer	Business Manager

INDEPENDENT AUDITOR'S REPORT

Hector Balderas, State Auditor
The Board of Education
Floyd Municipal Schools
Floyd, 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 for the general fund and major special revenue funds of Floyd Municipal Schools as of and for the year ended June 30, 2012, which collectively comprise Floyd Municipal Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Floyd Municipal School's nonmajor governmental funds and the budgetary comparisons for the major capital project funds. These financial statements are the responsibility of Floyd Municipal School'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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.

As discussed in the notes to the financial statements, management did not maintain a listing of capital assets and, accordingly, has not recorded depreciation expense on those assets. Therefore, we were not able to verify capital assets and the related accumulated depreciation at June 30, 2012 and the depreciation expense for the year then ended. We were unable to determine these amounts through the use of alternative procedures. The effect on assets, net assets, and expenses of the governmental activities is not readily determinable.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine the amount of capital assets, related accumulated depreciation, and current depreciation expense, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Floyd Municipal Schools as of June 30, 2012, and the respective changes in financial position and the respective budgetary comparisons for the major capital project funds and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of Floyd Municipal School'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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying supplementary information as listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In

our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Axiom".

Axiom CPAs
Albuquerque, New Mexico
November 15, 2012

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF NET ASSETS
 June 30, 2012**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash	\$ 257,627
Property taxes receivable	560
Due from other agencies	81,309
Inventory	1,892
	<u>341,388</u>
Non-Current Assets	
Capital assets, not depreciated	60,000
Capital assets, net of accumulated depreciation	1,158,279
	<u>1,218,279</u>
Total assets	\$ <u><u>1,559,667</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ -
Deferred Revenue	19,661
Non Current Liabilities	
Compensated Leave	21,072
	<u>40,733</u>
Total liabilities	<u>40,733</u>
NET ASSETS	
Invested in capital assets	1,218,279
Restricted for:	
Capital projects	208
Instructional materials	2,892
Cafeteria	23,076
Athletics	15,996
Transportation	1,040
Senate bill nine	114,444
Unrestricted	142,999
	<u>1,518,934</u>
Total net assets	\$ <u><u>1,518,934</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Assets</u>
					<u>Total</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government					
Governmental activities					
Instruction	\$ 1,756,168	1,200	300,262	-	(1,454,706)
Support services					
Students	241,752	11,824	83,423	-	(146,505)
Instruction	61,321	-	-	-	(61,321)
General administration	128,873	-	-	-	(128,873)
School administration	96,465	-	-	-	(96,465)
Other	-	-	-	-	-
Central services	31,200	-	-	-	(31,200)
Operation & maintenance of plant	349,748	-	-	-	(349,748)
Student transportation	125,020	-	-	-	(125,020)
Food services-operations	146,493	16,797	114,275	-	(15,421)
Community services-operations	30,131	-	-	-	(30,131)
Depreciation-unallocated	150,590	-	-	-	(150,590)
Unallocated	-	-	-	-	-
Total governmental activities	\$ 3,117,761	29,821	497,960	-	(2,589,980)
General Revenues					
Property taxes					
Levied for general purpose					9,497
Levied for capital projects					38,010
Rent					16,877
State Equalization Guarantee Revenue					2,346,893
Miscellaneous					14,140
Total general revenues					2,425,417
Change in net assets					(164,563)
Net assets, beginning					1,783,528
Prior Period Adjustment					(100,031)
Restated balance					1,683,497
Net assets, ending					\$ 1,518,934

See Notes to Financial Statements.

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 BALANCE SHEETS - GOVERNMENTAL FUNDS
 June 30, 2012

	GENERAL	TITLE I	IDEA-B ENTITLEMENT	TECHNOLOGY FOR EDUCATION	SENATE BILL 9	OTHER GOVERNMENTAL FUNDS	TOTAL
ASSETS							
Cash on deposit	\$ 83,657	-	-	15,098	114,548	44,324	257,627
Due from other funds	81,889	-	-	-	-	-	81,889
Due from other governments	-	17,648	40,871	-	-	22,790	81,309
Property taxes receivable	-	-	-	-	448	-	448
Taxes Receivable	112	-	-	-	-	-	112
Inventory	-	-	-	-	-	1,892	1,892
Total assets	\$ 165,658	17,648	40,871	15,098	114,996	69,006	423,277
LIABILITIES							
Accounts payable	\$ -	-	-	-	-	-	-
Deferred revenue	-	-	-	14,788	393	4,480	19,661
Delinquent property taxes	-	-	-	-	159	-	159
Due to other funds	-	17,648	40,871	-	-	23,370	81,889
Total liabilities	-	17,648	40,871	14,788	552	27,850	101,709
FUND BALANCES							
Nonspendable	-	-	-	-	-	1,892	1,892
Restricted	3,932	-	-	310	-	39,264	43,506
Unassigned	161,726	-	-	-	114,444	-	276,170
Total fund balances	165,658	-	-	310	114,444	41,156	321,568
Total liabilities and fund balances	\$ 165,658	17,648	40,871	15,098	114,996	69,006	423,277

See Notes to Financial Statements.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
RECONCILIATION OF THE BALANCE SHEETS - ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
Year Ended June 30, 2012**

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

Fund balances - total governmental funds	\$	321,568
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		1,218,279
Long term liabilities, including compensated leave, are not due and payable in the current period and therefore are not reported in the funds		(21,072)
Other		159
Net assets of governmental activities	<u>\$</u>	<u>1,518,934</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
FLOYD MUNICIAPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	GENERAL	TITLE I	IDEA-B ENTITLEMENT	TECHNOLOGY FOR EDUCATION	SENATE BILL 9	OTHER GOVERNMENTAL FUNDS	TOTAL
Revenue							
Residential/non-residential taxes	\$ 9,497	-	-	-	38,010	-	47,507
Rent and leases	16,877	-	-	-	-	-	16,877
Refunds	2,664	-	-	310	(393)	-	2,581
Fees activities	-	-	-	-	-	11,824	11,824
Fees-users	1,200	-	-	-	-	16,797	17,997
Interest income	272	-	-	-	-	355	627
State equalization	2,346,893	-	-	-	-	-	2,346,893
State and local grants	-	-	-	-	-	56,766	56,766
State programs	135,314	-	-	-	-	-	135,314
Sale of property/equipment	-	-	-	-	-	-	-
Refunds	-	-	-	-	-	-	-
Donations	1,192	-	-	-	-	7,850	9,042
Insurance recoveries	1,890	-	-	-	-	-	1,890
Federal program	9,034	74,163	90,607	-	-	134,658	308,462
Total revenue	2,524,833	74,163	90,607	310	37,617	228,250	2,955,780
Expenditures							
Instruction	1,586,238	74,163	54,365	-	-	50,159	1,764,925
Support services	-	-	-	-	-	-	-
Students	158,329	-	36,242	-	-	47,181	241,752
Instruction	61,321	-	-	-	-	-	61,321
General administration	126,954	-	-	-	373	1,546	128,873
School administration	96,465	-	-	-	-	-	96,465
Central services	31,200	-	-	-	-	-	31,200
Operations & maintenance of plant	349,748	-	-	-	-	-	349,748
Student transportation	125,020	-	-	-	-	-	125,020
Food services-operations	32,218	-	-	-	-	114,668	146,886
Acquisitions & construction	-	-	-	-	30,131	7,850	37,981
Total expenditures	2,567,493	74,163	90,607	-	30,504	221,404	2,984,171
Excess (deficiency) of revenues over expenditures	(42,660)	-	-	310	7,113	6,846	(28,391)
Other financing sources (uses)							
Transfers in (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	(42,660)	-	-	310	7,113	6,846	(28,391)
Fund Balances							
Beginning of year	308,349	-	-	-	107,331	34,310	449,990
Prior period adjustment	(100,031)	-	-	-	-	-	(100,031)
Restated fund balance June 30, 2011	208,318	-	-	-	107,331	34,310	349,959
Fund Balances, end of year	\$ 165,658	-	-	310	114,444	41,156	321,568

