

Lordsburg Municipal School District No. 1

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

For The Fiscal Year Ended June 30, 2012

Lordsburg Municipal School District #1  
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 June 30, 2012

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Lordsburg Municipal School District No. 1  
**DIRECTORY OF OFFICIALS**  
June 30, 2012

**BOARD OF EDUCATION**

Manuel D.V. Saucedo	President
John Mora	Vice-President
Maria Sanchez	Secretary
Ali Salinas	Member
Ruben Gomez	Member

**SCHOOL OFFICIALS**

Randall Piper	Superintendent
Anna Anderle	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 were engaged to audit the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue funds of the Lordsburg Municipal School District No. 1 (District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the District's non-major governmental funds, and the budgetary comparisons for the components of the general fund, the non-major special revenue funds, the debt service fund, and the capital projects fund presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the District's management.

The District did not perform cash reconciliations of its bank accounts, and did not reconcile cash to individual funds. The District's records do not permit the application of other auditing procedures to cash.

Since the District did not reconcile cash, and we were not able to apply other auditing procedures to satisfy ourselves as to cash balances, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph of this report.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2012, 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 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

We were engaged 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 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. Because of the significance of the matter described in the second paragraph of this report, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Stone, McGee & Co CPAs

November 10, 2012

Stone, McGee & Co.  
Certified Public Accountants

Lordsburg Municipal School District #1  
**STATEMENT OF NET ASSETS**  
June 30, 2012

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,825,404
Property taxes receivable	37,728
Due from other governments	477,891
Inventory	26,870
Bond issue costs	128,727
Capital assets:	
Land	341,566
Buildings	27,804,095
Furniture and fixtures and equipment	4,131,996
Construction in progress	
Less accumulated depreciation	(16,489,093)
Total capital assets, net of depreciation	\$ 15,788,564
Total assets	\$ 20,285,184
<b>Liabilities</b>	
Cash overdraft	\$ -
Accounts payable	89,541
Bond premiums	3,275
Deferred revenue	17,990
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	675,000
Accrued interest payable	36,456
Portion due or payable after one year:	
Bonds payable	4,690,000
Compensated absences	26,154
Total liabilities	\$ 5,538,416
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 12,004,423
Restricted for:	
Debt service	831,128
Capital projects	360,320
Other purposes	307,169
Unrestricted	1,243,728
Total net assets	\$ 14,746,768

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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:					
Instruction	\$ 3,732,481	\$ 122,059	\$ 1,103,757	\$ -	\$ (2,506,665)
Support services - Students	548,147		81,004		(467,143)
Support services - Instruction	180,844		11,139		(169,705)
General administration	234,629		20,528		(214,101)
School administration	1,036,624		190,605		(846,019)
Central services	247,601				(247,601)
Operation of plant	1,242,725			67,982	(1,174,743)
Food services	389,833	32,026	273,370		(84,437)
Transportation	420,843		334,607		(86,236)
Other support services	12,139				(12,139)
Interest on long-term debt	154,410				(154,410)
	<u>\$ 8,200,276</u>	<u>\$ 154,085</u>	<u>\$ 2,015,010</u>	<u>\$ 67,982</u>	<u>\$ (5,963,199)</u>
Total governmental activities					

General revenues:	
Property taxes:	
Levied for general purposes	\$ 56,524
Levied for debt service	802,859
Levied for capital improvements	226,246
State aid - formula grants	5,322,603
Recoveries and refunds	57,652
Unrestricted investment earnings	<u>4,923</u>
 Total general revenues and special items	 <u>\$ 6,470,807</u>
 Change in net assets	 \$ 507,608
Net assets - beginning	<u>14,239,160</u>
Net assets - ending	<u><u>\$ 14,746,768</u></u>

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

Lordsburg Municipal School District #1  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2012

	General Fund	Title I	Entitlement
<b>Assets</b>			
Cash and investments	\$ 679,062	\$ -	\$ -
Taxes receivable	2,774		
Inventory	21,136		
Due from other governments		258,749	128,672
Interfund receivable	491,417		
Total assets	\$ 1,194,389	\$ 258,749	\$ 128,672
 <b>Liabilities and Fund Balance</b>			
Accounts payable	\$ 36,433	\$ -	\$ -
Interfund payable		258,749	128,672
Deferred revenue	1,979		
Total liabilities	\$ 38,412	\$ 258,749	\$ 128,672
 Fund balance:			
Nonspendable			
Inventories	\$ 21,136	\$ -	\$ -
Restricted for:			
Education			
Food service			
Capital projects			
Debt service			
Assigned for future expenditures	6,684		
Unassigned	1,128,157		
Total fund balance	\$ 1,155,977	\$ -	\$ -
Total liabilities and fund balance	\$ 1,194,389	\$ 258,749	\$ 128,672

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

<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 1,988,539	\$ 842,066 25,518	\$ 315,737 9,436 5,734 90,470	\$ 3,825,404 37,728 26,870 477,891 491,417
<u>\$ 1,988,539</u>	<u>\$ 867,584</u>	<u>\$ 421,377</u>	<u>\$ 4,859,310</u>
\$ 47,360	\$ - 13,968	\$ 5,748 103,996 24,245	\$ 89,541 491,417 40,192
<u>\$ 47,360</u>	<u>\$ 13,968</u>	<u>\$ 133,989</u>	<u>\$ 621,150</u>
\$ -	\$ -	\$ 5,734 295,180	\$ 26,870 295,180 -
1,941,179	853,616	(13,526)	1,941,179 853,616 6,684 1,114,631
<u>\$ 1,941,179</u>	<u>\$ 853,616</u>	<u>\$ 287,388</u>	<u>\$ 4,238,160</u>
<u>\$ 1,988,539</u>	<u>\$ 867,584</u>	<u>\$ 421,377</u>	<u>\$ 4,859,310</u>

Lordsburg Municipal School District #1  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
 June 30, 2012

Total governmental fund balances	\$	4,238,160
<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.		15,788,564
Bond issue costs are capitalized and amortized over the life of the bonds		128,727
Bond premiums are deferred and amortized over the life of the bonds		(3,275)
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		22,202
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		(5,365,000)
Accrued interest payable		(36,456)
Accrued compensated absences		(26,154)
		(5,427,610)
<i>Net Assets of Governmental Activities</i>	\$	14,746,768

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**  
For The Fiscal Year Ended June 30, 2012

	<u>General Fund</u>	<u>Title I</u>	<u>Entitlement</u>
Revenues:			
Property taxes	\$ 57,003	\$ -	\$ -
Fees and charges	92,871		
State aid	6,054,457		
Federal aid	35,124	411,695	276,360
Earnings on investments	1,842		
Miscellaneous	14,858		
	<hr/>	<hr/>	<hr/>
Total revenues	\$ 6,256,155	\$ 411,695	\$ 276,360
Expenditures:			
Current:			
Instruction	\$ 2,811,038	\$ 356,419	\$ 231,004
Support services - Students	439,470		12,688
Support services - Instruction	165,752		
General administration	199,931		
School administration	806,786	55,276	32,668
Central services	239,694		
Operation of plant	1,005,847		
Food service	18,068		
Transportation	372,991		
Other support services	12,139		
Debt service:			
Principal			
Interest			
Bond issue costs			
Capital outlay	16,704		
	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 6,088,420	\$ 411,695	\$ 276,360
Revenues over (under) expenditures	\$ 167,735	\$ -	\$ -
Other financing sources:			
Bond proceeds			
Bond premiums			
Operating transfers in (out)			
	<hr/>	<hr/>	<hr/>
Net change in fund balance	\$ 167,735	\$ -	\$ -
Fund balance, July 1, 2011	\$ 988,242		
	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2012	\$ 1,155,977	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Bond Building	Debt Service	Other Funds	Governmental Funds Total
\$ -	\$ 809,073	\$ 228,155	\$ 1,094,231
		61,214	154,085
		25,888	6,080,345
		602,071	1,325,250
1,943	698	440	4,923
20,333		22,461	57,652
<u>\$ 22,276</u>	<u>\$ 809,771</u>	<u>\$ 940,229</u>	<u>\$ 8,716,486</u>
\$ -	\$ -	\$ 172,746	\$ 3,571,207
		68,316	520,474
		11,139	176,891
	8,056	22,800	230,787
		102,661	997,391
			239,694
22,239		159,292	1,187,378
		359,905	377,973
			372,991
			12,139
	600,000		600,000
	121,807		121,807
31,736			31,736
<u>601,038</u>		<u>74,620</u>	<u>692,362</u>
<u>\$ 655,013</u>	<u>\$ 729,863</u>	<u>\$ 971,479</u>	<u>\$ 9,132,830</u>
\$ (632,737)	\$ 79,908	\$ (31,250)	\$ (416,344)
1,500,000			1,500,000
			-
			-
<u>\$ 867,263</u>	<u>\$ 79,908</u>	<u>\$ (31,250)</u>	<u>\$ 1,083,656</u>
<u>\$ 1,073,916</u>	<u>\$ 773,708</u>	<u>\$ 318,638</u>	<u>\$ 3,154,504</u>
<u><u>\$ 1,941,179</u></u>	<u><u>\$ 853,616</u></u>	<u><u>\$ 287,388</u></u>	<u><u>\$ 4,238,160</u></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, 2012

