

Lordsburg Municipal School District No. 1

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

For The Fiscal Year Ended June 30, 2009

Lordsburg Municipal School District #1  
**TABLE OF CONTENTS**  
 June 30, 2009

	PAGE
<b>INTRODUCTORY SECTION:</b>	
Directory of officials	1
<b>FINANCIAL SECTION:</b>	
INDEPENDENT AUDITORS' REPORT	2-3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	4
Statement of Activities	5-6
<i>Fund Financial Statements:</i>	
Balance Sheet--Governmental Funds	7-8
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	10-11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis)	
General fund	13
Rural Schools	14
Statement of Net Assets--Fiduciary Funds	15
Statement of Changes in Fiduciary Net Assets	16
Notes to Basic Financial Statements	17-32
<b>OTHER SUPPLEMENTARY INFORMATION:</b>	
Fund Descriptions	33-36
Combining Balance Sheet--Nonmajor Governmental Funds	37-40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Governmental Funds	41-45
Combining Balance Sheet--General Fund	46-47

Combining Statement of Revenues, Expenditures and Changes in Fund Balances--General Fund	48-49
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis):	

General Fund:	
Operational	50
Transportation	51
Instructional Materials	52

Special Revenue Funds:	
Cafeteria	53
Athletics	54
Title I	55
Entitlement	56
Discretionary	57
Education of Homeless	58
Pre-School	59
Senate Bill 9	60
Technology for Education PED	61
Medicaid	62
Beginning Teacher Mentoring	63
Teacher Training	64
Breakfast for Elementary Students	65
Family & Youth Resaources	66
GO Bonds	67
School Based Health Center	68
Behaviorial Health Services	69
Enhancing Education Through Technology	70
State Directed Activities	71

Debt Service fund	72
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Capital Projects Funds:	
Bond Building	73
Vocational Education Facility	74
Special State Capital Outlay	75

#### OTHER SUPPLEMENTAL DATA

Schedule of Changes in Assets and Liabilities--Agency Funds	76
Schedule of Depository Collateral	77
Schedule of Individual Deposit Accounts and Investments	78
Schedule of Cash Receipts and Disbursements--by School District Classification	79-81
Schedule of Joint Powers Agreement	82
Schedule of Expenditures of Federal Awards	83
Notes to Schedule of Expenditures of Federal Awards	84

ADDITIONAL REPORTING REQUIREMENTS:

Summary Schedule of Prior Audit Findings	85
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86-87
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	88-89
Schedule of Findings and Questioned Costs	90-92

Lordsburg Municipal Schools  
**DIRECTORY OF OFFICIALS**  
June 30, 2009

**BOARD OF EDUCATION**

Manuel Saucedo	President
Marianne Stewart	Vice-President
David Whipple	Secretary
John Mora	Member
Mark Thomas	Member

**SCHOOL OFFICIALS**

Jim Barentine	Superintendent
Irene Baisa	Business Manager

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

RYAN MONTOYA, C.P.A.

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## INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas, State Auditor  
and  
Board of Education  
Lordsburg Municipal School District No. 1  
Lordsburg, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lordsburg Municipal School District No. 1 (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's non-major governmental funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund, and the aggregate remaining fund information of Lordsburg Municipal School District No. 1 as of June 30, 2009, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General and Rural Schools funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of Lordsburg Municipal School District No. 1 as of June 30, 2009, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the components of the general fund, the non-major Special Revenue funds, the Debt Service Fund, and the Capital Projects funds for the year

then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2009, on our consideration of Lordsburg Municipal School District No. 1'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Lordsburg Municipal School District No. 1 has not presented management's discussion and analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements and on the combining, individual fund and budgetary comparisons statements presented as other supplementary information. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. In addition, the accompanying financial information listed as other supplemental data in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards and the other supplemental data have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Stone, McGee & Co., CPAs*

October 27, 2009

Lordsburg Municipal School District #1  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 2,964,671
Property taxes receivable	80,495
Due from other governments	137,428
Inventory	27,566
Bond issue costs	76,068
Capital assets:	
Land	341,566
Buildings	16,333,798
Furniture and fixtures and equipment	3,925,735
Construction in progress	7,783,112
Less accumulated depreciation	(15,160,693)
Total capital assets, net of depreciation	\$ 13,223,518
Total assets	\$ 16,509,746
<b>Liabilities</b>	
Cash overdraft	\$ 13,696
Accounts payable	53,463
Bond premiums	4,808
Deferred revenue	-
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	770,000
Accrued interest payable	28,087
Portion due or payable after one year:	
Bonds payable	2,615,000
Compensated absences	57,148
Total liabilities	\$ 3,542,202
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 10,475,888
Restricted for:	
Debt service	967,145
Capital projects	238,589
Other purposes	387,490
Unrestricted	898,432
Total net assets	\$ 12,967,544

The accompanying notes are an integral part of these financial statements



Lordsburg Municipal School District #1  
**STATEMENT OF ACTIVITIES**  
 For the Fiscal Year Ended June 30, 2009

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
<u>Functions/Programs</u>					<u>Total Governmental Activities</u>
Governmental activities:					
Instructional support	\$ 4,746,895	\$ 117,483	\$ 1,261,916	\$ 2,750,680	\$ (616,816)
Support services - Students	809,082		230,501		(578,581)
Support services - Instruction	787,599		550,000		(237,599)
General administration	225,465	9,877	9,877		(205,711)
School administration	1,058,847		151,131		(907,716)
Central services	312,836				(312,836)
Operation of plant	1,337,821				(1,337,821)
Food services	400,838	35,981	291,877	33,630	(39,350)
Transportation	471,251		409,131		(62,120)
Interest on long-term debt	105,379				(105,379)
	<u>\$ 10,256,013</u>	<u>\$ 163,341</u>	<u>\$ 2,904,433</u>	<u>\$ 2,784,310</u>	<u>\$ (4,403,929)</u>

General revenues:	
Property taxes:	
Levied for general purposes	\$ 56,584
Levied for debt service	747,648
Levied for capital improvements	216,297
State aid - formula grants	6,721,561
Recoveries and refunds	3,000
Unrestricted investment earnings	<u>31,125</u>
 Total general revenues and special items	 <u>\$ 7,776,215</u>
 Change in net assets	 <u>\$ 3,372,286</u>
 Net assets - beginning, as originally stated	 \$ 7,990,656
 Restatement (Note 15)	 <u>1,604,602</u>
 Beginning net assets as restated	 \$ 9,595,258
 Change in net assets	 <u>3,372,286</u>
 Net assets - ending	 <u>\$ 12,967,544</u>

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

Lordsburg Municipal School District #1  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2009

	General Fund	Rural Schools	Bond Building	Dugan Tarango MS
<b>Assets</b>				
Cash and investments	\$ 791,635	\$ -	\$ 873,493	\$ -
Taxes receivable	4,698			
Inventory	22,360			
Due from other governments		26,197		
Interfund receivable	109,264		5,106	
Total assets	\$ 927,957	\$ 26,197	\$ 878,599	\$ -
 <b>Liabilities and Fund Balance</b>				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable	43,637	-	2,640	-
Interfund payable		26,197		
Deferred revenue	3,994			
Total liabilities	\$ 47,631	\$ 26,197	\$ 2,640	\$ -
 Fund balance:				
Reserved for:				
Inventories	\$ 22,360	\$ -	\$ -	\$ -
Debt service				
Capital projects			875,959	
Unreserved, reported in:				
General fund	857,966			
Special revenue funds				
Total fund balance	\$ 880,326	\$ -	\$ 875,959	\$ -
Total liabilities and fund balance	\$ 927,957	\$ 26,197	\$ 878,599	\$ -

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

<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 932,522	\$ 367,021	\$ 2,964,671
67,816	7,981	80,495
	5,206	27,566
	111,231	137,428
	1,725	116,095
<u>\$ 1,000,338</u>	<u>\$ 493,164</u>	<u>\$ 3,326,255</u>
\$ -	\$ 13,696	\$ 13,696
-	7,186	53,463
5,106	84,792	116,095
57,977	5,160	67,131
<u>\$ 63,083</u>	<u>\$ 110,834</u>	<u>\$ 250,385</u>
\$ -	\$ 5,206	\$ 27,566
937,255		937,255
		875,959
		857,966
	377,124	377,124
<u>\$ 937,255</u>	<u>\$ 382,330</u>	<u>\$ 3,075,870</u>
<u>\$ 1,000,338</u>	<u>\$ 493,164</u>	<u>\$ 3,326,255</u>

Lordsburg Municipal School District #1  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
 June 30, 2009

Total governmental fund balances	\$	3,075,870
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,223,518
Bond issue costs are capitalized and amortized over the life of the bonds		76,068
Bond premiums are deferred and amortized over the life of the bonds		(4,808)
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds: Property taxes not collected within the 60 day availability period		67,131
Long-term liabilities, including bonds payable, compensated absences and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable		(3,385,000)
Accrued interest payable		(28,087)
Accrued compensated absences		(57,148)
		12,967,544
<i>Net Assets of Governmental Activities</i>	\$	12,967,544

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

Lordsburg Municipal School District #1  
**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
June 30, 2009