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 FLOYD MUNICIAPAL SCHOOLS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds	\$ (28,391)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	(142,740)
Increase in compensated absences	6,568
	<hr/>
Change in Net Assets	<u><u>\$ (164,563)</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINED STATEMENT OF REVENUE AND EXPENDITURES--BUDGET
 (NON-GAAP) AND ACTUAL-GENERAL FUND
 Year Ended June 30, 2012

	ORIGINAL BUDGET	General Fund		VARIANCE
		BUDGET	ACTUAL	Favorable (Unfavorable)
REVENUE				
Residential/non-residential taxes	\$ 8,167	8,167	9,497	1,330
Rent and leases	23,000	23,000	16,877	(6,123)
Refunds	1,100	1,100	2,664	1,564
Fees-users	-	-	1,200	1,200
Interest income	550	550	272	(278)
State equalization	2,339,558	2,347,997	2,346,893	(1,104)
State programs	126,443	134,139	135,314	1,175
Donations	-	800	1,192	392
Insurance recoveries	-	-	1,887	1,887
Federal program	-	9,034	9,034	-
TOTAL REVENUE	2,498,818	2,524,787	\$ 2,524,830	43
Cash balance budgeted	230,113	230,113		
TOTAL REVENUE & CASH	\$ 2,728,931	2,754,900		
EXPENDITURES				
Current				
Instruction	\$ 1,642,049	1,651,288	1,586,238	65,050
Support services				
Support services-students	158,326	158,326	158,329	(3)
Support services-instruction	61,632	61,632	61,321	311
Support services-general administration	126,946	126,946	126,954	(8)
Support services-school administration	150,997	150,997	96,465	54,532
Central services	31,200	31,200	31,200	-
Operations & maintenance of plant	395,206	404,240	349,748	54,492
Student transportation	118,363	126,059	125,020	1,039
Other Support Services	1,296	1,296	-	1,296
Food services-operations	42,916	42,916	32,218	10,698
TOTAL EXPENDITURES	\$ 2,728,931	2,754,900	2,567,493	187,407

Explanation of difference between Budgetary Inflow and Outflows and GAAP Revenues and Expenditure

Sources/inflows of resources	\$ 2,524,830
Actual amounts (budgetary basis)	
Differences-Budget to GAAP	
Property tax receivable	112
Prior year tax receivables	(167)
Current year deferral	-
Prior year deferral	58
Total revenues (GAAP Basis)	<u>\$ 2,524,833</u>
Uses/outflows of resources	
Actual amounts (budgetary basis)	<u>\$ 2,567,493</u>
Differences-budget to GAAP	-
Total expenditures (GAAP Basis)	<u>\$ 2,567,493</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--TITLE I
Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal revenue	\$ 88,077	88,590	74,163	(14,427)
TOTAL REVENUE	88,077	88,590	\$ 74,163	(14,427)
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	\$ 88,077	88,590		
EXPENDITURES				
Current				
Instruction	88,077	88,590	74,163	14,427
TOTAL EXPENDITURES	\$ 88,077	88,590	74,163	14,427

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL-SPECIAL REVENUE FUND--IDEA-B ENTITLEMENT
 Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Refund	\$ -	-	-	-
Federal revenue	-	101,398	90,607	(10,791)
TOTAL REVENUE	-	101,398	\$ 90,607	(10,791)
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	\$ -	101,398		
EXPENDITURES				
Current				
Instruction	-	64,950	54,365	10,585
Support services	-	-	-	-
Support services-students	-	36,448	36,242	206
TOTAL EXPENDITURES	\$ -	101,398	90,607	10,791

See Notes to Financial Statements.

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--TECHNOLOGY FOR EDUCATION
Year Ended June 30, 2012

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Refunds	\$ -	-	310	310
TOTAL REVENUE	-	-	<u>\$ 310</u>	<u>310</u>
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>-</u>		
EXPENDITURES				
Current				
Instruction	-	-	-	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--SENATE BILL 9
Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Residential/non-residential taxes	\$ 32,721	32,721	38,010	5,289
Refunds	-	-	(393)	(393)
Interest Income	164	164	-	(164)
TOTAL REVENUE	32,885	32,885	\$ 37,617	4,732
Cash balance budgeted	302,743	302,743		
TOTAL REVENUE & CASH	\$ 335,628	335,628		
EXPENDITURES				
Current				
Support services				
Support services-general administration	-	-	373	(373)
Acquisition & Construction	335,628	335,628	30,131	305,497
TOTAL EXPENDITURES	\$ 335,628	335,628	30,504	305,124

See Notes to Financial Statements.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2012**

ASSETS

Pooled cash	\$	74,286
Due from other Governments		-
Total Assets	<u>\$</u>	<u>74,286</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Due to student groups	<u>\$</u>	<u>74,286</u>
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See Notes to Financial Statements.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Floyd Municipal School District (District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Village of Floyd and surrounding area. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units*. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Floyd Municipal School District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to generally accepted accounting principles (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 more significant of the government's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the school district. For

FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the most part, the effect of interfund activity has been removed from these statements. The Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectable amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The 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 accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Governmental funds are used to account for the District's general government activities, including the collection and distribution of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of long-term debt. Governmental Funds include:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted for special purposes.

The *Capital Project Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

TITLE I IASA – The Title I project provides remedial instruction in language arts for educationally deprived students in low- income areas. The Federal Government through the New Mexico State Department of Education under the Elementary funds the project and Secondary Education Act of 1965, Title I, Chapter I, part A, 20 U.S.C. 2701 et seq. Reported as a special revenue fund.

IDEA B – ENTITLEMENT BUDGET- P.L. 94-142, Individuals with Disabilities Education Act--to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630, and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

TECHNOLOGY FOR EDUCATION – To account for distributions received from the Educational Technology fund for the expansion and improvement of technology in education. These funds are restricted to expenditure by New Mexico Statutes and the schools approved long-term technology

FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

plan. Authority for the creation of this fund is NMSA 22-15A-1 to 22-15A-10.

SENATE BILL-9 – to account for 2.0 mill levy restricted by board resolution for erecting, remodeling, making additions to, providing equipment for, and furnishing school buildings, improving school grounds and maintenance of school buildings and grounds, exclusive of salary expense of employees. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10.

The government also reports the following fund types:

Governmental funds:

Nonmajor Special Revenue Funds - The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund.

Nonmajor Capital Project Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary funds:

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

Similar to private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the district's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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.

FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments. The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds of the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the school district. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The State Board of Finance shall set the rate of interest in non-demand interest-bearing accounts, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Investments for the District are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories. The food inventories are valued at cost using the first-in/first-out (FIFO) method. USDA Commodities are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets. Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an initial useful life extending beyond a single reporting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction expenditures paid by the New Mexico Public Facilities Authority are included in the District's disclosures and financial statements when appropriate. For the fiscal year ended June 30, 2012, there were no projects paid by the New Mexico Public Facilities Authority.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Building & Improvements	25-50 years
Equipment	5-10 years

Compensated Absences. The District has provided a compensated leave program to its twelve month employees. Upon severance, a qualifying employee may receive payment for unused leave up to the amount accrued in each of the two prior years.

Fund Equity. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Indirect Costs. The School District's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

Salaries and Wages. The School District pays all salaries and wages due to teachers on or before June 30th of each year.

FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets or Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

In the government-wide financial statements, fund equity is classified as net assets and is displayed in three components:

Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets are restricted for “debt service or capital projects”.

Unrestricted Net Assets: All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Government-wide Statement of Net Assets reports \$156,616 of restricted net assets of which \$156,616 is restricted by enabling legislation.

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.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for financial statements for periods beginning after June 15, 2010. Accordingly, the District has adopted this statement effective with the 2010-2011 fiscal year. Statement No. 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

Fund Balance – the difference between assets and liabilities in the governmental fund financial statements. Fund balance is among the most widely and frequently used information in state and local government financial reports. GASB developed Statement No. 54 to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standards establish a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used.

FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement No. 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

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.

Assigned – amounts a government intends to use for a particular purpose.

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

Statement No. 54 also clarifies the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy-day” amounts should be reported.

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 it 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenues. State Equalization Guarantee: School districts in the State of New Mexico receive 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 825, NMSA 1978) is at least equal to the school district's program cost".

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$2,346,893 in state equalization guarantee distributions during the year ended June 30, 2012.

Transportation Distribution: School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with

formulas developed by the State Transportation Director and the Director of Public School Finance. The funds 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 grades K through twelve attending public school within the school district. The District received \$126,059 in transportation distributions during the year ended June 30, 2012.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$142,740) difference is as follows:

Capital Outlay	\$ 7,850
Depreciation Expense	<u>(150,590)</u>
Net adjustments to increase net changes in fund balances – total government funds to arrive at changes in net assets of governmental activities	<u>\$ (142,740)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the General, Special Revenue, and Capital Projects Funds are prepared by management and are approved by the local Board of Education and the Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

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

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

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

- In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
- In May or June, the budget is approved by the Board of Education
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
- The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, the school board and the State of New Mexico Department of Education must approve any revisions that alter the total expenditures of any fund.
- Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.
- The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2012 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	\$ 2,728,931	\$ 2,754,900
Special Revenue Fund	251,539	359,590
Capital Projects Fund	335,628	343,478
Totals	<u>\$ 3,316,098</u>	<u>\$ 3,457,968</u>

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Deficit Fund Equity

The District's Dual Credit Textbooks fund had a deficit fund balance of \$580 at year end. This was the result of spending in excess of the award amount. The District's General fund will have to cover this deficit with operational cash.

NOTE 4. CASH AND TEMPORARY INVESTMENTS

At June 30, 2012, the carrying amount of the District's deposits was \$331,913 and the bank balance was \$491,592. Of this balance \$250,000 was covered by federal depository insurance and \$213,477 was covered by collateral held in joint safekeeping by a third party in the entity's name. The remaining balance is covered under the Dodd-Frank Wall Street Reform and Consumer Protection Act which provides unlimited deposit insurance coverage for noninterest-bearing transaction accounts through December 31, 2012.

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

The collateral pledged is shown as listed in the table of contents of this report. 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.

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

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Sections 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 5. CUSTODIAL CREDIT RISK - DEPOSITS

The State Treasurer monitors pledged collateral related to most state agency bank accounts. Pledged collateral information specific to the District is not available because the bank commingles pledged collateral for all state funds it holds.

Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$0 of the District's deposits totaling \$491,592 was exposed to custodial credit risk.

NOTE 6. DUE TO AND FROM OTHER FUNDS

Interfund loans as of year-end for the government's individual major funds and non-major funds in the aggregate, including the following:

Due to Operational Fund	
Title I	\$ 17,648
IDEA-B Entitlement	40,871
Dual Credit Textbooks	580
IDEA-B Preschool	6,112
Teacher/Principal Training	3,600
Incentives for School Improvement	3,427
Library GO Bonds	<u>9,651</u>
Total due to Operational Fund	<u>\$ 81,889</u>

The balance of \$81,309 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year.

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Grant draw-downs prior to meeting all eligibility requirements	\$ 19,661
Delinquent Property Taxes	<u>159</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 19,820</u>

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 7. RECEIVABLES

Due from other governments:	
Title I	\$ 17,648
IDEA-B Entitlement	40,871
Dual Credit Textbooks	580
IDEA-B Preschool	6,112
Teacher/Principal Training	3,600
Incentives for School Improvement	3,427
Library GO Bonds	<u>9,651</u>
Total due from other governments	<u>\$ 81,889</u>
Due from local taxes	
General	\$ 112
Senate Bill 9	<u>448</u>
Total Property Tax Receivable	<u>\$ 560</u>

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Increases	Decreases	Balance 6/30/2012
Capital assets, not depreciated				
Land	\$ 60,000	-	-	60,000
Total not depreciated	<u>\$ 60,000</u>	-	-	<u>60,000</u>
Capital Assets, depreciated				
Buildings & Improvements	9,740,722	-	-	9,740,722
Equipment	1,531,896	7,850	-	1,539,746
Total depreciated	<u>11,272,618</u>	7,850	-	<u>11,280,468</u>
Accumulated depreciation for				
Buildings & Improvements	9,369,239	25,000	-	9,394,239
Equipment	602,360	125,590	-	727,950
Total accumulated depreciation	<u>9,971,599</u>	150,590	-	<u>10,122,189</u>
Total capital assets, depreciated net	<u>\$ 1,301,019</u>	<u>(142,740)</u>	-	<u>1,158,279</u>

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 8. CAPITAL ASSETS (CONTINUED)

The District has not prepared the listing of capital assets in accordance to GASB 34, nor has the land and equipment been adjusted to cost or estimated cost. In addition the depreciation and accumulated depreciation has not been calculated. The depreciation disclosed above is an estimate.

Depreciation expense was not charged to function/programs of the District because the detail information was not available.

NOTE 9. COMPENSATED ABSENCES

During the year ended June 30, 2012, the following changes occurred in accrued compensated absences:

<u>Balance June 30, 2011</u>	<u>Leave Used</u>	<u>Leave Accrued</u>	<u>Balance June 30, 2012</u>	<u>Amount Due in One Year</u>
\$ 27,481	15,841	9,432	21,072	\$ 15,841

NOTE 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; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. Annual financial reports can be obtained from NMPSIA or viewed on their website at <https://nmpsia.com/information.html>.

NOTE 11. CONTINGENT LIABILITIES

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

FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12. PENSION PLAN – Educational Retirement Board

Plan Description: Substantially all of the 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 (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy: Plan members earning \$20,000 or less annually are required by statute to contribute 7.90% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The District has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 the District contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the District will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the District are established State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2012, 2011, and 2010, were \$159,643, \$210,801, and \$214,552 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 13. POST-EMPLOYMENT BENEFITS – State Retiree Health Care Plan

Plan Description: The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 13. POST-EMPLOYMENT BENEFITS - State Retiree Health Care Plan (CONTINUED)

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

Funding Policy: The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of \$5.00 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 their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the NMRHCA based on one of two formulas at agreed-upon intervals.

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

The District's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$15,846, \$29,906 and \$23,654, respectively, which equal the required contributions for each year

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012**

NOTE 14. OVERSPENT BUDGET LINE ITEMS

As stated in the finding 2006-03 the Districted had the expended in excess of budget as listed in the finding.