Net change in fund balances-total governmental funds	\$	1,083,656
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*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		692,362
Depreciation expense		(395,334)

Bond proceeds are reported as financing sources in the funds. In the Statement of Activities, however, issuing debt increases long-term liabilities.		(1,500,000)
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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		(8,602)

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		600,000
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Bond issue costs are expenditures in the funds but are capitalized and amortized in the Statement of Activities.		
Bond issue costs		31,736
Amortization		(31,880)

Bond premiums are revenues in the funds but are deferred and amortized in the Statement of Activities.		
Bond premiums		-
Amortization		511

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.		(1,234)
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Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change during the year.		36,393
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<i>Change in Net Assets of Governmental Activities</i>	<b>\$</b>	<b>507,608</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Federal sources	\$ 1,000	\$ 10,000	\$ 35,124	\$ 25,124
State sources	5,997,700	5,999,829	6,083,632	83,803
Local sources	203,398	203,398	137,856	(65,542)
Interest income	57	57	1,842	1,785
<b>Total revenues</b>	<b>\$ 6,202,155</b>	<b>\$ 6,213,284</b>	<b>\$ 6,258,454</b>	<b>\$ 45,170</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	\$ 3,217,894	\$ 3,234,783	\$ 2,813,182	\$ 421,601
Support services - Students	512,819	516,223	439,470	76,753
Support services - Instruction	167,354	171,361	165,752	5,609
General administration	210,549	218,203	201,119	17,084
School administration	842,798	835,609	809,277	26,332
Central services	260,018	261,402	239,694	21,708
Operation of plant	1,091,045	1,103,850	1,006,395	97,455
Transportation	358,085	383,953	373,067	10,886
Other support services	61,206	61,206	12,139	49,067
Food services	87,253	87,253	13,866	73,387
Capital outlay	162,743	150,127	20,473	129,654
Non-operating	-	-	-	-
<b>Total expenditures</b>	<b>\$ 6,971,764</b>	<b>\$ 7,023,970</b>	<b>\$ 6,094,434</b>	<b>\$ 929,536</b>
Revenues over (under) expenditure:	\$ (769,609)	\$ (810,686)	\$ 164,020	\$ 974,706
<b>Other financing sources (uses)</b>				
Transfers out	-	-	-	-
Net change in fund balance	\$ (769,609)	\$ (810,686)	\$ 164,020	\$ 974,706
Fund balance, July1, 2011	945,148	945,148	981,120	35,972
Fund balance, June 30, 2012	<u>\$ 175,539</u>	<u>\$ 134,462</u>	<u>\$ 1,145,140</u>	<u>\$ 1,010,678</u>

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 360,613	\$ 450,337	\$ 281,628	\$ (168,709)
Expenditures:				
Current:				
Instruction	\$ 309,599	\$ 391,175	\$ 356,419	\$ 34,756
Support services - Students				-
School administration	51,014	59,162	55,276	3,886
Total expenditures	<u>\$ 360,613</u>	<u>\$ 450,337</u>	<u>\$ 411,695</u>	<u>\$ 38,642</u>
Net change in fund balance	\$ -	\$ -	\$ (130,067)	\$ (130,067)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(128,682)</u>	<u>(128,682)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (258,749)</u></u>	<u><u>\$ (258,749)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 200,004	\$ 305,718	\$ 216,137	\$ (89,581)
Expenditures:				
Current:				
Instruction	\$ 136,264	\$ 241,978	\$ 231,004	\$ 10,974
Support services - Students	30,848	30,848	12,688	18,160
School administration	32,892	32,892	32,668	224
Total expenditures	<u>\$ 200,004</u>	<u>\$ 305,718</u>	<u>\$ 276,360</u>	<u>\$ 29,358</u>
Net change in fund balance	\$ -	\$ -	\$ (60,223)	\$ (60,223)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(68,449)</u>	<u>(68,449)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (128,672)</u></u>	<u><u>\$ (128,672)</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, 2012

	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
<b>Assets</b>		
Cash and investments	\$ 53,538	\$ 110,603
Interest receivable	-	-
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 53,538</u>	<u>\$ 110,603</u>
<b>Liabilities and Fund Equity</b>		
Deposits held for others	<u>\$ -</u>	<u>\$ 110,603</u>
	<u>                    </u>	<u>                    </u>
Total liabilities	<u>\$ -</u>	<u>\$ 110,603</u>
Net Assets:		
Reserved for scholarship	\$ 538	
Reserved for endowment	<u>53,000</u>	
	<u>                    </u>	
Total net assets	<u>\$ 53,538</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, 2012

	<u>Private Purpose Trust Funds</u>
 <b>Additions</b>	
Gifts and contributions	\$ -
Interest earned	80
	<hr/>
Total additions	\$ 80
 <b>Deductions</b>	
Scholarships awarded	-
	<hr/>
Change in net assets	\$ 80
Net assets, July 1, 2011	53,458
	<hr/>
Net assets, June 30, 2012	<u>\$ 53,538</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, 2012

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:

**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

Title I – to account for the federal assistance provided to the District for the improvement of educational opportunities to deprived children, and is a Special Revenue Fund. (Authority, P.L. 103-382).

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, and 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.

### **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 values 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*

During the year ended June 30, 2012, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constrains placed on the purposes for which resources can be used:

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

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

## **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, 2012 was \$.50 per \$1,000 for non-residential property and \$.50 for residential property. The District's tax rate for debt service was \$6.98 per \$1,000 for both residential and nonresidential property. The District's tax rate for District improvements was \$1.99 per \$1,000 for residential and \$1.99 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, 2012 \$1,765,848 of the governments bank balance of \$4,731,699 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$ 1,765,848

	<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	2,715,851	2,715,851
Uninsured and uncollateralized	<u>1,765,848</u>	<u>1,023,694</u>
	<u>\$ 4,731,699</u>	<u>\$ 3,989,545</u>