	General Fund	Rural Schools	Bond Building	Dugan Tarango MS
Revenues:				
Property taxes	\$ 55,633	\$ -	\$ -	\$ -
Fees and charges	84,239			
State aid	7,586,974			2,659,360
Federal aid	92,988	26,024		
Earnings on investments	10,510		12,816	
Miscellaneous	3,001			
	<u>\$ 7,833,345</u>	<u>\$ 26,024</u>	<u>\$ 12,816</u>	<u>\$ 2,659,360</u>
Total revenues				
Expenditures:				
Current:				
Instruction	\$ 3,749,915	\$ 17,823	\$ -	\$ -
Support services - Students	575,102			
Support services - Instruction	216,443			
General administration	193,314			
School administration	898,477	8,201		
Central services	312,836			
Operation of plant	1,186,562			
Food service	112,845			
Transportation	440,453			
Debt service:				
Principal				
Interest				
Bond issue costs			33,256	
Capital outlay	63,826		69,052	4,556,831
	<u>\$ 7,749,773</u>	<u>\$ 26,024</u>	<u>\$ 102,308</u>	<u>\$ 4,556,831</u>
Total expenditures				
Revenues over (under) expenditures	\$ 83,572	\$ -	\$ (89,492)	\$ (1,897,471)
Other financing sources:				
Bond proceeds			1,250,000	
Bond premium			5,106	
Operating transfers in (out)			(1,897,471)	1,897,471
	<u>\$ 83,572</u>	<u>\$ -</u>	<u>\$ (731,857)</u>	<u>\$ -</u>
Net change in fund balance				
Fund balance, July 1, 2008 as originally stated	\$ 750,892		\$ 1,607,816	
Restatement (Note 15)	45,862	-	-	-
Fund balance, July 1, 2008 as restated	\$ 796,754	\$ -	\$ 1,607,816	\$ -
Net change in fund balance	<u>83,572</u>	<u>-</u>	<u>(731,857)</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ 880,326</u>	<u>\$ -</u>	<u>\$ 875,959</u>	<u>\$ -</u>

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

<u>Debt Service</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ 777,955	\$ 222,636	\$ 1,056,224
	69,225	153,464
	827,534	11,073,868
	1,240,294	1,359,306
5,527	2,272	31,125
		3,001
<u>\$ 783,482</u>	<u>\$ 2,361,961</u>	<u>\$ 13,676,988</u>
\$ -	\$ 815,494	\$ 4,583,232
	227,820	802,922
	552,677	769,120
7,740	12,092	213,146
	142,930	1,049,608
		312,836
	92,743	1,279,305
	263,355	376,200
		440,453
590,000		590,000
91,090		91,090
		33,256
	127,551	4,817,260
<u>\$ 688,830</u>	<u>\$ 2,234,662</u>	<u>\$ 15,358,428</u>
\$ 94,652	\$ 127,299	\$ (1,681,440)
		1,250,000
		5,106
		-
<u>\$ 94,652</u>	<u>\$ 127,299</u>	<u>\$ (426,334)</u>
\$ 842,603	\$ 255,031	\$ 3,456,342
-	-	45,862
<u>\$ 842,603</u>	<u>\$ 255,031</u>	<u>\$ 3,502,204</u>
94,652	127,299	(426,334)
<u>\$ 937,255</u>	<u>\$ 382,330</u>	<u>\$ 3,075,870</u>

Lordsburg Municipal School District #1  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

June 30, 2009

Net change in fund balances-total governmental funds \$ (426,334)

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

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

Capital outlay	4,817,260
Depreciation expense	(307,978)

Bond proceeds are reported as financing sources in the funds. In the Statement of  
Activities, however, issuing debt increases long-term liabilities. (1,250,000)

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

Property taxes not collected within the 60 day availability period	(48,689)
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Repayment of long-term debt is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities in the Statement of Net Assets 590,000

Bond issue costs are expenditures in the funds but are capitalized and amortized in the  
Statement of Activities.

Bond issue costs	33,256
Amortization	(7,715)

Bond premiums are revenues in the funds but are deferred and amortized in the  
Statement of Activities.

Bond premiums	(5,106)
Amortization	298

In the Statement of Activities, interest is accrued on outstanding bonds,  
whereas in governmental funds, an interest expenditure is reported when due.  
This is the net change during the year. (6,872)

Some expenses reported in the Statement of Activities, such as compensated  
absences, do not require the use of current financial resources and there-  
fore are not reported as expenditures in governmental funds. This is the net  
change during the year. (15,834)

<i>Change in Net Assets of Governmental Activities</i>	<b>\$ 3,372,286</b>
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The accompanying notes are an integral part of these financial statements.



Lordsburg Municipal School District #1  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30,2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Federal sources	\$ 13,640	\$ 13,640	\$ 70,680	\$ 57,040
State sources	7,493,089	7,563,319	7,611,041	47,722
Local sources	120,332	120,332	140,820	20,488
Interest income			10,511	10,511
<b>Total revenues</b>	<b>\$ 7,627,061</b>	<b>\$ 7,697,291</b>	<b>\$ 7,833,052</b>	<b>\$ 135,761</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	\$ 3,917,424	\$ 3,933,106	\$ 3,757,287	\$ 175,819
Support services - Students	720,744	720,744	572,003	148,741
Support services - Instruction	181,839	182,326	157,953	24,373
General administration	235,405	235,405	192,526	42,879
School administration	933,005	933,005	896,341	36,664
Central services	333,061	333,061	312,836	20,225
Operation of plant	1,151,281	1,251,281	1,185,413	65,868
Transportation	396,861	461,149	440,243	20,906
Food services	168,729	168,729	112,845	55,884
Capital outlay	190,228	80,001	63,827	16,174
Non-operating	85,418	85,418		85,418
<b>Total expenditures</b>	<b>\$ 8,313,995</b>	<b>\$ 8,384,225</b>	<b>\$ 7,691,274</b>	<b>\$ 692,951</b>
Net change in fund balance	\$ (686,934)	\$ (686,934)	\$ 141,778	\$ 828,712
Fund balance, July 1, 2008	686,934	686,934	759,121	72,187
Fund balance, June 30, 2009	\$ -	\$ -	\$ 900,899	\$ 900,899

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - RURAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 33,201	\$ 33,201	\$ 13,414	\$ (19,787)
Expenditures:				
Current:				
Instruction	\$ 25,000	\$ 25,000	\$ 17,823	\$ 7,177
School administration	8,201	8,201	8,201	-
Total expenditures	<u>\$ 33,201</u>	<u>\$ 33,201</u>	<u>\$ 26,024</u>	<u>\$ 7,177</u>
Net change in fund balance	\$ -	\$ -	\$ (12,610)	\$ (12,610)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(13,587)</u>	<u>(13,587)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (26,197)</u></u>	<u><u>\$ (26,197)</u></u>

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

Lordsburg Municipal School District #1  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
June 30, 2009

	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
<b>Assets</b>		
Cash and investments	\$ 56,045	\$ 96,264
Interest receivable	-	-
	<u>          </u>	<u>          </u>
Total assets	<u>\$ 56,045</u>	<u>\$ 96,264</u>
<b>Liabilities and Fund Equity</b>		
Deposits held for others	<u>\$ -</u>	<u>\$ 96,264</u>
Total liabilities	<u>\$ -</u>	<u>\$ 96,264</u>
Net Assets:		
Reserved for scholarship	\$ 3,045	
Reserved for endowment	<u>53,000</u>	
Total net assets	<u>\$ 56,045</u>	

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

Lordsburg Municipal School District #1  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
June 30, 2009

	<u>Private Purpose Trust Funds</u>
 <b>Additions</b>	
Gifts and contributions	\$ -
Interest earned	758
	<hr/>
Total additions	\$ 758
 <b>Deductions</b>	
Scholarships awarded	750
	<hr/>
Change in net assets	\$ 8
Net assets, July 1, 2008	56,037
	<hr/>
Net assets, June 30, 2009	<u>\$ 56,045</u>

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

Lordsburg Municipal Schools  
**NOTES TO FINANCIAL STATEMENTS**  
For The Fiscal Year Ended June 30, 2009

Note 1      Summary of Significant Accounting Policies

Lordsburg Municipal Schools organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below:

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements -and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - √ A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
  - √ Financial statements prepared using full accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

The District implemented GASB 34 effective July 1, 2002. As a part of GASB's Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc). The District does not own any infrastructure assets and therefore is unaffected by this provision.

**A. REPORTING ENTITY**

These financial statements present the District (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating no financial relationships with the District. Based on the criterion in GASBS No. 14, the District had no component units.

**B. BASIS OF PRESENTATION**

*Government-wide Financial Statements*

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

*Fund Financial Statements*

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

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in this fund are State sources provided for Student Transportation, (Transportation, Sub-Fund), Books (Instructional Material Sub-Fund), and Student Activities (Non-Instructional Support Sub-Fund). The operational sub-fund is the District's main operating fund.

### *Special Revenue Funds*

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

### *Capital Project Fund*

The Capital Project Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

### *Debt Service Fund*

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

### *Fiduciary Funds*

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

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations.

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

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

### *Major-Fund Descriptions*

General – See above description

Rural School – to account for monies received to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning. Authority is Title VI Part B of ESEA of 1965 as amended by P.L. 107-110. This is a Special Revenue Fund.

Debt Service – See above description.

Bond Building – accounts for bond proceeds along with other funding to be utilized for construction of facilities, and is a Capital Project Fund.

Dugan Tarango MS – accounts for funding from PSFA to provide renovations and an addition at the middle school. This is a Capital Project Fund.