NOTE 15. FUND BALANCES, GOVERNMENTAL FUNDS

On the Balance Sheets – Governmental Funds, the fund balances are reported in the aggregate using the classifications defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances by classification for the year ended June 30, 2012 were as follows:

Fund Balance	General Fund	Technology for Education	SB - 9	Other Governmental Funds	Total
Non-Spendable					
Inventory	\$ -	-	-	1,892	1,892
Restricted					
Capital Improvements	-	-	-	208	208
Athletics	-	-	-	15,996	15,996
Cafeteria	-	-	-	23,076	23,076
Instructional Materials	2,892	-	-	(580)	2,312
Senate Bill Nine	-	-	114,444	-	114,444
Transportation	1,040	-	-	-	1,040
Technology	-	310	-	-	310
Rural Education	-	-	-	519	519
Education Job	-	-	-	45	45
Unassigned					
Unassigned bal.	161,726	-	-	-	161,726
	<u>\$ 165,658</u>	<u>310</u>	<u>114,444</u>	<u>41,156</u>	<u>321,568</u>

NOTE 16. PRIOR PERIOD ADJUSTMENT

During the fiscal year, management evaluated that accrued expenditures were erroneously excluded for the 2011 fiscal year causing restatement of beginning fund balance as follows:

Fund balance, July 1, 2011:	\$ 1,783,528
Adjustment to record FY11 accrued expenditures	<u>(100,031)</u>
Restated fund balance, July 1, 2011:	<u>\$ 1,683,497</u>

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET-GENERAL FUND
 June 30, 2012**

	<u>OPERATIONAL</u>	<u>TRANSPORTATION</u>
ASSETS		
Cash on deposit	\$ 47,590	1,040
Due from other funds	81,889	-
Due from other governments	-	-
Taxes receivable	112	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 129,591	1,040
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Delinquent property taxes	\$ -	-
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
FUND BALANCE		
Restricted	-	1,040
Unassigned	129,591	-
	<hr/>	<hr/>
TOTAL FUND BALANCE	129,591	1,040
	<hr/> <hr/>	<hr/> <hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 129,591	1,040
	<hr/> <hr/>	<hr/> <hr/>

See Notes to Financial Statements.

INSTRUCTIONAL MATERIALS	TEACHERAGE	TOTALS
2,892	32,135	83,657
-	-	81,889
-	-	-
-	-	112
2,892	32,135	165,658
-	-	-
-	-	-
2,892	-	3,932
-	32,135	161,726
2,892	32,135	165,658
2,892	32,135	165,658

**STATE OF NEW MEXICO
FLOYD MUNICIAPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND AND CHANGES
IN FUND BALANCES -- GENERAL FUND
Year Ended June 30, 2012**

	OPERATIONAL	TRANSPORTATION
REVENUES		
Residential/non-residential taxes	\$ 9,497	-
Rent and leases	4,277	-
Refunds	2,609	-
Fees users	1,200	-
Interest income	272	-
State equilization	2,346,893	-
State programs	-	126,059
Donations	1,192	-
Insurance recoveries	1,890	-
Federal program	9,034	-
<i>Total revenues</i>	<u>2,376,864</u>	<u>126,059</u>
EXPENDITURES		
Instruction	1,558,434	-
Support services		
Support services-students	158,329	-
Support services-instruction	61,321	-
Support services-general administration	126,954	-
Support services-school administration	96,465	-
Central services	31,200	-
Operations & maintenance of plant	344,964	-
Student transportation	-	125,020
Food services-operations	32,218	-
Acquisitions & construction	-	-
TOTAL EXPENDITURES	<u>2,409,885</u>	<u>125,020</u>
Excess (deficiency) of revenues over expenditures	(33,021)	1,039
Other Financing Sources (uses)		
Transfers in/transfers out	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	(33,021)	1,039
FUND BALANCE		
June 30, 2011	262,643	1
Prior Period Adjustment	(100,031)	-
Restated fund balance June 30, 2011	<u>162,612</u>	<u>1</u>
FUND BALANCE		
June 30, 2012	<u>\$ 129,591</u>	<u>1,040</u>

See Notes to Financial Statements.

INSTRUCTIONAL MATERIALS	TEACHERAGE	TOTALS
-	-	9,497
-	12,600	16,877
55	-	2,664
-	-	1,200
-	-	272
-	-	2,346,893
9,255	-	135,314
-	-	1,192
-	-	1,890
-	-	9,034
9,310	12,600	2,524,833
27,804	-	1,586,238
-	-	158,329
-	-	61,321
-	-	126,954
-	-	96,465
-	-	31,200
-	4,784	349,748
-	-	125,020
-	-	32,218
-	-	-
27,804	4,784	2,567,493
(18,494)	7,816	(42,660)
-	-	-
-	-	-
(18,494)	7,816	(42,660)
21,386	24,319	308,349
-	-	(100,031)
21,386	24,319	208,318
2,892	32,135	165,658

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--GENERAL FUND--OPERATIONAL
Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUES				
Residential/non-residential taxes	\$ 8,167	8,167	9,497	1,330
Rent and leases	6,000	6,000	4,277	(1,723)
Fees-users	-	-	1,200	1,200
Interest income	550	550	272	(278)
State equalization	2,339,558	2,347,997	2,346,893	(1,104)
Donations	-	800	1,192	392
Federal program	-	9,034	9,034	-
Refunds	1,100	1,100	2,609	1,509
Insurance recoveries	-	-	1,890	1,890
TOTAL REVENUE	2,355,375	2,373,648	\$ 2,376,864	3,216
Cash balance budgeted	181,965	181,965		
TOTAL REVENUE AND CASH	\$ 2,537,340	2,555,613		
EXPENDITURES				
Current				
Instruction	1,613,483	1,622,722	1,558,434	64,288
Support services				
Support services-students	158,326	158,326	158,329	(3)
Support services-instruction	61,632	61,632	61,321	311
Support services-general administration	126,946	126,946	126,954	(8)
Support services-school administration	150,997	150,997	96,465	54,532
Central services	31,200	31,200	31,200	-
Operations & maintenance of plant	350,544	359,578	344,964	14,614
Other support services	1,296	1,296	-	1,296
Food services-operations	42,916	42,916	32,218	10,698
TOTAL EXPENDITURES	\$ 2,537,340	2,555,613	2,409,885	145,728

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--TRANSPORTATION FUND
 Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State programs	\$ 118,363	126,059	126,059	-
TOTAL REVENUE	118,363	126,059	\$ 126,059	-
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	\$ 118,363	126,059		
EXPENDITURES				
Current				
Student transportation	118,363	126,059	125,020	1,039
TOTAL EXPENDITURES	\$ 118,363	126,059	125,020	1,039

See Notes to Financial Statements.

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL--GENERAL FUND--INSTRUCTIONAL MATERIALS FUND
Year Ended June 30, 2012

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Refunds	\$ -	-	55	55
State programs	8,080	8,080	9,255	1,175
TOTAL REVENUE	8,080	8,080	\$ 9,310	1,230
Cash balance budgeted	20,486	20,486		
TOTAL REVENUE & CASH	\$ 28,566	28,566		
EXPENDITURES				
Current				
Instruction	28,566	28,566	27,804	762
TOTAL EXPENDITURES	\$ 28,566	28,566	27,804	762

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL--GENERAL FUND--TEACHERAGE
 Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Rent and leases	\$ 17,000	17,000	12,600	(4,400)
TOTAL REVENUE	<u>17,000</u>	<u>17,000</u>	<u>\$ 12,600</u>	<u>(4,400)</u>
 Cash balance budgeted	 <u>27,662</u>	 <u>27,662</u>		
 TOTAL REVENUE & CASH	 <u>\$ 44,662</u>	 <u>44,662</u>		
 EXPENDITURES				
Current				
Operation & maintenance of plant	<u>44,662</u>	<u>44,662</u>	<u>4,784</u>	<u>39,878</u>
TOTAL EXPENDITURES	<u>\$ 44,662</u>	<u>44,662</u>	<u>4,784</u>	<u>39,878</u>

See Notes to Financial Statements.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The creation of special revenue funds is authorized by the Village Council.

ENTITLEMENT FEDERAL STIMULUS – Additional funding provided by the federal stimulus funds under the American Recovery and Reinvestment Act to supplement the District's IDEA-B programs.