Note 3 Capital Assets

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 341,566	\$ -0-	\$ -0-	\$ 341,566
Construction in progress	<u>2,577,411</u>	<u>593,282</u>	<u>3,170,693</u>	<u>-0-</u>
Total assets not being depreciated	<u>\$ 2,918,977</u>	<u>\$ 593,282</u>	<u>\$ 3,170,693</u>	<u>\$ 341,566</u>
Other capital assets:				
Building and improvements	\$ 24,605,202	\$ 3,198,893	\$ -0-	\$ 27,804,095
Furniture and equipment	<u>4,061,116</u>	<u>70,880</u>	<u>-0-</u>	<u>4,131,996</u>
Total other capital assets at historical cost	<u>\$ 28,666,318</u>	<u>\$ 3,269,773</u>	<u>\$ -0-</u>	<u>\$ 31,936,091</u>
Less accumulated depreciation:				
Buildings and improvements	\$(12,462,913)	\$ (290,822)	\$ -0-	\$(12,753,765)
Furniture and equipment	<u>(3,630,816)</u>	<u>(104,512)</u>	<u>-0-</u>	<u>(3,735,328)</u>
Total accumulated depreciation	<u>\$(16,093,759)</u>	<u>\$ (395,334)</u>	<u>\$ -0-</u>	<u>\$(16,489,093)</u>
Other capital assets, net	<u>\$ 12,572,559</u>	<u>\$ 2,874,439</u>	<u>\$ -0-</u>	<u>\$ 15,446,998</u>
Total capital assets, net	<u>\$ 15,491,536</u>	<u>\$ 3,467,721</u>	<u>\$ 3,170,693</u>	<u>\$ 15,788,564</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 197,667
Support Services - Students	27,673
Support Services – Instruction	3,953
General Administration	3,842
School Administration	39,233
Central services	7,907
Operation of plant	55,347
Food Services	11,860
Transportation	<u>47,852</u>
	<u>\$ 395,334</u>

Note 4 Long-Term Debt

Changes in long-term debt were as follows during the year end June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due In</u> <u>One Year</u>
Compensated absences payable	\$ 62,547	\$ 15,524	\$ 51,917	\$ 26,154	\$ -0-
G.O. Bonds, series 2005	925,000		150,000	775,000	150,000
G.O. Bonds, series 2007	600,000		225,000	375,000	125,000
G.O. Bonds, series 2008	740,000		75,000	665,000	75,000
G.O. Bonds, series 2010	1,200,000		110,000	1,090,000	125,000
G.O. Bonds, series 2011	1,000,000	-0-	40,000	960,000	40,000
G.O. Bonds, series 2012	<u>-0-</u>	<u>1,500,000</u>	<u>-0-</u>	<u>1,500,000</u>	<u>160,000</u>
	<u>\$ 4,527,547</u>	<u>\$ 1,515,524</u>	<u>\$ 651,917</u>	<u>\$ 5,391,154</u>	<u>\$ 675,000</u>

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2013	\$ 675,000	\$ 130,635
2014	700,000	113,582
2015	625,000	99,843
2016	500,000	85,948
2017	475,000	71,966
2018-2022	2,010,000	194,711
2023-2027	<u>380,000</u>	<u>8,297</u>
	<u>\$ 5,365,000</u>	<u>\$ 704,982</u>

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

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled \$6,069,982 at June 30, 2012, and equal 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. Interest rates range from 1.63% to 4% for individually scheduled retirements, and maturity dates range from 2012 through 2027. The property tax levies expire when the related bond indebtedness is repaid.



During the year ended June 30, 2012, the District recognized \$802,859 in property taxes pledged to retire the bonded indebtedness, and retired \$721,807 in bond principal and interest.

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

Funding Policy

Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The Lordsburg Municipal Schools has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 the Lordsburg Municipal Schools contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 the Lordsburg Municipal Schools will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the Lordsburg Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Lordsburg Municipal School's contributions to ERB for the fiscal years ending June 30, 2012, 2011, and 2010, were \$375,162, \$473,811, and \$530, 698, respectively, which equal the amount of the required contributions for each fiscal year.

Note 6 Retiree Health Care Act Contributions

Plan Description

Lordsburg Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate

optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

### Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .9173% of their salary. In the fiscal year ending June 30, 2012 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY2013	2.000%	1.000%

Also, employers joining the program after 1/01/1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Lordsburg Municipal School's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$71,620, \$70,186 and \$60,989, 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, 2012 is as follows:

	<u>General</u>	<u>Title I</u>	<u>Entitlement</u>
Changes in net assets GAAP basis	\$ 167,735	\$ -0-	\$ -0-
Increases (decreases):			
Revenue accruals (net)	2,299	(130,067)	(60,223)
Expenditure accruals (net)	(6,014)	-0-	-0-
Transfers (net)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Changes in net assets: Non-GAAP basis	<u>\$ 164,020</u>	<u>\$ (130,067)</u>	<u>\$ (60,223)</u>

Note 10 Inter-fund Activity

Inter-fund balances at June 30, 2012, consisted of the following:

	<u>Inter-Fund Payable</u>			
	<u>Title I</u>	<u>Entitlement</u>	<u>All Others</u>	<u>Total</u>
<u>Inter-fund Receivable</u>				
General	<u>\$ 258,749</u>	<u>\$ 128,672</u>	<u>\$ 103,996</u>	<u>\$ 491,417</u>

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

Note 11 Restricted Net Assets

At June 30, 2012, net assets restricted for other purposes included the following balances in special revenue funds:

SB-9	\$ 280,089
Others	<u>27,080</u>
	<u>\$ 307,169</u>

The government-wide statement of net assets reports \$1,485,091 of restricted net assets, of which \$1,470,000 is restricted by enabling legislation.

Note 12 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 \$538 is available for expenditure by the governing board, and are reported in net assets as “reserved for scholarships.”

Note 13 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 14 Fund Balance Deficits

The District had fund balance deficits in the following funds:

Cafeteria (\$7,792). These deficits are caused by the accrual of accounts payable, and the modified accrual basis limitation of 60 days on the accrual of revenue. As revenue is received and liabilities liquidated, the deficit fund balance will be reduced.

Note 15 Budgetary Authority

The District exceeded budgetary authority in the following functional categories:

General:		
Transportation	\$	1,638
Cafeteria:		
Food services		45,293

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

## 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

**Cafeteria** – 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/Stimulus** – 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/Stimulus** – 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 Risk Pool** – 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/Stimulus** – 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 Through Technology** – 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 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/Stimulus** – 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/2008 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).

**Teacher/Principal Training** – to improve teacher and principal quality to ensure that all teachers are highly qualified. Created by P.L. 07-110.

**School Based Health Center** – to account for counselor for health and sexuality education and for high risk students who do not qualify for special education services and standardized school based health assessments.



**Education Job Fund** – used to account for federal funds given to states to assist local education agencies in saving or creating education jobs (P.L. 111-126).

**Safe and Drug Free Schools** – fund used to account for federal resources administered by the New Mexico State Department of Education to provide an integrated approach in the school curriculum to aid in drug abuse education and prevention. Required by the New Mexico Department of Education *Manual of Procedures* for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds. (P.L. 103-382).

**Literacy through School Libraries** – fund used to account for federal resources to provide students with increased access to up-to-date school library materials, a well-equipped, technologically advanced school library media center, and well-trained, professionally certified school library media specialist to improve literacy skills and achievement of students.

**State Equalization Stimulus** – to support and restore funding for the District programs and services in states and local education agencies.

**Library Book Fund** – to account for state grant received to purchase library books. Authority, State Grant PED.

**Dual Credit Instructional Materials** – to account for State grant received to provide college credits to high school students. Authority, State Grant PED.