## C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

### Measurement Focus

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements and Agency Funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

### BASIS OF ACCOUNTING

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

#### 1. Accrual

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### 2. Modified Accrual:

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



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

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

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

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

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

The District does not allocate indirect costs.

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

#### **D. BUDGETS**

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are prepared by management and approved by the local school board and the Public Finance School Division of the Department of Education. The District has Capital projects Funds where vendors are paid directly by the State of New Mexico. No budget statements are presented for these funds.

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

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

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

#### **E. CASH AND INVESTMENTS**

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

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

#### **F. INVENTORIES**

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

#### **G. CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value s of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as

incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

#### **H. LONG-TERM DEBT**

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

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

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

#### **I. COMPENSATED ABSENCES**

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

#### **J. EQUITY CLASSIFICATION**

##### *Government-wide Statements*

Equity is classified as net assets and displayed in three components.

- a. 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, ore improvement of those assets.

- b. 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 regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund Statements*

Equity is classified as fund balance and displayed in two components:

- a. Reserved – Consists of governmental fund balances that are not appropriable, legally segregated for specific usage, or commitments to outside third parties.
- b. Unreserved – Consists of designations of amounts representing tentative management plans for governmental fund balances, but subject to change (Designated), and undesignated, for which no restrictions or designations exist.

#### **K. PROPERTY TAX**

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

The District is permitted to levy taxes for general operating purposes up to \$.50 per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the District is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the District, as well as a Two Mill levy for District improvements. The District's total tax rate to finance generally government services for the year ended June 30, 2009 was \$.19372 per \$1,000 for non-residential property and \$.19372 for residential property. The District's tax rate for debt service was \$2.70632 per \$1,000 for both residential and nonresidential property. The District's tax rate for District improvements was \$.77489 per \$1,000 for residential and \$.77489 for nonresidential property.

#### **L. INTER-FUND ACTIVITY**

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payable as

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

**M. USE OF ESTIMATES**

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2009 \$1,134,468 of the governments bank balance of \$4,009,811 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ 1,134,468</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's name	2,625,343	2,325,343
Uninsured and uncollateralized	<u>1,134,468</u>	<u>527,941</u>
	<u>\$ 4,009,811</u>	<u>\$ 3,103,284</u>

Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets not being depreciated:					
Land	\$ 341,566	\$ -0-	\$ -0-	\$ -0-	\$ 341,566
Construction in progress	<u>1,667,541</u>	<u>1,558,740</u>	<u>4,556,831</u>	<u>-0-</u>	<u>7,783,112</u>
Total assets not being depreciated	<u>\$ 2,009,107</u>	<u>\$ 1,558,740</u>	<u>\$ 4,556,831</u>	<u>\$ -0-</u>	<u>\$ 8,124,678</u>
Other capital assets:					
Building and improvements	\$ 16,291,984	\$ -0-	\$ 41,814	\$ -	\$ 16,333,798
Furniture and equipment	<u>3,707,120</u>	<u>-0-</u>	<u>218,615</u>	<u>-</u>	<u>3,925,735</u>
Total other capital assets at historical cost	<u>\$ 19,999,104</u>	<u>\$ -0-</u>	<u>\$ 260,429</u>	<u>\$ -0-</u>	<u>\$ 20,259,533</u>
Less accumulated depreciation:					
Buildings and improvements	\$ 11,584,436	\$ -0-	\$ 204,852	\$ -	\$ 11,789,288
Furniture and equipment	<u>3,268,279</u>	<u>-0-</u>	<u>103,126</u>	<u>-</u>	<u>3,371,405</u>
Total accumulated depreciation	<u>\$ 14,852,715</u>	<u>\$ -0-</u>	<u>\$ 307,978</u>	<u>\$ -0-</u>	<u>\$ 15,160,693</u>
Other capital assets, net	<u>\$ 5,146,389</u>	<u>\$ -0-</u>	<u>\$ (47,549)</u>	<u>\$ -0-</u>	<u>\$ 5,098,840</u>
Total capital assets, net	<u>\$ 7,155,496</u>	<u>\$ 1,558,740</u>	<u>\$ 4,509,282</u>	<u>\$ -0-</u>	<u>\$ 13,223,518</u>

The adjustments are discussed in Note 15. The District has future construction commitments totaling less than \$100,000.

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 147,829
Support Services - Students	6,160
Support Services – Instruction	18,479
General Administration	12,319
School Administration	9,239
Operation of plant	58,516
Food Services	24,638
Transportation	<u>30,798</u>
	<u>\$ 307,978</u>

Note 4 Long-Term Debt

Changes in long-term debt were as follows during the year end June 30, 2009:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due In</u> <u>One Year</u>
Compensated absences payable	\$ 41,314	\$ 98,006	\$ 82,172	\$ 57,148	\$ -0-
G.O. Bonds, series 2005	1,475,000		200,000	1,275,000	200,000
G.O. Bonds, series 2007	1,250,000		390,000	860,000	160,000
G.O. Bonds, series 2008	<u>-0-</u>	<u>1,250,000</u>	<u>-0-</u>	<u>1,250,000</u>	<u>410,000</u>
	<u>\$ 2,766,314</u>	<u>\$ 1,348,006</u>	<u>\$ 672,172</u>	<u>\$ 3,442,148</u>	<u>\$ 770,000</u>

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2010	\$ 770,000	\$ 100,862
2011	350,000	84,068
2012	450,000	71,698
2013	350,000	58,796
2014	275,000	48,241
2015-2019	<u>1,190,000</u>	<u>94,575</u>
	<u>\$3,385,000</u>	<u>\$ 458,240</u>

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

The bonds and bond interest for all bond issues are paid from property taxes levied. The general obligation bonds are direct obligations and pledge the full faith and credit of the District, and are to be retired through property tax levies. Interest rates range from 1.63% to 4% for individual schedule retirements, and maturity dates range from 2009 through 2017. No restrictive covenants exist.

Note 5 Retirement Plan

Plan Description

Substantially all of the Lordsburg Municipal Schools full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERA, P.O. Box 26129, Santa Fe, New Mexico 87502.

Funding Policy

Plan members are required to contribute 7.75% of their gross salary. The Lordsburg Municipal Schools are required to contribute 10.15% of the gross covered salary. The Lordsburg Municipal Schools are required to contribute 10.15% of the gross covered salary. The contribution requirements of the plan members and the Lordsburg Municipal Schools are established in Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Lordsburg Municipal Schools contributions to ERA for the years ending June 30, 2009, 2008, and 2007 were \$539,274, \$504,459, and \$435,518 respectively, equal to the amount of the required contributions for each year.

Note 6 Retiree Health Care Act Contributions

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retirement health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public



Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA 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, and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd., N.E. Suite 104, Albuquerque, New Mexico 87107.

Lordsburg Municipal School's contributions to the RHCA for the years ended June 30, 2009, 2008, and 2007 were \$61,651, \$60,166 and \$55,781, respectively, which equal the required contributions for each year.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below \$250,000 and purchases excess insurance above the self-insured

retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

Note 8 Contingent Liabilities

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

Note 9 Budgetary Reconciliations

The Statements of Revenues, Expenditures and Changes in Changes in Net Assets Budget (NON-GAAP Budgetary Basis) and Actual, General and Major Special Revenue Funds present comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of changes in net assets by General and Major Special Revenue Funds for the year ended June 30, 2009 is as follows:

	<u>General</u>	<u>Rural Schools</u>
Changes in net assets GAAP basis	\$ 83,572	\$ -0-
Increases (decreases):		
Revenue accruals (net)	(293)	(12,610)
Expenditure accruals (net)	58,499	-0-
Transfers (net)	<u>-0-</u>	<u>-0-</u>
	<u>\$ 141,778</u>	<u>\$ (12,610)</u>

Note 10 Inter-fund Activity

Inter-fund balances at June 30, 2009, consisted of the following:

	<u>Inter-fund Payable</u>			
	<u>Debt</u>			
<u>Inter-fund Receivable</u>	<u>Service</u>	<u>Rural Schools</u>	<u>All Others</u>	<u>Total</u>
General	\$ 5,106	\$ 26,197	\$ 77,961	\$ 109,264
All others	<u>          </u>	<u>          </u>	<u>6,831</u>	<u>6,831</u>
	<u>\$ 5,106</u>	<u>\$ 26,197</u>	<u>\$ 84,792</u>	<u>\$ 116,095</u>

All amounts are expected to be repaid within one year. The purpose of the loan was to provide cash for operation purposes.

Transfers were made from the Bond Building Fund to the Dugan Tarango MS Fund for capital construction.

Note 11 Restricted Net Assets

At June 30, 2009, net assets restricted for other purposes included the following balances in special revenue funds:

Cafeteria	\$ 85,407
SB-9	252,933
Others	<u>49,150</u>
	<u>\$ 387,490</u>

The government-wide statement of net assets reports \$1,593,244 of restricted net assets, of which \$1,205,734 is restricted by enabling legislation.

Note 12 Budgetary Authority

The District exceeded budgetary authority in the following functional categories:

School Based Health Center:	
Support Services – Students	\$ 6,830
Debt Service Fund:	
Interest	13,528

The District has revisited its budget adjustment policy, and believes controls are now in place to alleviate these problems.

Note 13 Endowment

The District received an endowment from the Rolfe Estate. This endowment is to be used for investment purposes only with the proceeds from such investments restricted to use for scholarships. The corpus of \$53,000 is to remain intact indefinitely. This is in accordance with State law.

Net appreciation of \$3,045 is available for expenditure by the governing board, and are reported in net assets as “reserved for scholarships.”