CAFETERIA – to account for financing for 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, New Mexico Statutes Annotated, State Law 22-13-13.

ATHLETICS – to account for revenues received from non-instructional activities for use in the District's athletic and other non-instructional programs. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Authority for this fund is the New Mexico Administrative Code 6.20.2.

IDEA B PRESCHOOL - P.L. 94-142, Individuals with Disabilities Education Act – to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

ENHANCING EDUCATION THROUGH TECHNOLOGY – To account for grant revenue and expenditures used to improve student academic achievement through the use of technology in schools, to assist all students in becoming technologically literate by the end of the eighth grade, and to encourage the effective integration of technology with teacher training and curriculum development to establish successful research-based instructional methods. Authority to create this fund is given under the Elementary and Secondary Education Act of 1965, Title II, Part D, Subparts 1 and 2, as amended.

TEACHER/PRINCIPAL TRAINING –To provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended; Title II, Part A, Public Law 107-110.

SAFE AND DRUG FREE SCHOOLS – To offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco and drugs, involve parents, and coordinated with related Federal, State and community efforts and resources.

TITLE I STIMULUS - Additional funding provided by federal stimulus funds under the American Recovery and Reinvestment act to supplement the District's Title I funds.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SPECIAL REVENUE FUNDS (CONTINUED)

PRESCHOOL FEDERAL STIMULUS – Additional funding provided by federal stimulus funds under the American Recovery and Reinvestment Act to supplement the District's preschool program under IDEA-B.

ELEMENTARY SCHOOL BREAKFAST STIMULUS – Additional funding provided by federal stimulus funds under the American Recovery and Reinvestment act to supplement the District's breakfast for elementary students program.

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

SEG FEDERAL STIMULUS – Fund was created to account for the allocation received by the District from the American Recovery and Reinvestment Act.

EDUCATION JOB FUND – This fund was created to account for the District's allocation of funds intended to give the District a boost to save teacher jobs. Funding and authority for this fund comes from the American Recovery and Reinvestment Act.

MICROSOFT SETTLEMENT – Funding for this fund is provided by the antitrust settlement between the State of New Mexico and Microsoft Corporation. The purpose of this program is to help New Mexico school districts to purchase a wide variety of computer hardware, software, and professional development services.

INCENTIVES FOR SCHOOL IMPROVEMENT AWARD – to account for a legislative appropriation to recognize top improving schools in New Mexico which provided funds for supplies, materials, and/or purchased services, excluding salaries and benefits. Required by the State Department of Education Manual of Procedures for New Mexico School districts to be accounted for as a separate fund. The authority for this fund is NMSA 22-13A-5.

LIBRARY GO BONDS – This fund is used to account for the revenue and expenditures to acquire supplementary library books, equipment, and library resources for public school and juvenile detention libraries statewide.

BEGINNING TEACHER MENTORING PROGRAM – to account for funds used to pay stipends to teachers as mentors and to hire new teachers. This fund was created by the authority of the State Legislature.

READING MATERIALS – This fund is used to account for the revenues and expenditures used to assist schools in improving their reading materials to more scientifically researched materials. Funding and authority for this program was provided by HB 225 passed by the New Mexico Legislature.

STATE DIRECTED ACTIVITIES – The purpose of this fund is used to account for a program funded by a State grant to assist the REC in providing free appropriate public education to all handicapped

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

SPECIAL REVENUE FUNDS (CONTINUED)

children. Funding authorized by the individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420. The fund was created by the authority of federal grant provisions.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

PUBLIC SCHOOL CAPITAL OUTLAY 20% – To account for monies to be set aside out of Impact Aid, Forest Reserve, and Local taxes for capital improvements in public schools. Authority for the creation of this fund is Section 22-8-5 NMSA 1978.

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2012

	CAFETERIA	ATHLETICS	IDEA-B PRESCHOOL	ENHANCED EDUCATION
ASSETS				
Cash on deposit	\$ 23,076	15,996	-	728
Due from other governments	-	-	6,112	-
Due from other funds	-	-	-	-
Inventory	1,892	-	-	-
TOTAL ASSETS	\$ 24,968	15,996	6,112	728
LIABILITIES AND FUND BALANCE				
Due to other funds	\$ -	-	6,112	-
Accounts payable	-	-	-	-
Deferred revenue	-	-	-	728
TOTAL LIABILITIES	-	-	6,112	728
FUND BALANCE				
Unspendable	1,892	-	-	-
Restricted	23,076	15,996	-	-
TOTAL FUND BALANCE	24,968	15,996	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 24,968	15,996	6,112	728

See Notes to Financial Statements.

TEACHER/ PRINCIPAL TRAINING	TITLE I STIMULUS	RURAL EDUCATION	DUAL CREDIT TEXTBOOKS
-	-	519	-
3,600	-	-	-
-	-	-	-
-	-	-	-
3,600	-	519	-
3,600	-	-	580
-	-	-	-
-	-	-	-
3,600	-	-	580
-	-	-	-
-	-	519	(580)
-	-	519	(580)
3,600	-	519	-

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2012

	EDUCATION JOB FUND	MICROSOFT SETTLEMENT	ENTITLEMENT IDEA-B STIMULUS	INCENTIVES FOR SCHOOL IMPROVEMENT	LIBRARY GO BONDS
ASSETS					
Cash on deposit	\$ 45	-	-	-	-
Due from other governments	-	-	-	3,427	9,651
Due from other funds	-	-	-	-	-
Inventory	-	-	-	-	-
TOTAL ASSETS	\$ 45	-	-	3,427	9,651
LIABILITIES AND FUND BALANCE					
Due to other funds	\$ -	-	-	3,427	9,651
Accounts payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	3,427	9,651
FUND BALANCE					
Unspendable	-	-	-	-	-
Restricted	45	-	-	-	-
TOTAL FUND BALANCE	45	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 45	-	-	3,427	9,651

See Notes to Financial Statements.

BEGINNING TEACHER MENTORING	READING MATERIALS	STATE DIRECTED ACTIVITIES	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	CAPITAL OUTLAY 20%	SPECIAL CAPITAL OUTLAY-LOCAL	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
3,659	93	-	44,116	208	-	208	44,324
-	-	-	22,790	-	-	-	22,790
-	-	-	-	-	-	-	-
-	-	-	1,892	-	-	-	1,892
3,659	93	-	68,798	208	-	208	69,006
-	-	-	23,370	-	-	-	23,370
-	-	-	-	-	-	-	-
3,659	93	-	4,480	-	-	-	4,480
3,659	93	-	27,850	-	-	-	27,850
-	-	-	1,892	-	-	-	1,892
-	-	-	39,056	208	-	208	39,264
-	-	-	40,948	208	-	208	41,156
3,659	93	-	68,798	208	-	208	69,006

**STATE OF NEW MEXICO
FLOYD MUNICIAPAL SCHOOLS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE-CAPITAL PROJECT FUNDS
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	CAFETERIA	ATHLETICS	IDEA-B PRESCHOOL	ENHANCED EDUCATION
REVENUE				
Residential/non-residential taxes	\$ -	-	-	-
Fees activities	-	11,824	-	-
Fees-users	16,797	-	-	-
Interest income	-	355	-	-
State and local grants	-	-	-	-
State programs	-	-	-	-
Donations	-	-	-	-
Federal program	101,340	-	12,357	-
TOTAL REVENUE	118,137	12,179	12,357	-
EXPENDITURES				
Current				
Instruction	-	9,967	12,357	-
Support services				
Support services-students	-	-	-	-
Support services-instruction	-	-	-	-
Support services-general administration	-	-	-	-
Support services-school administration	-	-	-	-
Central services	-	-	-	-
Operations & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services-operations	114,668	-	-	-
Community services-operations	-	-	-	-
Acquisitions & construction	-	-	-	-
TOTAL EXPENDITURES	114,668	9,967	12,357	-
Excess (deficiency) of revenues over expenditures	3,469	2,212	-	-
Other Financing Sources				
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	3,469	2,212	-	-
Fund balance				
June 30, 2011	21,499	13,784	-	-
Restatement	-	-	-	-
Restated fund balance June 30, 2011	21,499	13,784	-	-
Fund balance				
June 30, 2012	\$ 24,968	15,996	-	-

See Notes to Financial Statements.