## CAPITAL PROJECTS FUNDS

**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.

Lordsburg Municipal School District #1  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2012

	Special Revenue Funds				
	Cafeteria	Athletics	Idea B Risk Pool	Preschool	Education of Homeless
<b>Assets</b>					
Cash and investments	\$ -	\$ 16,619	\$ -	\$ -	\$ -
Taxes receivable					
Inventory	5,734				
Interfund receivable					
Due from other governments	14,810		1,185	23,865	2,039
Total assets	\$ 20,544	\$ 16,619	\$ 1,185	\$ 23,865	\$ 2,039
<b>Liabilities and Fund Balances</b>					
Accounts payable	\$ -	\$ 1,528	\$ -	\$ -	\$ -
Interfund payable	28,336		1,185	23,865	2,039
Deferred revenue					
Total liabilities	\$ 28,336	\$ 1,528	\$ 1,185	\$ 23,865	\$ 2,039
Fund balances:					
Nonspendable:					
Inventories	\$ 5,734	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Education		15,091			
Unassigned	(13,526)				
Total fund balances	\$ (7,792)	\$ 15,091	\$ -	\$ -	\$ -
Total liabilities and fund balances	\$ 20,544	\$ 16,619	\$ 1,185	\$ 23,865	\$ 2,039

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

Special Revenue Funds

<u>Teacher/Principle Training</u>	<u>Title I Stimulus</u>	<u>Rural Schools</u>	<u>Medicaid</u>	<u>Dual Credit Instruction</u>
\$ -	\$ 17,990	\$ -	\$ -	\$ -
<u>33,766</u>		<u>8,153</u>	<u>5,209</u>	<u>1,184</u>
<u>\$ 33,766</u>	<u>\$ 17,990</u>	<u>\$ 8,153</u>	<u>\$ 5,209</u>	<u>\$ 1,184</u>
\$ -	\$ -	\$ -	\$ -	\$ -
33,766	17,990	8,153	5,209	1,184
<u>\$ 33,766</u>	<u>\$ 17,990</u>	<u>\$ 8,153</u>	<u>\$ 5,209</u>	<u>\$ 1,184</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 33,766</u>	<u>\$ 17,990</u>	<u>\$ 8,153</u>	<u>\$ 5,209</u>	<u>\$ 1,184</u>

Lordsburg Municipal School District #1  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (concluded)**  
June 30, 2012

	Special Revenue Funds		
	Elementary Breakfast	SB - 9	Total
<b>Assets</b>			
Cash and investments	\$ -	\$ 281,128	\$ 315,737
Taxes receivable		9,436	9,436
Inventory			5,734
Interfund receivable			-
Due from other governments	259		90,470
Total assets	\$ 259	\$ 290,564	\$ 421,377
<b>Liabilities and Fund Balances</b>			
Accounts payable	\$ -	\$ 4,220	\$ 5,748
Interfund payable	259		103,996
Deferred revenue		6,255	24,245
Total liabilities	\$ 259	\$ 10,475	\$ 133,989
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ -	\$ 5,734
Restricted for:			
Education		280,089	295,180
Unassigned			(13,526)
Total fund balances	\$ -	\$ 280,089	\$ 287,388
Total liabilities and fund balances	\$ 259	\$ 290,564	\$ 421,377

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

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, 2012

	Special Revenue Funds			
	Cafeteria	Athletics	Idea B Risk Pool	Preschool
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges	32,026	29,188		
State aid	3,000			
Federal aid	265,926		1,185	36,753
Earnings on investments	73	19		
Miscellaneous		577		
<b>Total revenues</b>	<b>\$ 301,025</b>	<b>\$ 29,784</b>	<b>\$ 1,185</b>	<b>\$ 36,753</b>
Expenditures:				
Current:				
Instruction	\$ -	\$ 20,801	\$ 1,185	\$ 36,753
Support services - Students				
Support services - Instruction				
General administration				
School administration				
Operation of plant				
Food services	355,461			
Capital outlay				
<b>Total expenditures</b>	<b>\$ 355,461</b>	<b>\$ 20,801</b>	<b>\$ 1,185</b>	<b>\$ 36,753</b>
Revenues over (under) expenditures	\$ (54,436)	\$ 8,983	\$ -	\$ -
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ (54,436)	\$ 8,983	\$ -	\$ -
Fund balance, July 1, 2011	46,644	6,108		
Fund balance, June 30, 2012	<u>\$ (7,792)</u>	<u>\$ 15,091</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue Funds

Education of Homeless	Teacher/Principle Training	Education Job fund	Title I Stimulus	Rural Schools	Medicaid
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,447	93,572	2,339	15,311	12,047	60,869
<u>\$ 7,447</u>	<u>\$ 93,572</u>	<u>\$ 2,339</u>	<u>\$ 15,311</u>	<u>\$ 12,047</u>	<u>\$ 60,869</u>
\$ - 7,447	\$ -	\$ 2,339	\$ 6,222	\$ 11,594	\$ - 60,869
	93,572		9,089	453	
<u>\$ 7,447</u>	<u>\$ 93,572</u>	<u>\$ 2,339</u>	<u>\$ 15,311</u>	<u>\$ 12,047</u>	<u>\$ 60,869</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><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, 2012

	Special Revenue Funds			
	Literacy Through School Libraries	21st Century	2010 Library Bond	Dual Credit Instruction
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges				
State aid			10,514	7,305
Federal aid	45,988	60,634		
Earnings on investments				
Miscellaneous				
Total revenues	<u>\$ 45,988</u>	<u>\$ 60,634</u>	<u>\$ 10,514</u>	<u>\$ 7,305</u>
Expenditures:				
Current:				
Instruction	\$ 25,913	\$ 60,634	\$ -	\$ 7,305
Support services - Students				
Support services - Instruction			10,514	
General administration	20,075			
School administration				
Operation of plant				
Food services				
Capital outlay				
Total expenditures	<u>\$ 45,988</u>	<u>\$ 60,634</u>	<u>\$ 10,514</u>	<u>\$ 7,305</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2011				
Fund balance, June 30, 2012	<u><u>\$ -</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			
<u>GO Bond</u>	<u>Elementary Breakfast</u>	<u>SB-9</u>	<u>Total</u>
\$ -	\$ -	\$ 228,155	\$ 228,155
			61,214
625	4,444		25,888
			602,071
		348	440
		21,884	22,461
<u>\$ 625</u>	<u>\$ 4,444</u>	<u>\$ 250,387</u>	<u>\$ 940,229</u>
\$ -	\$ -	\$ -	\$ 172,746
			68,316
625			11,139
		2,272	22,800
			102,661
		159,292	159,292
	4,444		359,905
		74,620	74,620
<u>\$ 625</u>	<u>\$ 4,444</u>	<u>\$ 236,184</u>	<u>\$ 971,479</u>
\$ -	\$ -	\$ 14,203	\$ (31,250)
			-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,203</u>	<u>\$ (31,250)</u>
		265,886	318,638
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 280,089</u></u>	<u><u>\$ 287,388</u></u>

Lordsburg Municipal School District #1  
**GENERAL FUND**  
**COMBINING BALANCE SHEET**  
June 30, 2012

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>
<b>Assets</b>			
Cash and investments	\$ 647,549	\$ (8)	\$ 6,182
Taxes receivable	2,774		
Inventory	21,136		
Interfund receivable	491,417		
	<u>491,417</u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,162,876</u>	<u>\$ (8)</u>	<u>\$ 6,182</u>
<b>Liabilities and Fund Balances</b>			
Accounts payable	\$ 36,433	\$ -	\$ -
Interfund payable			
Deferred revenue	1,979		
	<u>1,979</u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 38,412</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:			
Nonspendable:			
Inventory	\$ 21,136	\$ -	\$ -
Unassigned	6,684		
Unassigned	1,096,644	(8)	6,182
	<u>1,096,644</u>	<u>(8)</u>	<u>6,182</u>
Total fund balances	<u>\$ 1,124,464</u>	<u>\$ (8)</u>	<u>\$ 6,182</u>
Total liabilities and fund balances	<u>\$ 1,162,876</u>	<u>\$ (8)</u>	<u>\$ 6,182</u>

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

<u>Activity Funds</u>	<u>Total</u>
\$ 25,339	\$ 679,062 2,774 21,136 491,417
<u>\$ 25,339</u>	<u>\$ 1,194,389</u>
\$ -	\$ 36,433 - 1,979
<u>\$ -</u>	<u>\$ 38,412</u>
\$ - 25,339	\$ 21,136 6,684 1,128,157
<u>\$ 25,339</u>	<u>\$ 1,155,977</u>
<u>\$ 25,339</u>	<u>\$ 1,194,389</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, 2012