Note 14 Jointly Governed Organization

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

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

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

Note 15 Restatement

During the year ended June 30, 2009, the District made the following reclassification to conform to generally accepted accounting principles.

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Agency Funds</u>
Reclassification of District proprietary funds from agency funds to supplemental general fund operations	\$ 45,862	\$	\$	\$ (45,862)
Reclassification of SB-9 and public schools capital outlay funds from Capital Projects to Special Revenue categories	<u>                    </u>	<u>183,558</u>	<u>(183,558)</u>	<u>                    </u>
	<u>\$ 45,862</u>	<u>\$ 183,558</u>	<u>\$ (183,558)</u>	<u>\$ (45,862)</u>

Prior year fund balances have been restated to show the effects of the changes where necessary.

The restatement related to the government-wide financial statements is as follows:

Reclassification of District proprietary funds discussed above	\$ 45,862
Recognition of ongoing PSFA construction projects which were omitted from prior year capital assets	<u>1,558,740</u>
Government-wide restatement	<u>\$ 1,604,602</u>

## GENERAL FUNDS

**General Fund** - to account for resources traditionally associated with governments which are not required to be accounted for in another fund. Revenues and expenditures of the operational, transportation, and auxiliary student activity accounts are accounted for in this fund.

## SPECIAL REVENUE FUNDS

**Food Services** – to account for revenues generated by the District as well as the federal assistance received and the related expenditures necessary to provide food services for the District. (Authority, NMSA 22-13-13).

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

**Title I** – to account for the federal assistance provided to the District for the improvement of educational opportunities to deprived children. (Authority, P.L. 103-382).

**Education of Homeless** – fund used to account for federal resources administered by the New Mexico State Department of Education to provide comprehensive services to homeless children and youth and their families, and expedited evaluations of homeless children's needs to help facilitate enrollment, attendance, and success in school (Stewart B. McKinney Homeless Assistance Act of 1987).

**IDEA B Entitlement** – 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.

**IDEA B Discretionary** – 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.

**IDEA B Pre-School/Kindergarten** – 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.

**Rural Schools** – created to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. (Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended).

**Enhancing Education** – created by specific authority to support a system for the acquisition and use of technology and technology enhanced curricular for elementary and secondary schools. (Section 2411 et. Seq. of P.L. 107-110, 115 Statute 1673).

**Title II** – to account for a federal grant restricted to the operation and maintenance of the Eisenhower Mathematics and Science Education state grant program to enhance math and science education in public schools. Authority for the creation of this fund is ESEA of 1965, Title II, Part A, Public Law 100-297, as amended; Public Law 101-589, reauthorized by Public Law 103-382.

**Title XIX Medicaid** – to account for federal resources administered by the New Mexico Department of Health and Human Services for the improvement of primary health care and to increase health education. (P.L. 105-33).

**Technology for Education** – to account for revenues received from the State for the purpose of expanding and improving the technology program. (Authority, NMSA 22-15A-1).

**Library Bonds** – funds are to be used for the upgrade of library, books, and equipment. (Authority, NMPED, Laws of 2004).

**Beginning Teacher Mentoring Program** – to account for revenues received to enhance and improve skills for beginning teachers. (Authority, State Grant Provision and Hatch Valley Board of Education).

**Breakfast in the Classroom** – to account for funds received to provide breakfast for elementary students (Authority, PED).

**SB-9 Capital Improvements** – to account for the receipt of local proceeds from a mill levy on ad valorem/property taxes and state matching funds. These are to be expended for capital outlay projects and maintenance.

**Value Options** – to account for funds received to provide additional educational services to students of the District (Authority grant provision).

**Family and Youth Resource** – to account for funds received for transition assistance program funding through the State of New Mexico.

**State Directed Activities** – to account for funds received from the State of New Mexico to provide various activities for the District.

## CAPITAL PROJECTS FUNDS

**Special Capital Outlay State** – to account for the revenue and expenditures to be used for improvements and additions to school property.

**Bond Building** – to account for bond proceeds any interest earned thereon. Proceeds are restricted for the purpose of making additions to and furnishing of school building, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

**Vocational Education Facility** – to account for the acquisition and construction of a vocational education facility.



Lordsburg Municipal School District #1  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2009

	Special Revenue Funds				
	Cafeteria	Athletics	Title I	Entitlement	Discretionary
<b>Assets</b>					
Cash and investments	\$ 69,647	\$ 43,206	\$ -	\$ -	\$ -
Taxes receivable					
Inventory	5,206				
Interfund receivable					
Due from other governments	12,743		181	19,106	7,682
Total assets	\$ 87,596	\$ 43,206	\$ 181	\$ 19,106	\$ 7,682
<b>Liabilities and Fund Balances</b>					
Cash overdraft	\$ -	\$ -	\$ -	\$ 13,696	\$ -
Accounts payable	2,189	651			
Interfund payable			\$ 181	5,410	7,682
Deferred revenue					
Total liabilities	\$ 2,189	\$ 651	\$ 181	\$ 19,106	\$ 7,682
<b>Fund balances:</b>					
Reserved for:					
Inventories	\$ 5,206	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	80,201	42,555			
Total fund balances	\$ 85,407	\$ 42,555	\$ -	\$ -	\$ -
Total liabilities and fund balances	\$ 87,596	\$ 43,206	\$ 181	\$ 19,106	\$ 7,682

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

Special Revenue Funds

<u>Education of Homeless</u>	<u>Title II</u>	<u>Medicaid</u>	<u>Teacher Mentoring</u>	<u>Family/Youth Resource</u>
\$ -	\$ -	\$ 4	\$ 1,431	\$ -
<u>5,641</u>	<u>10,891</u>	<u>4</u>	<u>1,431</u>	<u>11,193</u>
<u>\$ 5,641</u>	<u>\$ 10,891</u>	<u>\$ 4</u>	<u>\$ 1,431</u>	<u>\$ 11,193</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>5,641</u>	<u>10,891</u>	<u>-</u>	<u>-</u>	<u>11,193</u>
<u>\$ 5,641</u>	<u>\$ 10,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,193</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>4</u>	<u>1,431</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 1,431</u>	<u>\$ -</u>
<u>\$ 5,641</u>	<u>\$ 10,891</u>	<u>\$ 4</u>	<u>\$ 1,431</u>	<u>\$ 11,193</u>

Lordsburg Municipal School District #1  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (concluded)**  
 June 30, 2009

	Special Revenue Funds			
	Library SB301	Value Options	Enhancing Education	SB-9
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ 252,733
Taxes receivable				7,981
Inventory				
Interfund receivable				1725
Due from other governments	2,677	22,863	16,529	
<b>Total assets</b>	<b>\$ 2,677</b>	<b>\$ 22,863</b>	<b>\$ 16,529</b>	<b>\$ 262,439</b>
<b>Liabilities and Fund Balances</b>				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Accounts payable				4,346
Interfund payable	2,677	22,863	16,529	
Deferred revenue				5,160
<b>Total liabilities</b>	<b>\$ 2,677</b>	<b>\$ 22,863</b>	<b>\$ 16,529</b>	<b>\$ 9,506</b>
<b>Fund balances:</b>				
Reserved for:				
Inventories	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds				252,933
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 252,933</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,677</b>	<b>\$ 22,863</b>	<b>\$ 16,529</b>	<b>\$ 262,439</b>

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

<u>Capital Projects Funds</u> <u>Special Capital</u> <u>Outlay State</u>	<u>Total</u>
\$ -	\$ 367,021
	7,981
	5,206
	1,725
<u>1,725</u>	<u>111,231</u>
<u>\$ 1,725</u>	<u>\$ 493,164</u>
\$ -	\$ 13,696
	7,186
1,725	84,792
	<u>5,160</u>
<u>\$ 1,725</u>	<u>\$ 110,834</u>
\$ -	\$ 5,206
	<u>377,124</u>
<u>\$ -</u>	<u>\$ 382,330</u>
<u>\$ 1,725</u>	<u>\$ 493,164</u>

Lordsburg Municipal School District #1  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For The Fiscal Year Ended June 30, 2009

	Special Revenue Funds			
	<u>Cafeteria</u>	<u>Athletics</u>	<u>Title I</u>	<u>Entitlement</u>
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges	35,981	33,244		
State aid				
Federal aid	267,841		356,379	180,158
Earnings on investments	349	440		
	<u>304,171</u>	<u>33,684</u>	<u>356,379</u>	<u>180,158</u>
Total revenues	\$ 304,171	\$ 33,684	\$ 356,379	\$ 180,158
Expenditures:				
Current:				
Instruction	\$ -	\$ 42,047	\$ 327,435	\$ 112,344
Support services - Students				46,025
Support services - Instruction				
General administration				
School administration			28,944	21,789
Operation of plant				
Food services	239,319			
Capital outlay				
	<u>239,319</u>	<u>42,047</u>	<u>356,379</u>	<u>180,158</u>
Total expenditures	\$ 239,319	\$ 42,047	\$ 356,379	\$ 180,158
Revenues over (under) expenditures	\$ 64,852	\$ (8,363)	\$ -	\$ -
Fund balance, July 1, 2008	<u>20,555</u>	<u>50,918</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ 85,407</u>	<u>\$ 42,555</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue Funds