TEACHER/ PRINCIPAL TRAINING	TITLE I STIMULUS	RURAL EDUCATION	DUAL CREDIT TEXTBOOKS
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	2,582
-	-	-	-
-	-	-	-
8,782	278	16,687	-
<hr/>			
8,782	278	16,687	2,582
<hr/>			
7,236	278	16,168	3,162
-	-	-	-
-	-	-	-
1,546	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
8,782	278	16,168	3,162
<hr/>			
-	-	519	(580)
<hr/>			
-	-	-	-
<hr/>			
-	-	519	(580)
<hr/>			
-	-	-	-
-	-	-	-
-	-	-	-
-	-	519	(580)
<hr/> <hr/>			

**STATE OF NEW MEXICO
FLOYD MUNICIAPAL SCHOOLS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE-CAPITAL PROJECT FUNDS
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	EDUCATION JOB FUND	MICRSOFT SETTLEMENT	ENTITLEMENT IDEA-B STIMULUS	INCENTIVES FOR SCHOOL IMPROVEMENT	LIBRARY GO BONDS
REVENUE					
Residential/non-residential taxes	\$ -	-	-	-	-
Fees activities	-	-	-	-	-
Fees-users	-	-	-	-	-
Interest income	-	-	-	-	-
State and local grants	-	1,226	-	-	-
State programs	-	-	-	-	-
Donations	-	-	-	-	-
Federal program	991	-	-	-	-
TOTAL REVENUE	991	1,226	-	-	-
EXPENDITURES					
Current					
Instruction	991	-	-	-	-
Support services					
Support services-students	-	-	-	-	-
Support services-instruction	-	-	-	-	-
Support services-general administration	-	-	-	-	-
Support services-school administration	-	-	-	-	-
Central services	-	-	-	-	-
Operations & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Food services-operations	-	-	-	-	-
Community services-operations	-	-	-	-	-
Acquisitions & construction	-	-	-	-	-
TOTAL EXPENDITURES	991	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	1,226	-	-	-
Other Financing Sources					
Transfers in (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	-	1,226	-	-	-
Fund balance					
June 30, 2011	45	(1,226)	-	-	-
Restatement	-	-	-	-	-
Restated fund balance June 30, 2010	45	(1,226)	-	-	-
Fund balance					
June 30, 2012	\$ 45	-	-	-	-

See Notes to Financial Statements.

BEGINNING TEACHER MENTORING	READING MATERIALS	STATE DIRECTED ACTIVITIES	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	CAPITAL OUTLAY 20%	SPECIAL CAPITAL OUTLAY-LOCAL	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
-	-	-	-	-	-	-	-
-	-	-	11,824	-	-	-	11,824
-	-	-	16,797	-	-	-	16,797
-	-	-	355	-	-	-	355
-	-	52,958	56,766	-	-	-	56,766
-	-	-	-	-	-	-	-
-	-	-	-	-	7,850	7,850	7,850
-	-	(5,777)	134,658	-	-	-	134,658
-	-	47,181	220,400	-	7,850	7,850	228,250
-	-	-	50,159	-	-	-	50,159
-	-	47,181	47,181	-	-	-	47,181
-	-	-	-	-	-	-	-
-	-	-	1,546	-	-	-	1,546
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	114,668	-	-	-	114,668
-	-	-	-	-	-	-	-
-	-	-	-	-	7,850	7,850	7,850
-	-	47,181	213,554	-	7,850	7,850	221,404
-	-	-	6,846	-	-	-	6,846
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	6,846	-	-	-	6,846
-	-	-	34,102	208	-	208	34,310
-	-	-	-	-	-	-	-
-	-	-	34,102	208	-	208	34,310
-	-	-	40,948	208	-	208	41,156

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--CAFETERIA
Year Ended June 30, 2012

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees-users	\$ 19,275	19,275	16,404	(2,871)
Federal revenue	95,000	95,000	101,340	6,340
TOTAL REVENUE	114,275	114,275	\$ 117,744	3,469
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	\$ 114,275	114,275		
EXPENDITURES				
Current				
Food services-operations	114,275	114,275	114,275	-
TOTAL EXPENDITURES	\$ 114,275	114,275	114,275	-

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL-SPECIAL REVENUE FUND--ATHLETICS
 Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Fees activities	\$ -	-	11,824	11,824
Interest income	-	-	355	355
TOTAL REVENUE	-	-	\$ 12,179	12,179
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	\$ -	-		
EXPENDITURES				
Current				
Instruction	-	-	9,967	(9,967)
TOTAL EXPENDITURES	\$ -	-	9,967	(9,967)

See Notes to Financial Statements.

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--IDEA B PRESCHOOL
Year Ended June 30, 2012

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal revenue	\$ 12,899	12,899	12,357	(542)
TOTAL REVENUE	<u>12,899</u>	<u>12,899</u>	<u>\$ 12,357</u>	<u>(542)</u>
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ 12,899</u>	<u>12,899</u>		
EXPENDITURES				
Current				
Instruction	12,899	12,899	12,357	542
TOTAL EXPENDITURES	<u>\$ 12,899</u>	<u>12,899</u>	<u>12,357</u>	<u>542</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--TEACHER/PRINCIPAL TRAINING
Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal revenue	\$ 8,882	8,882	8,782	(100)
TOTAL REVENUE	<u>8,882</u>	<u>8,882</u>	<u>\$ 8,782</u>	<u>(100)</u>
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ 8,882</u>	<u>8,882</u>		
EXPENDITURES				
Current				
Instruction	6,475	6,475	7,236	(761)
Support services				
Support services-instruction	1,013	1,013	-	1,013
Support services-general administration	1,394	1,394	1,546	(152)
TOTAL EXPENDITURES	<u>\$ 8,882</u>	<u>8,882</u>	<u>8,782</u>	<u>100</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--TITLE I STIMULUS
Year Ended June 30, 2012

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal revenue	\$ -	278	278	-
TOTAL REVENUE	<u>-</u>	<u>278</u>	<u>\$ 278</u>	<u>-</u>
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>278</u>		
EXPENDITURES				
Current				
Instruction	-	278	278	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>278</u>	<u>278</u>	<u>-</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--RURAL EDUCATION
Year Ended June 30, 2012

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal revenue	\$ -	1,709	16,687	14,978
TOTAL REVENUE	-	1,709	\$ 16,687	14,978
Cash balance budgeted	21,206	21,206		
TOTAL REVENUE & CASH	\$ 21,206	22,915		
EXPENDITURES				
Current				
Instruction	21,206	22,915	16,168	6,747
TOTAL EXPENDITURES	\$ 21,206	22,915	16,168	6,747

See Notes to Financial Statements.