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>
Revenues:			
Property taxes	\$ 57,003	\$ -	\$ -
Fees and charges	66,068		
State aid	5,698,931	334,607	20,919
Federal aid	35,124		
Earnings on investments	1,842		
Miscellaneous	12,370	1,130	1,358
	<u>\$ 5,871,338</u>	<u>\$ 335,737</u>	<u>\$ 22,277</u>
Total revenues			
Expenditures:			
Current:			
Instruction	\$ 2,756,301	\$ -	\$ 25,335
Support services - Students	439,470		
Support services - Instruction	165,722		30
General administration	199,931		
School administration	806,786		
Central services	239,694		
Operation of plant	1,005,847		
Transportation	34,031	338,960	
Food services	18,068		
Other support services	12,139		
Capital outlay	11,204	5,500	
	<u>\$ 5,689,193</u>	<u>\$ 344,460</u>	<u>\$ 25,365</u>
Total expenditures			
Revenues over (under) expenditures	\$ 182,145	\$ (8,723)	\$ (3,088)
Other financing sources:			
Loan proceeds			
Operating transfers in (out)			
	<u>\$ 182,145</u>	<u>\$ (8,723)</u>	<u>\$ (3,088)</u>
Net change in fund balance			
Fund balance, July 1, 2011	942,319	8,715	9,270
Fund balance, June 30, 2012	<u>\$ 1,124,464</u>	<u>\$ (8)</u>	<u>\$ 6,182</u>

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

<u>Activity Funds</u>	<u>Total</u>
\$ -	\$ 57,003
26,803	92,871
	6,054,457
	35,124
	1,842
	<u>14,858</u>
<u>\$ 26,803</u>	<u>\$ 6,256,155</u>
\$ 29,402	\$ 2,811,038
	439,470
	165,752
	199,931
	806,786
	239,694
	1,005,847
	372,991
	18,068
	12,139
	<u>16,704</u>
<u>\$ 29,402</u>	<u>\$ 6,088,420</u>
\$ (2,599)	\$ 167,735
	-
	-
<u>\$ (2,599)</u>	<u>\$ 167,735</u>
<u>27,938</u>	<u>988,242</u>
<u>\$ 25,339</u>	<u>\$ 1,155,977</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 1,000	\$ 10,000	\$ 35,124	\$ 25,124
State sources	5,621,356	5,621,356	5,726,976	105,620
Local sources	202,898	202,898	136,498	(66,400)
Interest income	57	57	1,842	1,785
Total revenues	\$ 5,825,311	\$ 5,834,311	\$ 5,900,440	\$ 66,129
Expenditures:				
Current:				
Instruction	\$ 3,198,764	\$ 3,209,446	\$ 2,787,827	\$ 421,619
Support services - Students	512,819	516,223	439,470	76,753
Support services - Instruction	160,671	170,885	165,722	5,163
General administration	210,549	218,203	201,119	17,084
School administration	842,798	835,609	809,277	26,332
Central services	260,018	261,402	239,694	21,708
Operation of plant	1,091,045	1,103,850	1,006,395	97,455
Transportation	46,131	46,131	34,107	12,024
Other support services	61,206	61,206	12,139	49,067
Food services	87,253	87,253	13,866	73,387
Capital outlay	162,743	144,627	14,973	129,654
Non-operating	-	-	-	-
Total expenditures	\$ 6,633,997	\$ 6,654,835	\$ 5,724,589	\$ 930,246
Revenues over (under) expenditure	\$ (808,686)	\$ (820,524)	\$ 175,851	\$ 996,375
Other financing sources (uses)				
Transfers out	-	-	-	-
Net change in fund balance	\$ (808,686)	\$ (820,524)	\$ 175,851	\$ 996,375
Fund balance, July 1, 2011	942,319	942,319	963,115	20,796
Fund balance, June 30, 2012	\$ 133,633	\$ 121,795	\$ 1,138,966	\$ 1,017,171
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 182,145	
Revenue accruals (net)			29,102	
Expenditure accruals (net)			(35,396)	
Other financing uses (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 175,851	

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 341,193	\$ 343,322	\$ 335,737	\$ (7,585)
Expenditures:				
Current:				
Pupil transportation	\$ 311,954	\$ 337,822	\$ 339,460	\$ (1,638)
Capital outlay		5,500	5,000	500
Total expenditures	<u>\$ 311,954</u>	<u>\$ 343,322</u>	<u>\$ 344,460</u>	<u>\$ (1,138)</u>
Net change in fund balance	\$ 29,239	\$ -	\$ (8,723)	\$ (8,723)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>8,715</u>	<u>8,715</u>
Fund balance, June 30, 2012	<u>\$ 29,239</u>	<u>\$ -</u>	<u>\$ (8)</u>	<u>\$ (8)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (8,723)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (8,723)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
State sources	35,151	35,151	20,919	(14,232)
Local sources	<u>500</u>	<u>500</u>	<u>1,358</u>	<u>858</u>
Total revenues	<u>\$ 35,651</u>	<u>\$ 35,651</u>	<u>\$ 22,277</u>	<u>\$ (13,374)</u>
<b>Expenditures:</b>				
Current:				
Instruction	\$ 19,130	\$ 25,337	\$ 25,335	\$ 2
Support service - Instruction	<u>6,683</u>	<u>476</u>	<u>30</u>	<u>446</u>
Total expenditures	<u>\$ 25,813</u>	<u>\$ 25,813</u>	<u>\$ 25,365</u>	<u>\$ 448</u>
Net change in fund balance	\$ 9,838	\$ 9,838	\$ (3,088)	\$ (12,926)
Fund balance, July 1, 2011	<u>2,829</u>	<u>2,829</u>	<u>9,270</u>	<u>6,441</u>
Fund balance, June 30, 2012	<u><u>\$ 12,667</u></u>	<u><u>\$ 12,667</u></u>	<u><u>\$ 6,182</u></u>	<u><u>\$ (6,485)</u></u>
<b>Budgetary reconciliation:</b>				
Net change in fund balance, GAAP basis			\$ (3,088)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (3,088)</u></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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 239,059	\$ 242,059	\$ 255,403	\$ 13,344
Local sources	27,673	27,673	30,739	3,066
Earnings on investments			73	73
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	\$ 266,732	\$ 269,732	\$ 286,215	\$ 16,483
Expenditures:				
Current:				
Food services	<u>306,461</u>	<u>309,461</u>	<u>354,754</u>	<u>(45,293)</u>
Net change in fund balance	\$ (39,729)	\$ (39,729)	\$ (68,539)	\$ (28,810)
Fund balance, July 1, 2011	<u>40,203</u>	<u>40,203</u>	<u>40,203</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 474</u>	<u>\$ 474</u>	<u>\$ (28,336)</u>	<u>\$ (28,810)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (54,436)	
Revenue accruals (net)			(14,810)	
Expenditure accruals (net)			<u>707</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (68,539)</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 30,586	\$ 30,586	\$ 29,765	\$ (821)
Earnings on investments	20	20	19	(1)
Total revenues	<u>\$ 30,606</u>	<u>\$ 30,606</u>	<u>\$ 29,784</u>	<u>\$ (822)</u>
Expenditures:				
Current:				
Instruction	<u>41,789</u>	<u>41,789</u>	<u>19,273</u>	<u>22,516</u>
Net change in fund balance	\$ (11,183)	\$ (11,183)	\$ 10,511	\$ 21,694
Fund balance, July 1, 2011	<u>11,183</u>	<u>11,183</u>	<u>6,108</u>	<u>(5,075)</u>
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,619</u>	<u>\$ 16,619</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 8,983	
Revenue accruals (net)				
Expenditure accruals (net)			<u>1,528</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 10,511</u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - TITLE I STIMULUS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 15,313	\$ 42,827	\$ 27,514
Expenditures:				
Current:				
Instruction	\$ -	\$ 6,224	\$ 6,222	\$ 2
General administration				-
School administration		9,089	9,089	-
Total expenditures	\$ -	\$ 15,313	\$ 15,311	\$ 2
Net change in fund balance	\$ -	\$ -	\$ 27,516	\$ 27,516
Fund balance, July 1, 2011	-	-	(9,526)	(9,526)
Fund balance, June 30, 2012	\$ -	\$ -	\$ 17,990	\$ 17,990
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			27,516	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 27,516	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - IDEA B RISK POOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 1,250	\$ 1,087	\$ (163)
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students		1,250	1,185	65
School administration				-
Total expenditures	\$ -	\$ 1,250	\$ 1,185	\$ 65
Net change in fund balance	\$ -	\$ -	\$ (98)	\$ (98)
Fund balance, July 1, 2011	-	-	(1,087)	(1,087)
Fund balance, June 30, 2012	\$ -	\$ -	\$ (1,185)	\$ (1,185)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(98)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (98)	