<u>Discretionary</u>	<u>Preschool</u>	<u>Education of Homeless</u>	<u>Title II</u>	<u>Medicaid</u>	<u>Education Technology</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,682	25,741	14,000	64,725	21,692	25,795
<u>\$ 7,682</u>	<u>\$ 25,741</u>	<u>\$ 14,000</u>	<u>\$ 64,725</u>	<u>\$ 21,692</u>	<u>\$ 25,795</u>
\$ -	\$ 25,741	\$ - 14,000	\$ -	\$ - 21,688	\$ 9,437
7,682			64,725		16,358
<u>\$ 7,682</u>	<u>\$ 25,741</u>	<u>\$ 14,000</u>	<u>\$ 64,725</u>	<u>\$ 21,688</u>	<u>\$ 25,795</u>
\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>

Lordsburg Municipal School District #1  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (continued)**  
For The Fiscal Year Ended June 30, 2009

	Special Revenue Funds			
	Teacher Mentoring	Elementary Breakfast	Family/Youth Resource	Library SB301
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges				
State aid	5,016	24,036	30,000	2,677
Federal aid				
Earnings on investments				
Total revenues	<u>\$ 5,016</u>	<u>\$ 24,036</u>	<u>\$ 30,000</u>	<u>\$ 2,677</u>
Expenditures:				
Current:				
Instruction	\$ 3,585	\$ -	\$ -	\$ -
Support services - Students			30,000	
Support services - Instruction				2,677
General administration				
School administration				
Operation of plant				
Food services		24,036		
Capital outlay				
Total expenditures	<u>\$ 3,585</u>	<u>\$ 24,036</u>	<u>\$ 30,000</u>	<u>\$ 2,677</u>
Revenues over (under) expenditures	\$ 1,431	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ 1,431</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Special Revenue funds					Capital Project
School Based Health	Value Options	Enhancing Education	State Directed Activities	SB-9	Voc Ed Facility
\$ -	\$ -	\$ -	\$ -	\$ 222,636	\$ -
70,404	46,288	276,281	31,348	33,630	550,000
				1,483	
<u>\$ 70,404</u>	<u>\$ 46,288</u>	<u>\$ 276,281</u>	<u>\$ 31,348</u>	<u>\$ 257,749</u>	<u>\$ 550,000</u>
\$ -	\$ 585	\$ 262,972	\$ 31,348	\$ -	\$ -
70,404	45,703	9,877			550,000
		3,432		2,215	
				92,743	
				93,416	
<u>\$ 70,404</u>	<u>\$ 46,288</u>	<u>\$ 276,281</u>	<u>\$ 31,348</u>	<u>\$ 188,374</u>	<u>\$ 550,000</u>
\$ -	\$ -	\$ -	\$ -	\$ 69,375	\$ -
				183,558	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,933</u>	<u>\$ -</u>



Lordsburg Municipal School District #1  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (concluded)**  
For The Fiscal Year Ended June 30, 2009

	Capital Projects Funds Special Capital Outlay State	Total
Revenues:		
Property Taxes	\$ -	\$ 222,636
Fees and charges		69,225
State aid	34,135	827,534
Federal aid		1,240,294
Earnings on investments		2,272
Total revenues	\$ 34,135	\$ 2,361,961
Expenditures:		
Current:		
Instruction	\$ -	\$ 815,494
Support services - Students		227,820
Support services - Instruction		552,677
General administration		12,092
School administration		142,930
Operation of plant		92,743
Food services		263,355
Capital outlay	34,135	127,551
Total expenditures	\$ 34,135	\$ 2,234,662
Revenues over (under) expenditures	\$ -	\$ 127,299
Fund balance, July 1, 2008		255,031
Fund balance, June 30, 2009	\$ -	\$ 382,330

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

Lordsburg Municipal School District #1  
**GENERAL FUND**  
**COMBINING BALANCE SHEET**  
June 30, 2009

	Operational	Transportation	Instructional Materials
<b>Assets</b>			
Cash and investments	\$ 728,067	\$ -	\$ 26,799
Taxes receivable	4,698		
Inventory	22,360		
Interfund receivable	109,264		
Total assets	\$ 864,389	\$ -	\$ 26,799
 <b>Liabilities and Fund Balances</b>			
Accounts payable	\$ 43,637	\$ -	\$ -
Interfund payable			
Deferred revenue	3,994		
Total liabilities	\$ 47,631	\$ -	\$ -
<b>Fund balance:</b>			
Reserved for inventory	\$ 22,360	\$ -	\$ -
Unreserved, reported in:			
General fund	794,398		26,799
Total fund balances	\$ 816,758	\$ -	\$ 26,799
Total liabilities and fund balances	\$ 864,389	\$ -	\$ 26,799

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

<u>Activity Funds</u>	<u>Total</u>
\$ 36,769	\$ 791,635
	4,698
	22,360
	<u>109,264</u>
<u>\$ 36,769</u>	<u>\$ 927,957</u>
\$ -	\$ 43,637
	-
	<u>3,994</u>
<u>\$ -</u>	<u>\$ 47,631</u>
\$ -	\$ 22,360
<u>36,769</u>	<u>857,966</u>
<u>\$ 36,769</u>	<u>\$ 880,326</u>
<u>\$ 36,769</u>	<u>\$ 927,957</u>

Lordsburg Municipal School District #1  
**GENERAL FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
For The Fiscal Year Ended June 30, 2009

	Operational	Transportation	Instructional Materials
<b>Revenues:</b>			
Property taxes	\$ 55,633	\$ -	\$ -
Fees and charges	34,205		
State aid	7,100,634	409,131	77,209
Federal aid	92,988		
Earnings on investments	10,510		
Miscellaneous	1,305		1,696
	<u>\$ 7,295,275</u>	<u>\$ 409,131</u>	<u>\$ 78,905</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Instruction	\$ 3,632,298	\$ -	\$ 58,490
Support services - Students	575,102		
Support services - Instruction	216,443		
General administration	193,314		
School administration	898,477		
Central services	312,836		
Operation of plant	1,186,562		
Transportation	9,272	431,181	
Food services	112,845		
Capital outlay	63,826		
	<u>\$ 7,200,975</u>	<u>\$ 431,181</u>	<u>\$ 58,490</u>
Revenues over (under) expenditures	\$ 94,300	\$ (22,050)	\$ 20,415
<b>Other financing sources:</b>			
Loan proceeds			
Operating transfers in (out)			
	<u>\$ 94,300</u>	<u>\$ (22,050)</u>	<u>\$ 20,415</u>
Fund balance, July 1, 2008 as originally stated	\$ 722,458	\$ 22,050	\$ 6,384
Restatement (Note 15)			
Fund balance as restated	\$ 722,458	\$ 22,050	\$ 6,384
Net change in fund balance	<u>94,300</u>	<u>(22,050)</u>	<u>20,415</u>
Fund balance, June 30, 2009	<u>\$ 816,758</u>	<u>\$ -</u>	<u>\$ 26,799</u>

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

<u>Activity Funds</u>	<u>Total</u>
\$ -	\$ 55,633
50,034	84,239
	7,586,974
	92,988
	10,510
	3,001
\$ 50,034	\$ 7,833,345
\$ 59,127	\$ 3,749,915
	575,102
	216,443
	193,314
	898,477
	312,836
	1,186,562
	440,453
	112,845
	63,826
\$ 59,127	\$ 7,749,773
\$ (9,093)	\$ 83,572
	-
	-
\$ (9,093)	\$ 83,572
\$ -	\$ 750,892
45,862	
\$ 45,862	796,754
(9,093)	83,572
\$ 36,769	\$ 880,326

Lordsburg Municipal School District #1  
**GENERAL FUND/OPERATIONAL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30,2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Federal sources	\$ 13,640	\$ 13,640	\$ 70,680	\$ 57,040
State sources	7,054,786	7,054,786	7,124,701	69,915
Local sources	120,332	120,332	139,124	18,792
Interest income			10,511	10,511
	<b>\$ 7,188,758</b>	<b>\$ 7,188,758</b>	<b>\$ 7,345,016</b>	<b>\$ 156,258</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	\$ 3,859,888	\$ 3,859,888	\$ 3,698,797	\$ 161,091
Support services - Students	720,744	720,744	572,003	148,741
Support services - Instruction	178,192	178,192	157,953	20,239
General administration	235,405	235,405	192,526	42,879
School administration	933,005	933,005	896,341	36,664
Central services	333,061	333,061	312,836	20,225
Operation of plant	1,151,281	1,251,281	1,185,413	65,868
Transportation	29,968	29,968	9,062	20,906
Food services	168,729	168,729	112,845	55,884
Capital outlay	180,001	80,001	63,827	16,174
Non-operating	85,418	85,418	-	85,418
	<b>\$ 7,875,692</b>	<b>\$ 7,875,692</b>	<b>\$ 7,201,603</b>	<b>\$ 674,089</b>
Net change in fund balance	\$ (686,934)	\$ (686,934)	\$ 143,413	\$ 830,347
Fund balance, July 1, 2008	686,934	686,934	730,687	43,753
Fund balance, June 30, 2009	\$ -	\$ -	\$ 874,100	\$ 874,100
<b>Budgetary reconciliation:</b>				
Net change in fund balance, GAAP basis				\$ 94,300
Revenue accruals (net)				49,741
Expenditure accruals (net)				(628)
Net change in fund balance, NON-GAAP budgetary basis				<b>\$ 143,413</b>