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
AND ACTUAL-SPECIAL REVENUE FUND--DUAL CREDIT TEXTBOOKS
Year Ended June 30, 2012

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State flow through grants	\$ -	3,162	2,582	(580)
TOTAL REVENUE	<u>-</u>	<u>3,162</u>	<u>\$ 2,582</u>	<u>(580)</u>
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>3,162</u>		
EXPENDITURES				
Current				
Instruction	-	3,162	3,162	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>3,162</u>	<u>3,162</u>	<u>-</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL-SPECIAL REVENUE FUND--EDUCATION JOB FUND
 Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal revenue	\$ -	991	991	-
TOTAL REVENUE	<u>-</u>	<u>991</u>	<u>\$ 991</u>	<u>-</u>
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>991</u>		
EXPENDITURES				
Current				
Instruction	-	991	991	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>991</u>	<u>991</u>	<u>-</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL-SPECIAL REVENUE FUND--MICROSOFT SETTLEMENT
 Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State flow through grants	\$ -	-	1,226	1,226
TOTAL REVENUE	-	-	\$ 1,226	1,226
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	\$ -	-		
EXPENDITURES				
Current				
Instruction	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)
 AND ACTUAL-SPECIAL REVENUE FUND--STATE DIRECTED ACTIVITIES
 Year Ended June 30, 2012**

	ORIGINAL BUDGET	BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
State flow through grants	\$ -	-	52,958	52,958
Federal program	-	-	(5,777)	(5,777)
TOTAL REVENUE	-	-	\$ 47,181	47,181
Cash balance budgeted	-	-		
TOTAL REVENUE & CASH	\$ -	-		
EXPENDITURES				
Current				
Support services				
Support services-students	-	-	47,181	(47,181)
TOTAL EXPENDITURES	\$ -	-	47,181	(47,181)

See Notes to Financial Statements.

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-- AGENCY FUNDS
 Year Ended June 30, 2012

	Balance 6/30/2011	ADDITIONS	DEDUCTIONS	Balance 6/30/2012
Non-instructional Support	\$ -	3,776	6,521	(2,745)
Goff Memorial	2,841	-	801	2,040
Davis Memorial	50	-	-	50
Tristhammer Scholarship	1,000	500	1,000	500
Recycle	10	-	-	10
Student Council	713	-	-	713
Yearbook	2,892	9,709	6,711	5,890
Bread breakers	3,880	-	3,880	-
FCCLA	-	9,323	5,775	3,548
FFA	1,742	7,092	8,480	354
FCA	1,171	427	585	1,013
Cheerleaders	3,665	3,807	1,669	5,803
Book Fair	5,314	294	497	5,111
Poster	358	249	157	450
A/R Prize Fund	193	-	-	193
Elementary Cheerleaders	106	330	128	308
BPA	33	13,112	9,892	3,253
HS Basketball-Girls	7,295	1,586	5,485	3,396
Football	158	-	-	158
Activity Account Super	(570)	1,879	1,028	281
Volleyball	265	8,745	7,508	1,502
HS Basketball-Boys	409	45	300	154
Track	70	-	-	70
Baseball	240	500	649	91
Music Booster Club	1,042	230	521	751
Booster Club	12,896	9,264	12,112	10,048
Pre Calculus	77	853	755	175
Employee Donations	(49)	49	-	-
Vending	3,028	423	2,065	1,386
Elementary Fund	67	669	220	516
Relay for Life	-	906	829	77
Floyd Beautification	765	1,500	694	1,571
Class of 2011	3,272	17	1,771	1,518
Class of 2012	6,202	5,144	9,977	1,369
Class of 2013	1,322	16,500	7,886	9,936
Class of 2014	1,849	2,894	-	4,743
Class of 2015	1,581	814	-	2,395
Class of 2016	1,474	635	645	1,464
Class of 2017	1,514	711	521	1,704
Class of 2018	273	689	451	511
Class of 2019	488	474	311	651
Class of 2020	621	350	403	568
Class of 2021	598	694	369	923
Class of 2022	335	382	84	633
Class of 2023	226	368	176	418
Class of 2024	125	393	569	(51)
Class of 2025	-	710	348	362
Special Ed	475	-	-	475
Total	\$ 70,016	106,043	101,773	74,286

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF PLEDGED COLLATERAL
 Year Ended June 30, 2012**

	Total Deposits	FDIC Insurance	Uninsured Deposits	Collateral Required	Collateral Pledged	Uninsured/ Uncollateralized Deposits	Pledged Collateral Deficit
PORTALES NATIONAL BANK	\$ 491,592	250,000	241,592	120,796	213,477	-	-

COLLATERAL		MATURES
FNMA - 31396A3L4	\$ 109,996	6/27/2013
SAN JUAN CNTY NM ISD - 798359JC0	103,481	8/1/2014
	<u>\$ 213,477</u>	

SECURITIES HELD BY THE INDEPENDENT BANKERS BANK

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 BANK SUMMARY
 Year Ended June 30, 2012**

Bank	ACCT TYPE	FUND		BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
PORTALES NATIONAL BANK	Checking	Operational	*	\$ 375,615	46,725	-	329,575
	Checking	Payroll Clearing		115,977	113,639	-	2,338
Total PORTALES NATIONAL BANK				<u>\$ 491,592</u>	<u>160,364</u>	<u>-</u>	<u>331,913</u>

* Interest Bearing

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

Hector Balderas, State Auditor
The Board of Education
Floyd Municipal Schools
Floyd, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of Floyd Municipal Schools ("Schools") as of and for the year ended June 30, 2012 and have issued our report thereon dated November 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered agency'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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as finding FS 2006-02.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as findings FS 2012-01, FS 2006-02, FS 2006-03, FS 2008-09, FS 2010-01, FS 2010-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether agency'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 item FS 2012-02.

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

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

The logo for Axiom CPAs, featuring the word "Axiom" in a stylized, cursive blue font.

Axiom CPAs
Albuquerque, New Mexico
November 15, 2012

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

A. FINANCIAL STATEMENT FINDINGS

FS 2012-01: SEGREGATION OF DUTIES (Significant Deficiency)

CONDITION: Checks printed to be disbursed to vendors are printed from the accounting system with the authorized signer's signature included on them (custody). The function of printing the checks with the authorized signer is performed by the Business Manager who also has access to processing vendor invoices (recordkeeping).

CRITERIA: 6.20.2.11(A) NMAC, *Internal Control Structure Standards*, requires that all school districts establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization. 6.20.2.11(B) further requires that each school district develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

EFFECT: A single individual having custody and recordkeeping responsibilities within the same control cycle of cash disbursements causes heightened risk for error and or fraudulent activity which could not be prevented or detected in a timely manner causing loss to assets of the District.

CAUSE: Upon implementation of the current procedures governing the cash disbursements cycle, the District administration did not evaluate all aspects of segregating certain tasks between individuals of the District.

RECOMMENDATION: The District should appoint an individual separate from the Business Manager to print checks that were processed for payment by the Business Manager. The Business Manager should no longer have access to printing checks nor shall the appointed individual have access to processing payment (i.e. entering and processing of invoices). Upon printing of the signed checks, the appointed individual should match the printed checks to each invoice and approved purchase order to verify accuracy of the disbursement.

RESPONSE: Upon the recommendation and identification by our auditors, the District is reviewing several options regarding internal control procedures to shift actual check printing/approval to a separate individual with no access to the general ledger.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

A. FINANCIAL STATEMENT FINDINGS (CONTINUED)

FS 2006-03: EXPENDITURES EXCEED BUDGET (Significant Deficiency) - Revised and Repeated

CONDITION: The Athletics Instruction fund had expenditures that exceeded the approved budget by \$9,967.

CRITERIA: According to 6.20.2.9 NMAC and 2.2.2.10(P)(1) NMAC over-expenditure of a function shall not be allowed.

EFFECT: By not following regulatory guidelines the District is not able to adequately control the expenditures charged to each function.

CAUSE: The District does not have adequate controls over the budgeting process; therefore, over expenditures occurred.

RECOMMENDATION: District personnel in charge of maintaining budget data should ensure that appropriate budget amounts are maintained at each function level.