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 7,000	\$ 8,482	\$ 6,942	\$ (1,540)
Expenditures:				
Current:				
Support services - Students	<u>7,000</u>	<u>8,482</u>	<u>7,447</u>	<u>1,035</u>
Net change in fund balance	\$ -	\$ -	\$ (505)	\$ (505)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(1,534)</u>	<u>(1,534)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,039)</u></u>	<u><u>\$ (2,039)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(505)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (505)</u></u>	

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 26,280	\$ 36,753	\$ 24,454	\$ (12,299)
Expenditures:				
Current:				
Instruction	<u>26,280</u>	<u>36,753</u>	<u>36,753</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (12,299)	\$ (12,299)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(11,566)</u>	<u>(11,566)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (23,865)</u></u>	<u><u>\$ (23,865)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(12,299)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (12,299)</u></u>	

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 37,841	\$ 52,253	\$ 21,884	\$ (30,369)
Local sources	349	349	348	(1)
Earnings on investments	<u>183,456</u>	<u>183,456</u>	<u>227,234</u>	<u>43,778</u>
 Total revenues	 <u>\$ 221,646</u>	 <u>\$ 236,058</u>	 <u>\$ 249,466</u>	 <u>\$ 13,408</u>
Expenditures:				
Current:				
Administration	\$ 2,500	\$ 2,500	\$ 2,272	\$ 228
Operation of plant	226,954	206,815	123,964	82,851
Capital outlay	<u>252,500</u>	<u>291,096</u>	<u>106,455</u>	<u>184,641</u>
 Total expenditures	 <u>\$ 481,954</u>	 <u>\$ 500,411</u>	 <u>\$ 232,691</u>	 <u>\$ 267,720</u>
Net change in fund balance	\$ (260,308)	\$ (264,353)	\$ 16,775	\$ 281,128
Fund balance, July 1, 2011	<u>264,353</u>	<u>264,353</u>	<u>264,353</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 4,045</u>	<u>\$ -</u>	<u>\$ 281,128</u>	<u>\$ 281,128</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 14,203	
Revenue accruals (net)			(921)	
Expenditure accruals (net)			<u>3,493</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 16,775</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 60,543	\$ 60,809	\$ 55,600	\$ (5,209)
Expenditures:				
Current:				
Support services - Students	60,543	60,809	60,809	-
Net change in fund balance	\$ -	\$ -	\$ (5,209)	\$ (5,209)
Fund balance, July 1, 2011	-	-	-	-
Fund balance, June 30, 2012	\$ -	\$ -	\$ (5,209)	\$ (5,209)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(5,209)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (5,209)	

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



Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - TEACHER/PRINCIPLE TRAINING**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 61,954	\$ 93,572	\$ 68,458	\$ (25,114)
Expenditures:				
Current:				
Instruction	\$ -			\$ -
Support services - Students				-
School administration	<u>61,954</u>	<u>93,572</u>	<u>93,572</u>	<u>-</u>
Total expenditures	<u>\$ 61,954</u>	<u>\$ 93,572</u>	<u>\$ 93,572</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (25,114)	\$ (25,114)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>(8,652)</u>	<u>(8,652)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (33,766)</u></u>	<u><u>\$ (33,766)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(25,114)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (25,114)</u></u>	

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 4,444	\$ 4,185	\$ (259)
Expenditures:				
Current:				
Food services	<u>-</u>	<u>4,444</u>	<u>4,444</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (259)	\$ (259)
Fund balance, July 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (259)</u></u>	<u><u>\$ (259)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(259)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (259)</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - DUAL CREDIT INSTRUCTIONAL MATERIALS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 7,305	\$ 6,121	\$ (1,184)
Expenditures:				
Current:				
Instruction	\$ -	\$ 7,305	\$ 7,305	\$ -
School administration	-	-	-	-
Total expenditures	\$ -	\$ 7,305	\$ 7,305	\$ -
Net change in fund balance	\$ -	\$ -	\$ (1,184)	\$ (1,184)
Fund balance, July 1, 2011	-	-	-	-
Fund balance, June 30, 2012	\$ -	\$ -	\$ (1,184)	\$ (1,184)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(1,184)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (1,184)	

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 12,522	\$ 13,637	\$ 4,134	\$ (9,503)
Expenditures:				
Current:				
Instruction	\$ 12,069	\$ 13,184	\$ 11,594	\$ 1,590
General administration	453	453	453	-
Total expenditures	<u>\$ 12,522</u>	<u>\$ 13,637</u>	<u>\$ 12,047</u>	<u>\$ 1,590</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ (7,913)	\$ (7,913)
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (7,913)	\$ (7,913)
Fund balance, July1, 2011	<u>-</u>	<u>-</u>	<u>(240)</u>	<u>(240)</u>
Fund balance, June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,153)</u></u>	<u><u>\$ (8,153)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(7,913)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (7,913)</u></u>	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - 2010 LIBRARY BOND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 10,515	\$ 10,515	\$ 10,514	\$ (1)
Expenditures:				
Current:				
Support services - Instruction	10,515	10,515	10,514	1
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2011	-	-	-	-
Fund balance, June 30, 2012	\$ -	\$ -	\$ -	\$ -
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 - GO BOND STUDENT LIBRARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 625	\$ 1,063	\$ 438
Expenditures:				
Current:				
Support services - Instruction	-	625	625	-
Net change in fund balance	\$ -	\$ -	\$ 438	\$ 438
Fund balance, July 1, 2011	-	-	(438)	(438)
Fund balance, June 30, 2012	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			438	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 438	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - EDUCATION JOB FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 2,339	\$ 37,662	\$ 35,323
Expenditures:				
Current:				
Instruction	\$ -	\$ 2,339	\$ 2,339	\$ -
General administration				-
School administration				-
Total expenditures	\$ -	\$ 2,339	\$ 2,339	\$ -
Net change in fund balance	\$ -	\$ -	\$ 35,323	\$ 35,323
Fund balance, July 1, 2011	-	-	(35,323)	(35,323)
Fund balance, June 30, 2012	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			35,323	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 35,323	

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

Lordsburg Municipal School District #1  
**SPECIAL REVENUE FUND - LITERACY THROUGH SCHOOL LIBRARIES**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 40,474	\$ 46,580	\$ 46,489	\$ (91)
Expenditures:				
Current:				
Support services - Instruction	40,474	46,580	45,988	592
Net change in fund balance	\$ -	\$ -	\$ 501	\$ 501
Fund balance, July 1, 2011	-	-	(501)	(501)
Fund balance, June 30, 2012	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			501	
Expenditure accruals (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ 501	

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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 805,635	\$ 805,635	\$ 805,665	\$ 30
Earnings on investments	600	600	698	98
	<u>806,235</u>	<u>806,235</u>	<u>806,363</u>	<u>128</u>
Total revenues	\$ 806,235	\$ 806,235	\$ 806,363	\$ 128
Expenditures:				
Current:				
Administration	\$ 7,500	\$ 8,100	\$ 8,056	\$ 44
Principal	600,000	600,000	600,000	-
Interest	121,807	121,807	121,807	-
Reserve	756,267	755,267		755,267
	<u>1,485,574</u>	<u>1,485,174</u>	<u>729,863</u>	<u>755,311</u>
Total expenditures	\$ 1,485,574	\$ 1,485,174	\$ 729,863	\$ 755,311
Net change in fund balance	\$ (679,339)	\$ (678,939)	\$ 76,500	\$ 755,439
Fund balance, July 1, 2011	<u>758,850</u>	<u>758,850</u>	<u>765,566</u>	<u>6,716</u>
Fund balance, June 30, 2012	<u>\$ 79,511</u>	<u>\$ 79,911</u>	<u>\$ 842,066</u>	<u>\$ 762,155</u>