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1  
**GENERAL FUND/TRANSPORTATION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 377,120	\$ 431,181	\$ 409,131	\$ (22,050)
Expenditures:				
Current:				
Pupil transportation	\$ 366,893	\$ 431,181	\$ 431,181	\$ -
Capital outlay	10,227			-
Total expenditures	<u>\$ 377,120</u>	<u>\$ 431,181</u>	<u>\$ 431,181</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (22,050)	\$ (22,050)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>22,050</u>	<u>22,050</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (22,050)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (22,050)</u></u>	

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

Lordsburg Municipal School District #1  
**GENERAL FUND/INSTRUCTIONAL MATERIALS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30,2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	61,183	77,352	77,209	(143)
Local sources			1,696	1,696
Total revenues	<u>\$ 61,183</u>	<u>\$ 77,352</u>	<u>\$ 78,905</u>	<u>\$ 1,553</u>
Expenditures:				
Current:				
Direct instruction	\$ 57,536	\$ 73,218	\$ 58,490	\$ 14,728
Instructional support	<u>3,647</u>	<u>4,134</u>	<u>-</u>	<u>4,134</u>
Total expenditures	<u>\$ 61,183</u>	<u>\$ 77,352</u>	<u>\$ 58,490</u>	<u>\$ 18,862</u>
Net change in fund balance	\$ -	\$ -	\$ 20,415	\$ 20,415
Fund balance, July 1, 2008			<u>6,384</u>	<u>6,384</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,799</u>	<u>\$ 26,799</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 20,415
Revenue accruals (net)				-
Expenditure accruals (net)				<u>-</u>
Net change in fund balance, NON-GAAP budgetary basis				<u>\$ 20,415</u>

The accompanying notes are an integral part of these financial statements



Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - CAFETERIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 230,000	\$ 230,000	\$ 255,098	\$ 25,098
Local sources	42,300	42,300	35,981	(6,319)
Earnings on investments	100	100	349	249
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	\$ 272,400	\$ 272,400	\$ 291,428	\$ 19,028
Expenditures:				
Current:				
Food services	278,093	278,093	236,908	41,185
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net change in fund balance	\$ (5,693)	\$ (5,693)	\$ 54,520	\$ 60,213
Fund balance, July 1, 2008	5,693	5,693	15,127	9,434
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,647</u>	<u>\$ 69,647</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 64,852	
Revenue accruals (net)			(12,743)	
Expenditure accruals (net)			<u>2,411</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 54,520</u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - ATHLETICS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 31,000	\$ 31,000	\$ 33,244	\$ 2,244
Earnings on investments	1,600	1,600	440	(1,160)
Total revenues	<u>\$ 32,600</u>	<u>\$ 32,600</u>	<u>\$ 33,684</u>	<u>\$ 1,084</u>
Expenditures:				
Current:				
Instruction	<u>80,075</u>	<u>80,075</u>	<u>41,396</u>	<u>38,679</u>
Net change in fund balance	\$ (47,475)	\$ (47,475)	\$ (7,712)	\$ 39,763
Fund balance, July 1, 2008	<u>47,475</u>	<u>47,475</u>	<u>50,918</u>	<u>3,443</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,206</u>	<u>\$ 43,206</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (8,363)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>651</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (7,712)</u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - TITLE I**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 367,714	\$ 367,714	\$ 582,357	\$ 214,643
Expenditures:				
Current:				
Instruction	\$ 338,770	\$ 338,770	\$ 327,435	\$ 11,335
School administration	28,944	28,944	28,944	-
Total expenditures	<u>\$ 367,714</u>	<u>\$ 367,714</u>	<u>\$ 356,379</u>	<u>\$ 11,335</u>
Net change in fund balance	\$ -	\$ -	\$ 225,978	\$ 225,978
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(226,159)</u>	<u>(226,159)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (181)</u></u>	<u><u>\$ (181)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			225,978	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 225,978</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - ENTITLEMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 187,003	\$ 223,319	\$ 179,329	\$ (43,990)
Expenditures:				
Current:				
Instruction	\$ 118,996	\$ 155,312	\$ 112,344	\$ 42,968
Support services - Students	46,030	46,030	46,025	5
School administration	21,977	21,977	21,789	188
Total expenditures	<u>\$ 187,003</u>	<u>\$ 223,319</u>	<u>\$ 180,158</u>	<u>\$ 43,161</u>
Net change in fund balance	\$ -	\$ -	\$ (829)	\$ (829)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(18,277)</u>	<u>(18,277)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (19,106)</u></u>	<u><u>\$ (19,106)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(829)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (829)</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - DISCRETIONARY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ 7,682	\$ 20,533	\$ 12,851
Expenditures:				
Current:				
Instruction	<u>-</u>	<u>7,682</u>	<u>7,682</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ 12,851	\$ 12,851
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(20,533)</u>	<u>(20,533)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (7,682)</u></u>	<u><u>\$ (7,682)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			12,851	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 12,851</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - EDUCATION OF HOMELESS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 14,000	\$ 18,991	\$ 4,991
Expenditures:				
Current:				
Support services - Students	-	14,000	14,000	-
Net change in fund balance	\$ -	\$ -	\$ 4,991	\$ 4,991
Fund balance, July 1, 2008	-	-	(10,632)	(10,632)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (5,641)	\$ (5,641)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			4,991	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 4,991	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - PRESCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 25,501	\$ 31,477	\$ 25,741	\$ (5,736)
Expenditures:				
Current:				
Instruction	25,501	31,477	25,741	5,736
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	-	-	-	-
Fund balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - SENATE BILL 9**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ 33,630	\$ 33,630
Local sources	210,429	231,112	221,477	(9,635)
Earnings on investments	<u>5,000</u>	<u>5,000</u>	<u>1,483</u>	<u>(3,517)</u>
 Total revenues	 <u>\$ 215,429</u>	 <u>\$ 236,112</u>	 <u>\$ 256,590</u>	 <u>\$ 20,478</u>
Expenditures:				
Current:				
Administration	\$ 2,105	\$ 2,215	\$ 2,215	\$ -
Operation of plant	230,000	250,573	85,578	164,995
Capital outlay	<u>178,964</u>	<u>178,964</u>	<u>89,070</u>	<u>89,894</u>
 Total expenditures	 <u>\$ 411,069</u>	 <u>\$ 431,752</u>	 <u>\$ 176,863</u>	 <u>\$ 254,889</u>
Net change in fund balance	\$ (195,640)	\$ (195,640)	\$ 79,727	\$ 275,367
Fund balance, July 1, 2008	<u>195,640</u>	<u>195,640</u>	<u>174,731</u>	<u>(20,909)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 254,458</u></u>	<u><u>\$ 254,458</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 69,375	
Revenue accruals (net)			(1,159)	
Expenditure accruals (net)			<u>11,511</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 79,727</u></u>	

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



Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - TECHNOLOGY FOR EDUCATION PED**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 4,787	\$ 25,796	\$ 12,194	\$ (13,602)
Expenditures:				
Current:				
Instruction	\$ -	\$ 9,437	\$ 9,437	\$ -
School administration	4,787	16,359	16,358	1
Total expenditures	<u>\$ 4,787</u>	<u>\$ 25,796</u>	<u>\$ 25,795</u>	<u>\$ 1</u>
Net change in fund balance	\$ -	\$ -	\$ (13,601)	\$ (13,601)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>13,601</u>	<u>13,601</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(13,601)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (13,601)</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - MEDICAID**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 21,806	\$ 21,806	\$ 21,692	\$ (114)
Expenditures:				
Current:				
Support services - Students	<u>21,806</u>	<u>21,806</u>	<u>21,688</u>	<u>118</u>
Net change in fund balance	\$ -	\$ -	\$ 4	\$ 4
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4</u></u>	<u><u>\$ 4</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 4	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 4</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - BEGINNING TEACHER MENTORING**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 5,016	\$ 5,016	\$ -
Expenditures:				
Current:				
Instruction	-	5,016	3,585	1,431
Net change in fund balance	\$ -	\$ -	\$ 1,431	\$ 1,431
Fund balance, July 1, 2008	-	-	-	-
Fund balance, June 30, 2009	\$ -	\$ -	\$ 1,431	\$ 1,431
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 1,431	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 1,431	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - TEACHER TRAINING**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 74,794	\$ 78,411	\$ 81,840	\$ 3,429
Expenditures:				
Current:				
School administration	74,794	78,411	64,725	13,686
Net change in fund balance	\$ -	\$ -	\$ 17,115	\$ 17,115
Fund balance, July 1, 2008	-	-	(28,006)	(28,006)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (10,891)	\$ (10,891)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			17,115	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 17,115	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - BREAKFAST FOR ELEMENTARY STUDENTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 24,037	\$ 24,036	\$ (1)
Expenditures:				
Current:				
Food services	-	24,037	24,036	1
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	-	-	-	-
Fund balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - FAMILY & YOUTH RESOURCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 30,000	\$ 31,707	\$ 1,707
Expenditures:				
Current:				
Support services - Students	-	30,000	30,000	-
Net change in fund balance	\$ -	\$ -	\$ 1,707	\$ 1,707
Fund balance, July 1, 2008	-	-	(12,900)	(12,900)
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,193)</u>	<u>\$ (11,193)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			1,707	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 1,707</u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - GO BONDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 3,442	\$ 3,442	\$ 12,686	\$ 9,244
Expenditures:				
Current:				
Support services - Instruction	<u>3,442</u>	<u>3,442</u>	<u>2,677</u>	<u>765</u>
Net change in fund balance	\$ -	\$ -	\$ 10,009	\$ 10,009
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(12,686)</u>	<u>(12,686)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,677)</u></u>	<u><u>\$ (2,677)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			10,009	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 10,009</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - SCHOOL BASED HEALTH CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 63,574	\$ 63,574	\$ 66,831	\$ 3,257
Expenditures:				
Current:				
Support services - Students	<u>63,574</u>	<u>63,574</u>	<u>70,404</u>	<u>(6,830)</u>
Net change in fund balance	\$ -	\$ -	\$ (3,573)	\$ (3,573)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>3,573</u>	<u>3,573</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(3,573)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (3,573)</u>	