RESPONSE: Management concurs and will work diligently to correct its procedures.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

A. FINANCIAL STATEMENT FINDINGS (CONTINUED)

FS 2006-02: CAPITAL ASSETS NOT BEING INVENTORIED (Material Weakness) – Revised and Repeated

CONDITION: The District has not maintained an inventory of its capital assets nor has the District calculated related depreciation for its capital assets.

CRITERIA: GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, require that all capital assets be reported within the government-wide Statement of Net Assets. Furthermore, it requires annual depreciation on those assets be reported in the government-wide Statement of Activities. Section 12-6-10 NMSA 1978, *Annual Inventory*, requires that an annual inventory be conducted on items with a cost of \$5,000 and over. Finally, 2.20.1.8 NMAC, *Fixed Asset Accounting System*, states that the District should implement systematic and well-documented methods for accounting for their capital assets. It further recommends utilization of a computerized system with appropriate control on access and authorization of transactions.

EFFECT: The government-wide financial statements cannot accurately depict the actual financial position of the District. Inaccurate reporting of financial position can negatively impact debt financing of the District.

CAUSE: District personnel have been unable to complete an inventory of capital assets in order to create a listing of capital assets. Without an accurate reflection of capital assets held by the District, the associated accumulated depreciation and annual depreciation expense was indeterminable.

RECOMMENDATION: The District should evaluate all capital asset items with a cost of \$5,000 or greater, complete its listing of capital assets, and input the results of that listing into a computerized system. It is additionally recommend that the District evaluate the adequacy of their estimated depreciable lives and calculate a net book value for all assets and adjust the balance per the general ledger. Once the capital assets have been input, the listing should be maintained for additions and retirements. Depreciation and associated accumulated depreciation should additionally be maintained based on the applied useful lives.

RESPONSE: Management has completed an inventory of capital assets; however, the District is in the process of performing a secondary review and quality check to ensure that all capital assets are included to ensure that depreciation schedules are appropriately input and calculated.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

A. FINANCIAL STATEMENT FINDINGS (CONTINUED)

FS 2008-09: PREPARATION OF FINANCIAL STATEMENTS (Significant Deficiency) - Repeated

CONDITION: The financial statements and related disclosures are not being prepared by the District, but by the auditor.

CRITERIA: According to the American Institute of Certified Public Accountants' Statement on auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well-designed systems include controls over financial statement preparation.

EFFECT: Without the controls over the preparation of financial statements and related disclosures, the District's ability to detect and prevent misstatements in the financial statements is limited.

CAUSE: The District's personnel do not have the training to understand the elements of external financial reporting including the preparation of financial statements and related footnotes. Without this understanding, the District does not have the personnel with the capability to review and approve the financial statements and related disclosures prepared by the auditor.

RECOMMENDATION: District personnel should receive the training necessary to gain an understanding of the elements of external reporting. Not only should District personnel receive training in financial statement preparation and footnote disclosure, but in addition gain an understanding of the pronouncement produced by GASB, GAS, and FASB and the requirements of the Office of the State Auditor and PED.

RESPONSE: Management concurs with the recommendation.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

A. FINANCIAL STATEMENT FINDINGS (CONTINUED)

FS 2010-02: DEFICIENT FUND BALANCE (Significant Deficiency) – Revised and Repeated

CONDITION: The Dual Credit Textbook fund had a deficient fund balance of \$580 at year end.

CRITERIA: 6.20.2 NMAC and other state statutes prohibit any governmental agency from encumbering future funds.

EFFECT: The District spent funds that were not available for this fund. The operational fund will have to cover the negative balance.

CAUSE: The District did not maintain adequate cash records to know how much was available for this fund.

RECOMMENDATION: The District should submit budgets as required and adhere to the controls built into the accounting software. The software alerts the user when there is no budget for an expenditure.

RESPONSE: Management concurs with the recommendation.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

A. FINANCIAL STATEMENT FINDINGS (CONTINUED)

FS 2010-01: NO BUDGET AUTHORITY (Significant Deficiency) – Revised and Repeated

CONDITION: The Athletics fund had expenditures yet no budget or budget adjustment request was made.

CRITERIA: 6.20.2.9 NMAC requires that school districts have budget authority for all spending.

EFFECT: The District spent funds without proper authority.

CAUSE: District administration failed to budget available cash or submit a budget adjustment request when notified by PED regarding unspent funds.

RECOMMENDATION: District administration should budget available cash balances and submit budget adjustment request when new funding becomes available. District personnel should additionally monitor the software for alerts when an expenditure is charged to a fund without an available budget.

RESPONSE: Management concurs with the recommendation.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

**B. COMMENTS INCLUDED IN ACCORDANCE WITH NEW MEXICO STATE AUDITOR RULE
(OTHER MATTERS)**

FS 2012-02: PAYROLL DISBURSEMENTS (Other Matter)

CONDITION: In a sample of 5 substitute teachers tested, it was identified that 1 substitute was paid incorrectly resulting in underpayment by \$5.

CRITERIA: 6.20.2.18 NMAC, *Payroll*, requires that the District maintain strict internal controls over the processing of payroll transactions to be in accordance with GAAP. Such internal control systems should be adequately designed based on the operations of the District to accommodate all pay types and drivers of payroll cost.

EFFECT: Breaks in the control structures surrounding the payroll disbursement process can cause over and/or underpayment of wages. Overpayment reduces available resources for current programs and underpayment causes heightened risk for amendment of W-2 wage reporting.

CAUSE: The amount a substitute teacher is paid is determined by whether or not the substitute has a college-level degree. A substitute with a college-level degree is paid \$70 per day while a substitute without a college-level degree is paid \$65 per day. The District does not keep degree level documentation in the employee files for the substitutes.

RECOMMENDATION: The District should keep documentation relating to degree level in each substitute teacher's employee file. At time of employee set up, the payroll system should reflect the accurate pay code to ensure correct processing of payroll.

RESPONSE: The District will ensure that evidence of "degree status" is in ALL files for substitute teachers to support pay (differential) between degreed and non-degreed substitute teachers.

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012**

STATUS OF PRIOR YEAR FINDINGS

FS 2006-01 – Late Report – Resolved

FS 2006-02 – Capital Assets Not Being Inventoried – Revised and Repeated

FS 2006-03 – Expenditures Exceed Budget – Revised and Repeated

FS 2008-02 – Invoice Date Precedes Purchase Order Date – Resolved

FS 2008-03 – Invoice Amount Exceeds Purchase Order Amount – Resolved

FS 2008-04 – Blanket Purchase Orders are Not Decreasing with Expenditures – Resolved

FS 2008-05 – Purchase Orders Changed by Hand – Resolved

FS 2008-09 – Preparation of Financial Statements – Repeated

FS 2008-10 – Possible Violation of the 24-Hour Rule – Resolved

FS 2010-01 – No Budget Authority – Revised and Repeated

FS 2010-02 – Deficient Fund Balance – Revised and Repeated

FS 2010-03 – Inadequate Schedule for Changes in Activity Fund Balances – Resolved

FS 2010-04 – Late Submission of the Data Collection Form – Resolved

**FLOYD MUNICIPAL SCHOOLS, NEW MEXICO
EXIT CONFERENCE
JUNE 30, 2012**

An exit conference was conducted on November 7, 2012 with the following individuals:

Floyd Municipal Schools:

Paul Benoit, Superintendent
Margie Plummer, Business Manager
Leon Nall, Board of Education President
Waynell Nall, Administrative Assistant

Axiom Certified Public Accountants and Business Advisors, LLC:

Chris Garner, CPA, Partner
Kristen Weber, Staff

Axiom Certified Public Accountants and Business Advisors, LLC prepared the GAAP-basis financial statements and footnotes of Floyd Municipal Schools from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.