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 1,500	\$ 1,500	\$ 22,276	\$ 20,776
Earnings on investments				-
Total revenues	\$ 1,500	\$ 1,500	\$ 22,276	\$ 20,776
Expenditures:				
Capital outlay	1,092,554	1,092,554	642,529	450,025
Revenues over (under) expenditures	\$ (1,091,054)	\$ (1,091,054)	\$ (620,253)	\$ (429,249)
Other financing sources (uses):				
Bond proceeds	-	-	1,500,000	1,500,000
Net change in fund balance after other financing sources (uses)	\$ (1,091,054)	\$ (1,091,054)	\$ 879,747	\$ 1,970,801
Fund balance, July 1, 2011	1,902,430	1,902,430	1,108,792	(793,638)
Fund balance, June 30, 2012	\$ 811,376	\$ 811,376	\$ 1,988,539	\$ 1,177,163

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, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/2012</u>
<b>Assets</b>				
Cash and investments:				
Lordsburg High School	\$ 100,309	\$ 67,142	\$ 63,858	\$ 103,593
DTMS Middle School	9,005	12,826	17,043	4,788
Central Elementary School	4,353	-	2,149	2,204
Southside Elementary School	<u>7,807</u>	<u>2,000</u>	<u>9,789</u>	<u>18</u>
 Total Assets	 <u>\$ 121,474</u>	 <u>\$ 81,968</u>	 <u>\$ 92,839</u>	 <u>\$ 110,603</u>
 <b>Liabilities</b>				
Deposits held for others:				
Lordsburg High School	\$ 100,309	\$ 67,142	\$ 63,858	\$ 103,593
DTMS Middle School	9,005	12,826	17,043	4,788
Central Elementary School	4,353	-	2,149	2,204
Southside Elementary School	<u>7,807</u>	<u>2,000</u>	<u>9,789</u>	<u>18</u>
 Total Liabilities	 <u>\$ 121,474</u>	 <u>\$ 81,968</u>	 <u>\$ 92,839</u>	 <u>\$ 110,603</u>

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1  
**SCHEDULE OF DEPOSITORY COLLATERAL**  
June 30, 2012

	Western Bank	Total
Checking and CD's	\$ 4,731,699	\$ 4,731,699
Total on deposit	\$ 4,731,699	\$ 4,731,699
Less: FDIC insurance	(250,000)	(250,000)
Total uninsured public funds	\$ 4,481,699	\$ 4,481,699
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 2,240,850	\$ 2,240,850
Pledged Securities:		
FNMA 2001-64E QH 31392AHX9 11/25/2031	\$ 624,508	\$ 624,508
Silver City School District, 827513EX6 8/1/2017	420,000	420,000
Silver City NM Gross Recpts 82750PAP9 6/1/2025	299,271	299,271
FHR 3820 PA 3137A8S31 7/15/2019	1,046,266	1,046,266
Torrence County NM 891398BA6 8/1/2016	325,806	325,806
Total pledged securities	\$ 2,715,851	\$ 2,715,851
Pledged securities over (under) requirement	\$ 475,002	\$ 475,002

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, 2012

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Western Bank</u>			
Federal Projects	Checking	\$ 51,127	\$ -
Activity	Checking	3,225	-
Tax Account	Checking	-	-
Athletics	Checking	-	-
Cafeteria	Checking	79,215	-
Operational	Checking	739,654	131,067
Investments	Checking	<u>3,858,478</u>	<u>3,858,478</u>
Total cash and investments		<u>\$ 4,731,699</u>	<u>\$ 3,989,545</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, 2012

	<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, 2011	\$ 963,117	\$ 8,715	\$ 9,271	\$ 40,203	\$ 6,108
Add: Current year receipts	5,900,440	335,737	22,277	286,215	29,785
Prior year warrants voided					
Less: Current year expenditures	(5,956,074)	(344,460)	(25,366)	(295,131)	(20,557)
Receivables/payables	231,482			(59,622)	1,284
Transfers					
Total cash and investments as of June 30, 2012	<u>\$ 1,138,965</u>	<u>\$ (8)</u>	<u>\$ 6,182</u>	<u>\$ (28,335)</u>	<u>\$ 16,620</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, 2012

	Non- Instructional Support	Federal Projects	Federal Direct	State Flowthrough	Local\State Fund
Total cash and investments as of July 1, 2011	\$ 202,870	\$ (347,436)	\$ (47,552)	\$ (438)	\$ -
Add: Current year receipts	112,122	763,367	151,743	21,883	
Prior year warrants voided					
Less: Current year expenditures	(125,483)	(670,262)	(90,403)	(22,888)	
Receivables/payables	(28)	(184,107)	(18,997)		
Transfers					
Total cash and investments as of June 30, 2012	<u>\$ 189,481</u>	<u>\$ (438,438)</u>	<u>\$ (5,209)</u>	<u>\$ (1,443)</u>	<u>\$ -</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, 2012

	<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, 2011	\$ 1,108,792	\$ -	\$ 264,353	\$ 765,566	\$ 2,973,569
Add: Current year receipts	1,522,276		249,465	806,363	10,201,673
Prior year warrants voided					-
Less: Current year expenditures	(642,499)		(232,691)	(729,864)	(9,155,678)
Receivables/payables	(31)				(30,019)
Transfers					-
Total cash and investments as of June 30, 2012	<u>\$ 1,988,538</u>	<u>\$ -</u>	<u>\$ 281,127</u>	<u>\$ 842,065</u>	<u>\$ 3,989,545</u>



Lordsburg Municipal School District No. 1  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
 June 30, 2012

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, 2012

<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	\$ 411,695
Special Education - Grants to States	84.027	24.106	277,545
Special Education - Preschool Grants	84.173	24.109	36,753
Education of the Homeless	84.196	24.113	7,447
ARRA Title I Grants to LEA's	84.389	24.201	15,311
Education Job Fund	84.410	25.255	2,339
Rural Education	84.358	24.160	12,047
Improving Literacy Through School Libraries	84.364	25.235	45,988
21st Century Learning	84.287	N/A	60,634
Teacher Quality State Grants	84.367	24.154	<u>93,572</u>
Total U.S. Department of Education			<u>\$ 963,331</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Direct Programs:			
Schools and Roads-Grants to States	10.665	N/A	\$ 35,124
Passed through N.M. Department of Education:			
National School Lunch Program	10.555	N/A	174,749
School Breakfast Program	10.553	N/A	75,198
Passed through N.M. Department of Human Svc's:			
Emergency Food Assistance Program	10.569	N/A	<u>15,982</u>
Total U.S. Department of Agriculture			<u>\$ 301,053</u>
<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	<u>\$ 60,869</u>
Total expenditures of federal awards			<u><u>\$ 1,325,253</u></u>

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, 2012

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 \$15,982 in food commodities during the 2011-2012 fiscal year.

Note 3    The District had the following insurance coverage during the year ended June 30, 2012:

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, 2012

Current Status

**Findings – Financial Statement Audit**

2011-1 Expenditures were incurred in excess of budgetary authority

Repeated

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

None

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

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

We were engaged to audit the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of Lordsburg Municipal School District No. 1 as of and for the year ended June 30, 2012, which collectively comprise Lordsburg Municipal School District No. 1's basic financial statements and have issued our report thereon dated November 10, 2012. We were also engaged to audit the financial statements of each of the District's non-major governmental funds and related budgetary comparisons presented as other supplementary information as of and for the year ended June 30, 2012 and have issued our report thereon dated November 10, 2012. Our report dated November 10, 2012, on the financial statements stated that because we were unable to satisfy ourselves as to cash balances due to the lack of bank reconciliations, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general and major special revenue funds, and the financial statements of the non-major governmental funds and related budgetary comparisons presented as other supplementary information.

**Internal Control Over Financial Reporting**

Management of Lordsburg Municipal School District No. 1 is responsible for establishing and maintaining effective 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 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses, and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2012-1 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2012-2 to be a significant deficiency.

#### 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5 NMSA 1978 which are described in the accompanying schedule of findings and questioned costs as findings 2012-3, 2012-4, and 2011-1.

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

This report is intended solely for the information and use of management, the Board of Education and its audit committee, others within the organization, the Public Education Department, the New Mexico State Auditor, the New Mexico Legislature, 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

November 10, 2012

Stone, McGee & Co.  
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Lordsburg Municipal School District No. 1's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lordsburg Municipal School District No. 1's major federal programs for the year ended June 30, 2012. 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 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 of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

Management of 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 Lordsburg Municipal School District No. 1's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lordsburg Municipal School District No. 1's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-5 to be a material weakness.

Lordsburg Municipal School District No. 1's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Education and its audit committee, others within the entity, the Public Education Department, the New Mexico State Auditor, the New Mexico Legislature, 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

November 10, 2012

Stone, McGee & Co.  
Certified Public Accountants



Lordsburg Municipal School District No. 1  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2012

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report disclaims an opinion on the financial statements of Lordsburg Municipal School District No. 1.
2. Two significant deficiencies relating to the audit of the financial statements are 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*. One 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. One significant deficiency related to the audit of the major federal award programs are reported in the *Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*. The deficiency is reported as a material weakness.
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. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included: The Title I Cluster, consisting of Title I Grants to Lea's, CFDA No. 84.010 and ARRA Title I Grants to LEA's, CFDA No. 84.389.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. Lordsburg Municipal School District No. 1 was determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

2012-1 Cash Reconciliations (Material Weakness)

Condition – The District has not reconciled its bank accounts since January, 2012. As a result, the cash in banks has not been reconciled to individual fund cash since January, 2012.

Criteria – Generally accepted accounting principles and the New Mexico Public Education Department's "Manual of Procedures" requires monthly reconciliation of bank accounts, and reconciliation of cash in bank to individual fund balances. The "Manual of Procedures" further requires the reporting of reconciled cash balances to the Department on a periodic basis.

Effect – The District is unable to report bank cash balances that can be verified, and individual fund cash balances cannot be determined. This violates the Department’s manual of procedures, and renders the District’s books and records possibly unreliable and certainly not auditable. The District’s lack of ability to obtain an opinion on its financial statements could have an effect on legislative and federal funding, as well as issuance of future general obligation bonds.

Cause – The District’s business manager retired effective June 30, 2011. The newly hired business manager was unable to reconcile bank statements on a timely basis, and no oversight was provided by other District personnel.

Recommendation – We recommend that the District reconcile the bank accounts as soon as possible, and compare them to individual fund balances for accuracy. We further recommend that the District establish a procedure whereby other District personnel oversight the reconciling process to insure timely reconciliations are performed.

Agency Response – The District was unaware that this reconciliation process was not being performed until June, 2012. When the District was made aware of this situation, the former Business manager was contacted and she attempted to complete the reconciliation process prior to the audit. However, she was only able to complete reconciliations through January prior to the audit. We are in the process of reconciling the accounts, and the accounts to the funds, as quickly as possible. We now have in place a procedure whereby District personnel will insure that reconciliations are performed timely.

#### 2012-2 Purchase Order Control (Significant Deficiency)

Condition – In two of 67 purchase orders examined in the general fund, we found two instances where the original purchase order was manually adjusted upward for material amounts, and there was no indication of approval of the adjusted amounts.

Criteria – Sections 13-1-1 to 13-1-199 NMSA 1978, commonly called the Procurement Code, requires in part that expenditures be authorized by an approved purchase order prior to incurring the cost.

Effect – The internal controls established by the purchase order approval process have been compromised. If given the ability to manually adjust purchase orders without evidence of approval, employees could circumvent the entire purchasing approval process. The entire budgetary process is based on the use of purchase orders to control spending, therefore excess or unnecessary spending could result.

Cause – The employees manually adjusting the purchase orders did not obtain the appropriate approval, or no evidence of the approval was obtained on the face of the purchase order.

Recommendation – We recommend that the approval process already in effect be enforced. If an adjustment to the purchase order is required, the purchasing agent should, through the appropriate computer program, issue an undated or supplemental purchase order. Staff should be made aware that manual adjustments to purchase orders are not allowed.

Agency Response – The policy requiring the use of updated or supplemental purchase orders is already in effect. Personnel will be reminded that the manual adjustment of purchase orders is not permitted.

### 2012-3 Travel and Per Diem (Other)

Condition – In a total of 25 travel and per diem reimbursements tested, we noted two instances where meals were reimbursed in excess of the maximum allowed by a total of \$2, five instances where receipt detail was missing, and one instance where a flat fee of \$500 was reimbursed to an employee for travel.

Criteria – Section 10-8-1 to 10-8-8 NMSA 1978, commonly called the Mileage and Per Diem Act, requires specific documentation of travel and/or per diem be attached to requests for reimbursement by employees, and that travel and per diem reimbursements be made only if properly documented, approved, and within legal maximums.

Effect – The District has violated state statutes, and the internal control established by requiring properly documented and approved requests prior to reimbursement has been compromised.

Cause – The District did not follow its travel and per diem policy, which requires that reimbursement requests be properly documented and approved.

Recommendation – We recommend that the District follow its policy that is already in place, and that emphasis be placed on review of requests prior to reimbursement.

Agency Response – The recommendation will be adopted.

### 2012-4 Timing of Cash Deposits (Other)

Condition – In one of 25 deposits tested for activity accounts, the deposit was made 20 days after the receipt was written.

Criteria – The N.M. Public Education Department’s “Manual of Procedures” requires that deposits be made within twenty four hours of receipt.

Effect – The internal controls established by the timely deposit of funds has been compromised, and there is the increased likelihood of misappropriation of funds. In addition state regulations have been violated.

Cause – The receipt was during a summer period when no school was in session, and personnel did not follow the District’s deposit policy in this instance.

Recommendation – We recommend that deposits be made within twenty four hours of receipt, as required by the “Manual of Procedures”.

Agency Response – The deposit policy is already in effect, and we will stress the policy to each school in the District.

### 2011-1 Budgetary Controls (Other)

Condition – The District incurred expenditures in excess of budgetary authority in the following funds and functions:

General Fund:	
Transportation	\$1,638

Cafeteria:	
Food services	\$45,293

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that expenditures not exceed budgetary authority. The function is the legal level of control.

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 as necessary.

Agency Response – The policy is currently in place, but these adjustments were not made due to personnel turnover. The District intends to comply with the policy in future years.

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

DEPARTMENT OF EDUCATION

2012-5 Title I Grants to LEA's-CFDA No. 84.010, Grant No. 24.101  
Grant period-Year ended June 30, 2012

*Material Weakness:* As discussed in Finding 2012-1, the District has not reconciled cash in banks, and therefore cash by individual fund cannot be verified, including federal funds. Because cash has not been reconciled, the possibility exists that the appropriate amount of cash has not been identified with federal funds. Procedures should be implemented to reconcile cash in banks, and verify that the correct cash balances by fund are included in the District's general ledger.

**OTHER – FINANCIAL STATEMENT PREPARATION**

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s, with substantial assistance from District personnel.

**EXIT CONFERENCE**

The contents of this report were discussed October 18, 2012. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Manuel D.V. Saucedo	Board President	Lordsburg Municipal Schools
Randall Piper	Superintendent	Lordsburg Municipal Schools
Irene Baisa	Acting Business Manager	Lordsburg Municipal Schools
Kay Stone	Shareholder	Stone, McGee & Co., CPAs
Mike Stone	Shareholder	Stone, McGee & Co., CPAs