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



Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - BEHAVIORAL HEALTH SERVICES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 46,851	\$ 46,478	\$ (373)
Expenditures:				
Current:				
Instruction	\$ -	\$ 585	\$ 585	\$ -
Support services - Students	-	46,266	45,703	563
Total expenditures	<u>\$ -</u>	<u>\$ 46,851</u>	<u>\$ 46,288</u>	<u>\$ 563</u>
Net change in fund balance	\$ -	\$ -	\$ 190	\$ 190
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(23,053)</u>	<u>(23,053)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (22,863)</u></u>	<u><u>\$ (22,863)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			190	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 190</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - ENHANCING EDUCATION THROUGH TECHNOLOGY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 236,169	\$ 276,281	\$ 259,752	\$ (16,529)
Expenditures:				
Current:				
Instruction	\$ 226,992	\$ 262,972	\$ 262,972	\$ -
General administration	8,527	9,877	9,877	-
School administration	650	3,432	3,432	-
Total expenditures	<u>\$ 236,169</u>	<u>\$ 276,281</u>	<u>\$ 276,281</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (16,529)	\$ (16,529)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (16,529)</u></u>	<u><u>\$ (16,529)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(16,529)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (16,529)</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - STATE DIRECTED ACTIVITIES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 31,348	\$ 31,348	\$ -
Expenditures:				
Current:				
Instruction	-	31,348	31,348	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	-	-	-	-
Fund balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Lordsburg Municipal School District #1  
**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 667,552	\$ 667,552	\$ 779,103	\$ 111,551
Earnings on investments	17,000	17,000	5,527	(11,473)
Total revenues	\$ 684,552	\$ 684,552	\$ 784,630	\$ 100,078
Expenditures:				
Current:				
Administration	\$ 6,675	\$ 7,740	\$ 7,740	\$ -
Principal	590,000	590,000	590,000	-
Interest	77,562	77,562	91,090	(13,528)
Reserve	818,886	817,821	-	817,821
Total expenditures	\$ 1,493,123	\$ 1,493,123	\$ 688,830	\$ 804,293
Net change in fund balance	\$ (808,571)	\$ (808,571)	\$ 95,800	\$ 904,371
Fund balance, July 1, 2008	808,571	808,571	836,722	28,151
Fund balance, June 30, 2009	\$ -	\$ -	\$ 932,522	\$ 932,522
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 94,652	
Revenue accruals (net)			1,148	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 95,800	

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

Lordsburg Municipal School District #1  
**CAPITAL PROJECTS FUND - BOND BUILDING**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Earnings on investments	\$ 60,000	\$ 60,000	\$ 12,816	\$ (47,184)
Expenditures:				
Capital outlay	<u>1,788,099</u>	<u>3,038,099</u>	<u>2,106,911</u>	<u>931,188</u>
Revenues over (under) expenditures	\$ (1,728,099)	\$ (2,978,099)	\$ (2,094,095)	\$ 884,004
Other financing sources (uses):				
Bond proceeds		<u>1,250,000</u>	<u>1,250,000</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ (1,728,099)	\$ (1,728,099)	\$ (844,095)	\$ 884,004
Fund balance, July 1, 2008	<u>1,728,099</u>	<u>1,728,099</u>	<u>1,717,588</u>	<u>(10,511)</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 873,493</u>	<u>\$ 873,493</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (731,857)	
Revenue accruals (net)			(5,106)	
Other financing uses (net)			(2,004,603)	
Expenditure accruals (net)			<u>1,897,471</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (844,095)</u>	

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

Lordsburg Municipal School District #1  
**CAPITAL PROJECTS FUND - VOCATIONAL EDUCATION FACILITY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 550,000	\$ 550,000	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>550,000</u>	<u>550,000</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Lordsburg Municipal School District #1  
**CAPITAL PROJECTS FUND - SPECIAL STATE CAPITAL OUTLAY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ 120,807	\$ 120,807
Expenditures:				
Capital outlay	61,603	61,603	34,135	27,468
Net change in fund balance	\$ (61,603)	\$ (61,603)	\$ 86,672	\$ 148,275
Fund balance, July 1, 2008	61,603	61,603	(88,397)	(150,000)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (1,725)	\$ (1,725)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			86,672	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 86,672	

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

Lordsburg Municipal School District #1  
**AGENCY FUNDS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2009</u>
<b>Assets</b>				
Cash and investments:				
Lordsburg High School	\$ 76,772	\$ 88,503	\$ 83,354	\$ 81,921
DTMS Middle School	2,837	5,941	4,638	4,140
Central Elementary School	1,207	2,972	2,153	2,026
Southside Elementary School	<u>8,514</u>	<u>7,424</u>	<u>7,761</u>	<u>8,177</u>
 Total Assets	 <u>\$ 89,330</u>	 <u>\$ 104,840</u>	 <u>\$ 97,906</u>	 <u>\$ 96,264</u>
 <b>Liabilities</b>				
Deposits held for others:				
Lordsburg High School	\$ 76,772	\$ 85,503	\$ 83,354	\$ 81,921
DTMS Middle School	2,837	5,941	4,638	4,140
Central Elementary School	1,207	2,972	2,153	2,026
Southside Elementary School	<u>8,514</u>	<u>7,424</u>	<u>7,761</u>	<u>8,177</u>
 Total Liabilities	 <u>\$ 89,330</u>	 <u>\$ 101,840</u>	 <u>\$ 97,906</u>	 <u>\$ 96,264</u>

The accompanying notes are an integral part of these financial statements



Lordsburg Municipal School District #1  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
 June 30, 2009

	Western Bank	Total
Checking and CD's	\$ 4,009,811	\$ 4,009,811
Total on deposit	\$ 4,009,811	\$ 4,009,811
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	\$ 3,759,811	\$ 3,759,811
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 1,879,906	\$ 1,879,906
Pledged Securities:		
Bernalillo NM School 085279MBO 8-1-10	\$ 102,552	\$ 102,552
Bloomfield NM bonds, 094072BA2, 8-15-2009	50,203	50,203
FHLMC 2424-OG 31339WGS9 3-15-17	677,518	677,518
FHLMC 2586-NS 31393MTT 9-15-15	219,617	219,617
Lovington NM Mun 54743BA5 10-1-09	652,940	652,940
Lordsburg NM GRT 544048AW1 12-1-25	244,365	244,365
FNMA 2005-46 LD 547473BA5 10-1-09	352,940	352,940
Torrence County NM 891398BA6 8-1-16	325,208	325,208
Total pledged securities	\$ 2,625,343	\$ 2,625,343
Pledged securities over (under) requirement	\$ 745,438	\$ 745,438

Pledged securities are held by the Federal Home Loan Bank of Dallas, TX.  
 Safekeeping receipts are held by the District.

Lordsburg Municipal School District #1  
**SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS**  
 June 30, 2009

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Western Bank</u>			
Federal Projects	Checking	\$ 129,560	\$ (13,696)
Capital Projects	Checking	9,144	1,126,226
Terra Rolfe Estate	Checking	3,046	56,045
Activity	Checking	5,198	51,033
Athletics	Checking	3,409	43,206
Cafeteria	Checking	25,151	69,647
Operational	Checking	843,704	1,687,724
Investments	CD	2,908,599	1,099
Various agency accounts	CD	82,000	82,000
		<u>\$ 4,009,811</u>	<u>\$ 3,103,284</u>

Lordsburg Municipal School District #1  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION**  
For The Fiscal Year Ended June 30, 2009

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>
Total cash and investments as of July 1, 2008	\$ 730,687	\$ 22,050	\$ 6,384	\$ 15,127	\$ 50,919
Add: Current year receipts	7,294,979	409,131	78,905	291,428	33,684
Prior year warrants voided	-	-	-	-	102
Less: Current year expenditures	(7,188,338)	(431,181)	(58,490)	(236,908)	(41,498)
Receivables/payables	-	-	-	-	-
Transfers	-	-	-	-	-
Total cash and investments as of June 30, 2009	<u>\$ 837,328</u>	<u>\$ -</u>	<u>\$ 26,799</u>	<u>\$ 69,647</u>	<u>\$ 43,207</u>

Lordsburg Municipal School District #1  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)**  
**ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION**  
For The Fiscal Year Ended June 30, 2009

	Non- Instructional Support	Federal Projects	Federal Direct	State Flowthrough	Local\State Fund
Total cash and investments as of July 1, 2008	\$ 191,228	\$ (317,193)	\$ -	\$ (11,985)	\$ (19,480)
Add: Current year receipts	155,634	1,181,957	21,692	116,986	663,310
Prior year warrants voided	-	-	-	-	-
Less: Current year expenditures	(157,783)	(950,990)	(21,688)	(117,441)	(666,693)
Receivables/payables	-	-	-	-	-
Transfers	-	-	-	-	-
Total cash and investments as of June 30, 2009	<u>\$ 189,079</u>	<u>\$ (86,226)</u>	<u>\$ 4</u>	<u>\$ (12,440)</u>	<u>\$ (22,863)</u>

Lordsburg Municipal School District #1  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)**  
**ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION**  
For The Fiscal Year Ended June 30, 2009

	<u>Bond Building</u>	<u>Special Capital Outlay State</u>	<u>SB-9</u>	<u>Debt Service</u>	<u>Total</u>
Total cash and investments as of July 1, 2008	\$ 1,717,588	\$ (88,397)	\$ 181,896	\$ 836,722	\$ 3,315,546
Add: Current year receipts	1,262,816	120,807	256,590	784,631	12,672,550
Prior year warrants voided	-	-	-	-	102
Less: Current year expenditures	(2,106,911)	(34,135)	(176,863)	(688,830)	(12,877,749)
Receivables/payables	-	-	(7,165)	-	(7,165)
Transfers	-	-	-	-	-
Total cash and investments as of June 30, 2009	<u>\$ 873,493</u>	<u>\$ (1,725)</u>	<u>\$ 254,458</u>	<u>\$ 932,523</u>	<u>\$ 3,103,284</u>

Lordsburg Municipal School District No. 1  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
 June 30, 2009

Participants-	Lordsburg Municipal School District No. 1 and the Southwest Regional Education Center # 10
Responsible party for operations-	The District as well as the Southwest Regional Education Center # 10
Description-	Participants agree to work together to establish and maintain cooperative programs of educational services under various federal and state authorizing statutes
Beginning and ending dates-	To be renewed each fiscal year
Total estimated amount of project and amount applicable to agency-	Varies year to year and is based upon program awards
Amount agency contributed in current fiscal year-	Based upon programs awarded
Audit responsibility-	Southwest Regional Education Center # 10
Name of agency where revenues and expenditures are reported-	Southwest Regional Education Center # 10
Participants-	Lordsburg Municipal School District No. 1, the County of Hidalgo and the City of Lordsburg
Responsible party for operations-	The District, the City of Lordsburg and Hidalgo County
Beginning and ending dates-	Until project is complete
Total cost and amount attributable to the District	\$550,000.00 allocation from NM Higher Education Dept.
Amount District contributed in the current fiscal year	\$550,000.00
Audit responsibility	District, City and County
Agency that is to account for activity	Lordsburg Municipal Schools

Lordsburg Municipal School District #1  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Fiscal Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through N.M. Department of Education:			
Title I Grants to Lea's	84.010	24.101	\$ 356,379
Special Education - Grants to States	84.027	24.106	187,840
Special Education - Preschool Grants	84.173	24.109	25,741
Education of the Homeless	84.196	24.113	14,000
Rural Education	84.358	24.160	26,024
Teacher Quality State Grants	84.367	24.154	64,725
Enhancing Education through Technology	84.318	24.133	276,281
Total U.S. Department of Education			\$ 950,990
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Direct Programs:			
Schools and Roads-Grants to States	10.665	N/A	\$ 51,043
Passed through N.M. Department of Education:			
National School Lunch Program	10.555	N/A	186,422
School Breakfast Program	10.553	N/A	62,711
Passed through N.M. Department of Human Svc's:			
Emergency Food Assistance Program	10.569	N/A	18,708
Total U.S. Department of Agriculture			\$ 318,884
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through the N.M. Dept. of Human Services:			
Medical Assistance Program	93.778	24.253	\$ 21,692
Total expenditures of federal awards			\$ 1,291,566

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

Lordsburg Municipal School District #1  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2009

Note 1    Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lordsburg Municipal School District No. 1 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2    Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The District received \$18,708 in food commodities during the 2008-2009 fiscal year.

Note 3    The District had the following insurance coverages during the year ended June 30, 2009:

Workers compensation	\$ 1,050,000
Property	500,000,000
Liability	1,000,000
Auto	10,000,000



Lordsburg Municipal School District #1  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2009

**Findings – Financial Statement Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs**

None

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

Hector H. Balderas, State Auditor  
and  
Board of Education  
Lordsburg Municipal School District No. 1  
Lordsburg, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lordsburg Municipal School District No. 1 as of and for the year ended June 30, 2009, which collectively comprise Lordsburg Municipal School District No. 1's basic financial statements and have issued our report thereon dated October 27, 2009. We have also audited the financial statements of each of the District's non-major governmental funds presented as other supplementary information as of and for the year ended June 30, 2009 and have issued our report thereon dated October 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lordsburg Municipal School District No. 1'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 Lordsburg Municipal School District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lordsburg Municipal School District No. 1'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lordsburg Municipal School District No. 1's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of Lordsburg Municipal School District No. 1's financial statements that is more than inconsequential will not be prevented or detected by Lordsburg Municipal School District No. 1's internal control. We consider deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. The findings are identified in the accompanying Schedule of findings and Questioned Costs as 09-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lordsburg Municipal School District No. 1's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, of the significant deficiencies described above, we consider item 09-1 to be a material weakness.

#### Compliance and Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA 1978, which are described in the accompanying Schedule of Findings and Questioned Costs as findings 09-2 and 09-3.

Lordsburg Municipal School District No. 1's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Lordsburg Municipal School District No. 1's responses and, accordingly, we express no opinion on them.

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

*Stone, McGee & Co., CPAs*

October 27, 2009

Stone, McGee & Co.  
Certified Public Accountants

MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hector H. Balderas, State Auditor  
and  
Board of Education  
Lordsburg Municipal School District No. 1  
Lordsburg, New Mexico

### Compliance

We have audited the compliance of the Lordsburg Municipal School District No. 1 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Lordsburg Municipal School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Lordsburg Municipal School District No. 1's management. Our responsibility is to express an opinion on the Lordsburg Municipal School District No. 1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lordsburg Municipal School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Lordsburg Municipal School District No. 1's compliance with those requirements.

In our opinion, Lordsburg Municipal School District No. 1 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.



## Internal Control Over Compliance

The management of the Lordsburg Municipal School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lordsburg Municipal School District No. 1's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lordsburg Municipal School District No. 1's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

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

*Stone, McGee & Co., CPAs*

October 27, 2009

Lordsburg Municipal School District No. 1  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2009

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Lordsburg Municipal School District No. 1.
2. One significant deficiency relating to the audit of the financial statements is reported in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Bases on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*. The condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Lordsburg Municipal School District No. 1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the *Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for Lordsburg Municipal School District No. 1 expresses an unqualified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.
7. The programs tested as major programs included: Title I Grants to Lea's. CFDA No. 84.010.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. Lordsburg Municipal School District No. 1 qualified as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

**09-1 Restatement of Prior Year Financial Statements**

Condition – The District was required to restate its beginning net assets by \$1,604,602, primarily due to the omission of prior year capital projects funded by and disbursed by the Public School Finance Authority.

Criteria – Generally accepted accounting principles require that all assets owned by the District be included in the capital asset presentation in the Statement of Net Assets.

Effect – The prior year financial statements were materially incorrect, and could be relied on to the detriment of the reader.

Cause – The District had no fiscal responsibility for these construction projects, since all disbursement was done through the Public School Finance Authority. The District does not currently have an internal control mechanism that would capture and record information related to payments made on behalf of the District, but not disbursed through the District’s accounting system.

Recommendation – We recommend that the District establish an internal control procedure that will allow personnel to capture information on and record in the District’s books and records payments made on behalf of the District.

Agency Response – Payments made on behalf of the District have, in the past, been recorded as adjustments during the audit process. That procedure failed in this instance. In the future, we will monitor on-behalf payments and make the appropriate entries into the District’s accounting system.

#### OTHER INSTANCES OF NONCOMPLIANCE

##### 09-2 Agency Receipts

Condition – Trust fund receipts at one school within the District were not deposited in a timely manner, rather they were deposited on a monthly basis.

Criteria – Sound accounting controls and the NMPED Manual of Procedures requires that cash be deposited on a daily basis.

Effect – There is an increased likelihood of loss of the cash receipts, as well as a violation of mandated procedures.

Cause – The employee charged with making the deposits was unaware that daily deposits were required.

Recommendation – We recommend that the District hold annual training sessions at the beginning of each school year to instruct those employees charged with handling these agency receipts in the proper deposit techniques.

Agency Response – The recommendation will be adopted, and the employee in question has already had instructions in deposit procedures provided to her.

##### 09-3 Budgetary Controls

Condition – The District incurred expenditures in excess of budgetary authority of \$6,830 in the Support Services Student function of the School Based Health Fund, and \$13,528 in the Interest function of the Debt Service Fund.

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that expenditures not exceed budgetary authority.

Effect – The internal controls established by adherence to budgets has been compromised, and excess spending could result. In addition, New Mexico statutes have been violated.

Cause – The District did not request the budget adjustments at year end to alleviate these budget overruns.

Recommendation – We recommend that the District adhere to their policy of reviewing year end expenditures and requesting budget adjustments where necessary.

Agency Response – The policy is currently being followed, and these were unusual circumstances which were unforeseen. We will continue to review expenditures at year end for the necessary budget adjustments.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

None

**OTHER – FINANCIAL STATEMENT PREPARATION**

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

**EXIT CONFERENCE**

The contents of this report were discussed November 10, 2009. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Marianne Stewart	Board Vice-President	Lordsburg Municipal Schools
Jim Barentine	Superintendent	Lordsburg Municipal Schools
Irene Baisa	Business Manager	Lordsburg Municipal Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPA's