

Lordsburg Municipal School District No. 1

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

For The Fiscal Year Ended June 30, 2013

Lordsburg Municipal School District #1
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Lordsburg Municipal School District No. 1
DIRECTORY OF OFFICIALS
June 30, 2013

BOARD OF EDUCATION

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

SCHOOL OFFICIALS

Randall Piper	Superintendent
Tina Diaz	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.

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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

Report on Financial Statements

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, 2013, and the related notes to the financial statements 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, as defined by the Governmental Accounting Standards Board in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions.

Basis for Disclaimer of Opinion

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.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph of this report.

Other Matters

Required Supplementary Information

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.

Other Information

We were engaged for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements, the combining and individual fund financial statements, and budgetary comparisons. 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 the other schedules presented as other supplemental data as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph of this report, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, 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.

Stone, McGee & Co., CPAs

Silver City, New Mexico
November 5, 2013

Stone, McGee & Co.
Certified Public Accountants

Lordsburg Municipal School District #1
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,011,599
Property taxes receivable	73,672
Due from other governments	363,141
Inventory	21,357
Bond issue costs	107,068
Capital assets:	
Land	341,566
Buildings	29,550,364
Furniture and fixtures and equipment	4,139,996
Construction in progress	-
Less accumulated depreciation	(17,037,293)
Total capital assets, net of depreciation	\$ 16,994,633
Total assets	\$ 19,571,470
Liabilities	
Cash overdraft	\$ -
Accounts payable	98,571
Bond premiums	2,764
Deferred revenue	17,990
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	700,000
Accrued interest payable	30,117
Portion due or payable after one year:	
Bonds payable	3,990,000
Compensated absences	33,837
Total liabilities	\$ 4,873,279
Net Position	
Net investment in capital assets	\$ 12,304,633
Restricted for:	
Debt service	812,394
Capital projects	261,747
Other purposes	361,344
Unrestricted	958,073
Total net position	\$ 14,698,191

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, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental activities:					
Instruction	\$ 3,615,942	\$ 103,803	\$ 874,640	\$ -	\$ (2,637,499)
Support services - Students	575,652		49,826		(525,826)
Support services - Instruction	161,507				(161,507)
General administration	205,305				(205,305)
School administration	970,622		90,409		(880,213)
Central services	220,561				(220,561)
Operation of plant	1,184,255			29,850	(1,154,405)
Food services	334,986	29,208	254,441		(51,337)
Transportation	423,106		345,513		(77,593)
Other support services	9,527				(9,527)
Interest on long-term debt	145,441				(145,441)
	<u>7,846,904</u>	<u>133,011</u>	<u>1,614,829</u>	<u>29,850</u>	<u>(6,069,214)</u>
Total governmental activities	<u>\$ 7,846,904</u>	<u>\$ 133,011</u>	<u>\$ 1,614,829</u>	<u>\$ 29,850</u>	<u>\$ (6,069,214)</u>

General revenues:	
Property taxes:	
Levied for general purposes	\$ 56,928
Levied for debt service	787,847
Levied for capital improvements	227,759
State aid - formula grants	4,928,282
Recoveries and refunds	12,972
Gain on disposition of assets	4,500
Unrestricted investment earnings	<u>2,349</u>
 Total general revenues and special items	 <u>\$ 6,020,637</u>
 Change in net position	 \$ (48,577)
Net position - beginning	<u>14,746,768</u>
Net position - ending	<u><u>\$ 14,698,191</u></u>

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

Lordsburg Municipal School District #1
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Title I	Entitlement
Assets			
Cash and investments	\$ 580,721	\$ -	\$ -
Taxes receivable	4,764		
Inventory	18,342		
Due from other governments		158,482	102,104
Interfund receivable	359,059		
Total assets	\$ 962,886	\$ 158,482	\$ 102,104
Liabilities and Fund Balance			
Accounts payable	\$ 75,280	\$ -	\$ -
Interfund payable		158,482	102,104
Deferred revenue	3,801		
Total liabilities	\$ 79,081	\$ 158,482	\$ 102,104
Fund balance:			
Nonspendable			
Inventories	\$ 18,342	\$ -	\$ -
Restricted for:			
Education			
Food service			
Capital projects			
Debt service			
Assigned for future expenditures	6,786		
Unassigned	858,677		
Total fund balance	\$ 883,805	\$ -	\$ -
Total liabilities and fund balance	\$ 962,886	\$ 158,482	\$ 102,104

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

<u>Teacher Training</u>	<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 280,784	\$ 790,861 51,650	\$ 359,233 17,258 3,015 48,582	\$ 2,011,599 73,672 21,357 363,141 359,059
53,973				
<u>\$ 53,973</u>	<u>\$ 280,784</u>	<u>\$ 842,511</u>	<u>\$ 428,088</u>	<u>\$ 2,828,828</u>
\$ 154 53,819	\$ 19,037	\$ - 37,489	\$ 4,100 44,654 31,391	\$ 98,571 359,059 72,681
<u>\$ 53,973</u>	<u>\$ 19,037</u>	<u>\$ 37,489</u>	<u>\$ 80,145</u>	<u>\$ 530,311</u>
\$ -	\$ -	\$ -	\$ 3,015 295,249 49,679	\$ 21,357 295,249 49,679 261,747 805,022 6,786 858,677
	261,747	805,022		
<u>\$ -</u>	<u>\$ 261,747</u>	<u>\$ 805,022</u>	<u>\$ 347,943</u>	<u>\$ 2,298,517</u>
<u>\$ 53,973</u>	<u>\$ 280,784</u>	<u>\$ 842,511</u>	<u>\$ 428,088</u>	<u>\$ 2,828,828</u>

Lordsburg Municipal School District #1
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
 June 30, 2013

Total governmental fund balances	\$	2,298,517
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		16,994,633
Bond issue costs are capitalized and amortized over the life of the bonds		107,068
Bond premiums are deferred and amortized over the life of the bonds		(2,764)
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		54,691
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		(4,690,000)
Accrued interest payable		(30,117)
Accrued compensated absences		(33,837)
		14,698,191
<i>Net Position of Governmental Activities</i>	\$	14,698,191

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, 2013

	General Fund	Title I	Entitlement	Teacher Training
Revenues:				
Property taxes	\$ 55,106	\$ -	\$ -	\$ -
Fees and charges	70,935			
State aid	5,712,017			
Federal aid	29,345	263,101	139,885	49,470
Earnings on investments	595			
Miscellaneous	16,411			
	\$ 5,884,409	\$ 263,101	\$ 139,885	\$ 49,470
Expenditures:				
Current:				
Instruction	\$ 2,913,970	\$ 237,031	\$ 120,060	\$ 4,384
Support services - Students	487,452		572	
Support services - Instruction	156,025			
General administration	191,378			
School administration	825,393	26,070	19,253	45,086
Central services	209,597			
Operation of plant	911,973			
Food service	95,314			
Transportation	355,952			
Other support services	9,527			
Debt service:				
Principal				
Interest				
Bond issue costs				
Capital outlay				
	\$ 6,156,581	\$ 263,101	\$ 139,885	\$ 49,470
Revenues over (under) expenditures	\$ (272,172)	\$ -	\$ -	\$ -
Other financing sources:				
Bond proceeds				
Bond premiums				
Operating transfers in (out)				
	\$ (272,172)	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	\$ 1,155,977			
Fund balance, June 30, 2013	\$ 883,805	\$ -	\$ -	\$ -

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

<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ 764,326	\$ 220,613	\$ 1,040,045
		62,076	133,011
		47,260	5,759,277
		331,883	813,684
1,148	328	278	2,349
		1,061	17,472
<u>\$ 1,148</u>	<u>\$ 764,654</u>	<u>\$ 663,171</u>	<u>\$ 7,765,838</u>
\$ -	\$ -	\$ 58,714	\$ 3,334,159
		49,254	537,278
	7,616	2,199	156,025
			201,193
			915,802
7,076			209,597
		188,458	1,107,507
		223,226	318,540
			355,952
			9,527
	675,000		675,000
	130,632		130,632
<u>1,673,504</u>		<u>80,765</u>	<u>1,754,269</u>
<u>\$ 1,680,580</u>	<u>\$ 813,248</u>	<u>\$ 602,616</u>	<u>\$ 9,705,481</u>
\$ (1,679,432)	\$ (48,594)	\$ 60,555	\$ (1,939,643)
			-
			-
			-
<u>\$ (1,679,432)</u>	<u>\$ (48,594)</u>	<u>\$ 60,555</u>	<u>\$ (1,939,643)</u>
<u>\$ 1,941,179</u>	<u>\$ 853,616</u>	<u>\$ 287,388</u>	<u>\$ 4,238,160</u>
<u>\$ 261,747</u>	<u>\$ 805,022</u>	<u>\$ 347,943</u>	<u>\$ 2,298,517</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, 2013

Net change in fund balances-total governmental funds \$ (1,939,643)

*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	1,754,269
Depreciation expense	(548,200)

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

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	32,489
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	675,000
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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	
Amortization	(21,659)

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.

6,339

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

(7,683)

Change in Net Position of Governmental Activities

\$ (48,577)

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -		\$ 29,345	\$ 29,345
State sources	5,570,304	5,570,304	5,712,017	141,713
Local sources	148,050	120,767	110,676	(10,091)
Interest income	3	3	595	592
 Total revenues	 \$ 5,718,357	 \$ 5,691,074	 \$ 5,852,633	 \$ 161,559
Expenditures:				
Current:				
Instruction	\$ 3,041,720	\$ 3,014,437	\$ 2,839,296	\$ 175,141
Support services - Students	469,621	469,621	486,459	(16,838)
Support services - Instruction	165,179	165,179	156,025	9,154
General administration	212,867	212,867	190,727	22,140
School administration	850,063	850,063	824,797	25,266
Central services	261,610	261,610	209,087	52,523
Operation of plant	1,014,361	1,014,361	909,436	104,925
Transportation	359,237	359,237	354,775	4,462
Other support services	50,485	50,485	9,527	40,958
Food services	106,710	106,710	99,516	7,194
Capital outlay				-
Non-operating				-
 Total expenditures	 \$ 6,531,853	 \$ 6,504,570	 \$ 6,079,645	 \$ 424,925
Revenues over (under) expenditure:	\$ (813,496)	\$ (813,496)	\$ (227,012)	\$ 586,484
Other financing sources (uses)				
Transfers out	-	-	-	-
Net change in fund balance	\$ (813,496)	\$ (813,496)	\$ (227,012)	\$ 586,484
Fund balance, July1, 2012	813,496	813,496	1,145,140	331,644
Fund balance, June 30, 2013	\$ -	\$ -	\$ 918,128	\$ 918,128
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (268,485)	
Revenue accruals (net)			(1,455)	
Expenditure accruals (net)			42,928	
Other financing uses (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (227,012)	

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 308,336	\$ 364,227	\$ 363,368	\$ (859)
Expenditures:				
Current:				
Instruction	\$ 253,353	\$ 307,009	\$ 237,031	\$ 69,978
Support services - Students				-
School administration	54,983	57,218	26,070	31,148
Total expenditures	<u>\$ 308,336</u>	<u>\$ 364,227</u>	<u>\$ 263,101</u>	<u>\$ 101,126</u>
Net change in fund balance	\$ -	\$ -	\$ 100,267	\$ 100,267
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>(258,749)</u>	<u>(258,749)</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (158,482)</u></u>	<u><u>\$ (158,482)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			100,267	
Expenditure accruals (net)				
Other financing uses (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 100,267</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 184,927	\$ 230,977	\$ 166,453	\$ (64,524)
Expenditures:				
Current:				
Instruction	\$ 130,163	\$ 137,198	\$ 120,060	\$ 17,138
Support services - Students	29,783	68,798	572	68,226
School administration	24,981	24,981	19,253	5,728
Total expenditures	<u>\$ 184,927</u>	<u>\$ 230,977</u>	<u>\$ 139,885</u>	<u>\$ 91,092</u>
Net change in fund balance	\$ -	\$ -	\$ 26,568	\$ 26,568
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>(128,672)</u>	<u>(128,672)</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (102,104)</u></u>	<u><u>\$ (102,104)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			26,568	
Expenditure accruals (net)				
Other financing uses (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 26,568</u></u>	

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 56,549	\$ 67,730	\$ 29,263	\$ (38,467)
Expenditures:				
Current:				
Instruction	\$ 2,699	\$ 13,880	\$ 4,317	\$ 9,563
Support services - Students				-
School administration	<u>53,850</u>	<u>53,850</u>	<u>44,999</u>	<u>8,851</u>
Total expenditures	<u>\$ 56,549</u>	<u>\$ 67,730</u>	<u>\$ 49,316</u>	<u>\$ 18,414</u>
Net change in fund balance	\$ -	\$ -	\$ (20,053)	\$ (20,053)
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>(33,766)</u>	<u>(33,766)</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (53,819)</u>	<u>\$ (53,819)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(20,207)	
Expenditure accruals (net)			<u>154</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (20,053)</u>	

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

Lordsburg Municipal School District #1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
Assets		
Cash and investments	\$ 53,580	\$ 103,527
Interest receivable	-	-
	<u>53,580</u>	<u>103,527</u>
Total assets	<u>\$ 53,580</u>	<u>\$ 103,527</u>
 Liabilities and Net Position		
Deposits held for others	<u>\$ 53,580</u>	<u>\$ 103,527</u>
Total liabilities	<u>\$ 53,580</u>	<u>\$ 103,527</u>
Net Position:		
Reserved for scholarship	\$ 580	
Reserved for endowment	<u>53,000</u>	
Total net position	<u>\$ 53,580</u>	

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

Lordsburg Municipal School District #1
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	<u>Private Purpose Trust Funds</u>
 Additions	
Gifts and contributions	\$ -
Interest earned	42
	<hr/>
Total additions	\$ 42
 Deductions	
Scholarships awarded	-
	<hr/>
Change in net position	\$ 42
Net position, July 1, 2012	53,538
	<hr/>
Net position, June 30, 2013	<u>\$ 53,580</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, 2013

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). 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 Generally Accepted Accounting Principles, component units are legally separate entities that are included in the District's reporting entity because of the significance or their operating no financial relationships with the District. Based on the criterion in Generally Accepted Accounting Principles, the District had no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position 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 the General Fund are sub-funds: Operational, the Unrestricted District Fund; Transportation, which accounts for State source revenue used to transport students; Instructional Materials, which accounts for State Source Funds used to purchase textbooks; and Non-instructional Support, which accounts for various student extracurricular activities.

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 an net position and changes in net position 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. Typically, these funds are owned by clubs, athletic teams, and/or student organizations.

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.

Teacher Training – to improve teacher quality to ensure that all teachers are highly qualified. Created by P.L. 07-110 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 position 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 position (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete.

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. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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. Property taxes are considered fully collectible.

In the government-wide Statement of Net Position, 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 position are reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net position 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 position 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.

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 position and displayed in three components.

- a. Net investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position 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 position – all other net positions 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 constraints 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). Expenditures incurred are normally paid from the most highly constrained fund balance.

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 general government services for the year ended June 30, 2013 was \$.50 per \$1,000 for non-residential property and \$.426 for residential property. The District's tax rate for debt service was \$6.786 per \$1,000 for both residential and nonresidential property. The District's tax rate for District improvements was \$1.707 per \$1,000 for residential and \$2.00 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, 2013 \$226,267 of the government bank balance of \$2,794,741 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ 226,267</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's name	2,318,474	1,918,706
Uninsured and uncollateralized	<u>226,267</u>	<u>-0-</u>
	<u>\$ 2,794,741</u>	<u>\$ 2,168,706</u>

Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 341,566	\$ -0-	\$ -0-	\$ 341,566
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets not being depreciated	<u>\$ 341,566</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 341,566</u>
Other capital assets:				
Building and improvements	\$ 27,804,095	\$ 1,746,269	\$ -0-	\$ 29,550,364
Furniture and equipment	<u>4,131,996</u>	<u>8,000</u>	<u>-0-</u>	<u>4,139,996</u>
Total other capital assets at historical cost	<u>\$ 31,936,091</u>	<u>\$ 1,754,269</u>	<u>\$ -0-</u>	<u>\$ 33,690,360</u>

Less accumulated depreciation:				
Buildings and improvements	\$(12,753,765)	\$ (453,275)	\$ -0-	\$(13,207,040)
Furniture and equipment	<u>(3,735,328)</u>	<u>(94,925)</u>	<u>-0-</u>	<u>(3,830,253)</u>
Total accumulated depreciation	<u>\$(16,489,093)</u>	<u>\$ (548,200)</u>	<u>\$ -0-</u>	<u>\$(17,037,293)</u>
Other capital assets, net	<u>\$ 15,446,998</u>	<u>\$ 1,206,069</u>	<u>\$ -0-</u>	<u>\$ 16,653,067</u>
Total capital assets, net	<u>\$ 15,788,564</u>	<u>\$ 1,206,069</u>	<u>\$ -0-</u>	<u>\$ 16,994,633</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 274,100
Support Services - Students	38,374
Support Services – Instruction	5,482
General Administration	4,112
School Administration	54,820
Central services	10,964
Operation of plant	76,748
Food Services	16,446
Transportation	<u>67,154</u>
	<u>\$ 548,200</u>

Note 4 Long-Term Debt

Changes in long-term debt were as follows during the year end June 30, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due In One Year
Compensated absences payable	\$ 26,154	\$ 38,749	\$ 31,066	\$ 33,837	\$ -0-
G.O. Bonds, series 2005	775,000		150,000	625,000	150,000
G.O. Bonds, series 2007	375,000		125,000	250,000	50,000
G.O. Bonds, series 2008	665,000		75,000	590,000	75,000
G.O. Bonds, series 2010	1,090,000		125,000	965,000	130,000
G.O. Bonds, series 2011	960,000	-0-	40,000	920,000	95,000
G.O. Bonds, series 2012	<u>1,500,000</u>		<u>160,000</u>	<u>1,340,000</u>	<u>200,000</u>
	<u>\$ 5,391,154</u>	<u>\$ 38,749</u>	<u>\$ 706,066</u>	<u>\$ 4,723,837</u>	<u>\$ 700,000</u>

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2014	\$ 700,000	\$ 113,582
2015	625,000	99,843
2016	500,000	85,948
2017	475,000	71,966
2018	370,000	59,849
2019-2023	1,900,000	141,491
2024-2028	<u>120,000</u>	<u>1,668</u>
	<u>\$4,690,000</u>	<u>\$ 574,347</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 \$5,264,342 at June 30, 2013, 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 2014 through 2028. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2013, the District recognized \$764,326 in property tax revenue pledged to retire the bonded indebtedness, and retired \$805,632 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.

Funding Policy

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2013, the Lordsburg Municipal Schools was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, Lordsburg Municipal Schools will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

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, 2013, 2012, and 2011, were \$402,378, \$375,162, and \$473,811, 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 RHA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans, 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Lordsburg Municipal School's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$72,590, \$71,620, and \$70,186, 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. No losses exceeded insurance in the past three years.

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 Inter-fund Activity

Inter-fund balances at June 30, 2013, consisted of the following:

	<u>Inter-Fund Payable</u>				
<u>Inter-fund Receivable</u>	<u>Teacher Training</u>	<u>Title I</u>	<u>Entitlement</u>	<u>All Others</u>	<u>Total</u>
General	\$ <u>53,819</u>	\$ <u>158,482</u>	\$ <u>102,104</u>	\$ <u>44,654</u>	\$ <u>359,059</u>

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

There were no inter-fund transfers during the fiscal year 2012 – 2013.

Note 10 Restricted Net Position

At June 30, 2013, net position restricted for other purposes included the following balances in special revenue funds:

Cafeteria	\$ 52,694
Athletics	34,993
SB-9	272,724
GRADS	<u>933</u>
	<u>\$ 361,344</u>

The government-wide statement of net position reports \$1,435,485 of restricted net position, of which \$1,400,492 is restricted by enabling legislation.

Note 11 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 \$580 is available for expenditure by the governing board, and are reported in net position as “reserved for scholarships.”

Note 12 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 13 Fund Balance Deficits

The District had no fund balance/deficits in the fiscal year 2012-2013.

Note 14 Evaluation of Subsequent Events

The District has evaluated subsequent events through November 5, 2013, the date which the financial statements were available to be issued.

Note 15 Expenditures in Excess of Budgetary Authority

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

General Fund:		
Support Services – Students	\$	16,838
Operation Sub-Fund:		
Support Services – Students		16,838
Transportation		818

The District intends to update its policy related to year-end budget adjustments to alleviate these over-expenditures.

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).

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).

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).

Elementary Breakfast – 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.

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

GRADS – to provide grants to States or Territories to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. The fund was created by state grant provision.

Science Materials – to account for the financial assistance to school districts to be used to enhance the education opportunities to students in the science field. Authority State 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, 2013

	Special Revenue Funds			
	Cafeteria	Athletics	Preschool	Education of Homeless
Assets				
Cash and investments	\$ 49,851	\$ 34,993	\$ -	\$ -
Taxes receivable				
Inventory	3,015			
Interfund receivable				
Due from other governments	3,928		14,635	5,755
Total assets	\$ 56,794	\$ 34,993	\$ 14,635	\$ 5,755
Liabilities and Fund Balances				
Accounts payable	\$ 4,100	\$ -	\$ -	\$ -
Interfund payable			14,635	5,755
Deferred revenue				
Total liabilities	\$ 4,100	\$ -	\$ 14,635	\$ 5,755
Fund balances:				
Nonspendable:				
Inventories	\$ 3,015	\$ -	\$ -	\$ -
Restricted for:				
Education		34,993		
Food services	49,679			
Unassigned				
Total fund balances	\$ 52,694	\$ 34,993	\$ -	\$ -
Total liabilities and fund balances	\$ 56,794	\$ 34,993	\$ 14,635	\$ 5,755

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

Special Revenue Funds

Title I Stimulus	Rural Education	Medicaid	Dual Credit	GRADS	Science Materials
\$ 17,990	\$ -	\$ -	\$ -	\$ 933	\$ -
	<u>10,999</u>	<u>5,209</u>	<u>192</u>		<u>4,573</u>
<u>\$ 17,990</u>	<u>\$ 10,999</u>	<u>\$ 5,209</u>	<u>\$ 192</u>	<u>\$ 933</u>	<u>\$ 4,573</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>17,990</u>	<u>10,999</u>	<u>5,209</u>	<u>192</u>		<u>4,573</u>
<u>\$ 17,990</u>	<u>\$ 10,999</u>	<u>\$ 5,209</u>	<u>\$ 192</u>	<u>\$ -</u>	<u>\$ 4,573</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
				933	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933</u>	<u>\$ -</u>
<u>\$ 17,990</u>	<u>\$ 10,999</u>	<u>\$ 5,209</u>	<u>\$ 192</u>	<u>\$ 933</u>	<u>\$ 4,573</u>

Lordsburg Municipal School District #1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2013

	Special Revenue Funds		
	Elementary Breakfast	SB-9	Total
Assets			
Cash and investments	\$ -	\$ 255,466	\$ 359,233
Taxes receivable		17,258	17,258
Inventory			3,015
Interfund receivable			-
Due from other governments	3,291		48,582
	3,291		48,582
Total assets	\$ 3,291	\$ 272,724	\$ 428,088
Liabilities and Fund Balances			
Accounts payable	\$ -	\$ -	\$ 4,100
Interfund payable	3,291		44,654
Deferred revenue		13,401	31,391
	3,291	13,401	80,145
Total liabilities	\$ 3,291	\$ 13,401	\$ 80,145
Fund balances:			
Nonspendable:			
Inventories	\$ -	\$ -	\$ 3,015
Restricted for:			
Education		259,323	295,249
Food services			49,679
Unassigned			-
	-	259,323	347,943
Total fund balances	\$ -	\$ 259,323	\$ 347,943
Total liabilities and fund balances	\$ 3,291	\$ 272,724	\$ 428,088

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, 2013

	Special Revenue Funds			
	Cafeteria	Athletics	Preschool	Education of Homeless
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges	29,208	32,868		
State aid				
Federal aid	251,150		20,284	6,974
Earnings on investments	63	22		
Miscellaneous		1,061		
Total revenues	\$ 280,421	\$ 33,951	\$ 20,284	\$ 6,974
Expenditures:				
Current:				
Instruction	\$ -	\$ 14,049	\$ 20,284	\$ -
Support services - Students				6,974
Support services - Instruction				
General administration				
School administration				
Operation of plant				
Food services	219,935			
Capital outlay				
Total expenditures	\$ 219,935	\$ 14,049	\$ 20,284	\$ 6,974
Revenues over (under) expenditures	\$ 60,486	\$ 19,902	\$ -	\$ -
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ 60,486	\$ 19,902	\$ -	\$ -
Fund balance, July 1, 2012	(7,792)	15,091		
Fund balance, June 30, 2013	<u>\$ 52,694</u>	<u>\$ 34,993</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue Funds					
Rural Education	Medicaid	Dual Credit	GRADS	Science Materials	Elementary Breakfast
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11,195	42,280	546	9,000	4,573	3,291
<u>\$ 11,195</u>	<u>\$ 42,280</u>	<u>\$ 546</u>	<u>\$ 9,000</u>	<u>\$ 4,573</u>	<u>\$ 3,291</u>
\$ 11,195	\$ - 42,280	\$ 546	\$ 8,067	\$ 4,573	\$ -
					3,291
<u>\$ 11,195</u>	<u>\$ 42,280</u>	<u>\$ 546</u>	<u>\$ 8,067</u>	<u>\$ 4,573</u>	<u>\$ 3,291</u>
\$ -	\$ -	\$ -	\$ 933	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 933</u>	<u>\$ -</u>	<u>\$ -</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 933</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, 2013

	<u>Special Revenue Funds</u>	
	<u>SB-9</u>	<u>Total</u>
Revenues:		
Property Taxes	\$ 220,613	\$ 220,613
Fees and charges		62,076
State aid	29,850	47,260
Federal aid		331,883
Earnings on investments	193	278
Miscellaneous		1,061
	<u> </u>	<u> </u>
Total revenues	<u>\$ 250,656</u>	<u>\$ 663,171</u>
Expenditures:		
Current:		
Instruction	\$ -	\$ 58,714
Support services - Students		49,254
Support services - Instruction		-
General administration	2,199	2,199
School administration		-
Operation of plant	188,458	188,458
Food services		223,226
Capital outlay	80,765	80,765
	<u> </u>	<u> </u>
Total expenditures	<u>\$ 271,422</u>	<u>\$ 602,616</u>
Revenues over (under) expenditures	<u>\$ (20,766)</u>	<u>\$ 60,555</u>
Other financing sources (uses):		
Transfer in		<u> -</u>
Net change in fund balance	<u>\$ (20,766)</u>	<u>\$ 60,555</u>
Fund balance, July 1, 2012	<u>280,089</u>	<u>287,388</u>
Fund balance, June 30, 2013	<u><u>\$ 259,323</u></u>	<u><u>\$ 347,943</u></u>

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

Lordsburg Municipal School District #1
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2013

	Operational	Transportation	Instructional Materials
Assets			
Cash and investments	\$ 545,702	\$ 9,600	\$ 3,767
Taxes receivable	4,764		
Inventory	18,342		
Interfund receivable	359,059		
Total assets	\$ 927,867	\$ 9,600	\$ 3,767
 Liabilities and Fund Balances			
Accounts payable	\$ 75,280	\$ -	\$ -
Interfund payable			
Deferred revenue	3,801		
Total liabilities	\$ 79,081	\$ -	\$ -
Fund balance:			
Nonspendable:			
Inventory	\$ 18,342	\$ -	\$ -
Assigned for future expenditures	6,786		
Unassigned	823,658	9,600	3,767
Total fund balances	\$ 848,786	\$ 9,600	\$ 3,767
Total liabilities and fund balances	\$ 927,867	\$ 9,600	\$ 3,767

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

<u>Activity Funds</u>	<u>Total</u>
\$ 21,652	\$ 580,721 4,764 18,342 <u>359,059</u>
<u>\$ 21,652</u>	<u>\$ 962,886</u>
\$ -	\$ 75,280 - <u>3,801</u>
<u>\$ -</u>	<u>\$ 79,081</u>
\$ -	\$ 18,342 6,786 <u>858,677</u>
<u>\$ 21,652</u>	<u>\$ 883,805</u>
<u>\$ 21,652</u>	<u>\$ 962,886</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, 2013

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>
Revenues:			
Property taxes	\$ 55,106	\$ -	\$ -
Fees and charges	40,614		
State aid	5,331,353	345,513	35,151
Federal aid	29,345		
Earnings on investments	595		
Miscellaneous	15,489	8	914
	<u>5,472,502</u>	<u>345,521</u>	<u>36,065</u>
Total revenues	\$ 5,472,502	\$ 345,521	\$ 36,065
Expenditures:			
Current:			
Instruction	\$ 2,841,482	\$ -	\$ 38,480
Support services - Students	487,452		
Support services - Instruction	156,025		
General administration	191,378		
School administration	825,393		
Central services	209,597		
Operation of plant	911,973		
Transportation	20,039	335,913	
Food services	95,314		
Other support services	9,527		
Capital outlay			
	<u>5,748,180</u>	<u>335,913</u>	<u>38,480</u>
Total expenditures	\$ 5,748,180	\$ 335,913	\$ 38,480
Revenues over (under) expenditures	\$ (275,678)	\$ 9,608	\$ (2,415)
Other financing sources:			
Loan proceeds			
Operating transfers in (out)			
	<u>(275,678)</u>	<u>9,608</u>	<u>(2,415)</u>
Net change in fund balance	\$ (275,678)	\$ 9,608	\$ (2,415)
Fund balance, July 1, 2012	1,124,464	(8)	6,182
	<u>848,786</u>	<u>9,600</u>	<u>3,767</u>
Fund balance, June 30, 2013	\$ 848,786	\$ 9,600	\$ 3,767

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

<u>Activity Funds</u>	<u>Total</u>
\$ -	\$ 55,106
30,321	70,935
	5,712,017
	29,345
	595
	<u>16,411</u>
<u>\$ 30,321</u>	<u>\$ 5,884,409</u>
\$ 34,008	\$ 2,913,970
	487,452
	156,025
	191,378
	825,393
	209,597
	911,973
	355,952
	95,314
	9,527
	<u>-</u>
<u>\$ 34,008</u>	<u>\$ 6,156,581</u>
\$ (3,687)	\$ (272,172)
	-
	<u>-</u>
\$ (3,687)	\$ (272,172)
<u>25,339</u>	<u>1,155,977</u>
<u>\$ 21,652</u>	<u>\$ 883,805</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -		\$ 29,345	\$ 29,345
State sources	5,193,960	5,193,960	5,331,353	137,393
Local sources	147,550	120,267	109,754	(10,513)
Interest income	3	3	595	592
Total revenues	\$ 5,341,513	\$ 5,314,230	\$ 5,471,047	\$ 156,817
Expenditures:				
Current:				
Instruction	\$ 3,003,240	\$ 2,975,957	\$ 2,800,816	\$ 175,141
Support services - Students	469,621	469,621	486,459	(16,838)
Support services - Instruction	165,179	165,179	156,025	9,154
General administration	212,867	212,867	190,727	22,140
School administration	850,063	850,063	824,797	25,266
Central services	261,610	261,610	209,087	52,523
Operation of plant	1,014,361	1,014,361	909,436	104,925
Transportation	18,044	18,044	18,862	(818)
Other support services	50,485	50,485	9,527	40,958
Food services	106,710	106,710	99,516	7,194
Capital outlay				-
Non-operating				-
Total expenditures	\$ 6,152,180	\$ 6,124,897	\$ 5,705,252	\$ 419,645
Revenues over (under) expenditure	\$ (810,667)	\$ (810,667)	\$ (234,205)	\$ 576,462
Other financing sources (uses)				
Transfers out	-	-		-
Net change in fund balance	\$ (810,667)	\$ (810,667)	\$ (234,205)	\$ 576,462
Fund balance, July 1, 2012	810,667	810,667	1,138,966	328,299
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904,761</u>	<u>\$ 904,761</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (275,678)	
Revenue accruals (net)			(1,455)	
Expenditure accruals (net)			42,928	
Other financing uses (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (234,205)</u>	

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 341,193	\$ 345,513	\$ 345,521	\$ 8
Expenditures:				
Current:				
Pupil transportation	\$ 341,193	\$ 345,513	\$ 335,913	\$ 9,600
Capital outlay				-
Total expenditures	<u>\$ 341,193</u>	<u>\$ 345,513</u>	<u>\$ 335,913</u>	<u>\$ 9,600</u>
Net change in fund balance	\$ -	\$ -	\$ 9,608	\$ 9,608
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(8)</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,600</u></u>	<u><u>\$ 9,600</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 9,608	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 9,608</u></u>	

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

Lordsburg Municipal School District #1
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	35,151	35,151	35,151	-
Local sources	<u>500</u>	<u>500</u>	<u>914</u>	<u>414</u>
 Total revenues	 \$ 35,651	 \$ 35,651	 \$ 36,065	 \$ 414
 Expenditures:				
Current:				
Instruction	\$ 38,480	\$ 38,480	\$ 38,480	\$ -
Support service - Instruction	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Total expenditures	 \$ 38,480	 \$ 38,480	 \$ 38,480	 \$ -
 Net change in fund balance	 \$ (2,829)	 \$ (2,829)	 \$ (2,415)	 \$ 414
 Fund balance, July 1, 2012	 <u>2,829</u>	 <u>2,829</u>	 <u>6,182</u>	 <u>3,353</u>
 Fund balance, June 30, 2013	 <u><u>-</u></u>	 <u><u>-</u></u>	 <u><u>3,767</u></u>	 <u><u>3,767</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (2,415)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
 Net change in fund balance, NON-GAAP budgetary basis			 <u><u>\$ (2,415)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 224,377	\$ 224,377	\$ 260,745	\$ 36,368
Local sources	26,050	26,050	30,495	4,445
Earnings on investments			63	63
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	\$ 250,427	\$ 250,427	\$ 291,303	\$ 40,876
Expenditures:				
Current:				
Food services	<u>274,187</u>	<u>274,187</u>	<u>213,116</u>	<u>61,071</u>
Net change in fund balance	\$ (23,760)	\$ (23,760)	\$ 78,187	\$ 101,947
Fund balance, July 1, 2012	<u>23,760</u>	<u>23,760</u>	<u>(28,336)</u>	<u>(52,096)</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,851</u>	<u>\$ 49,851</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 60,486	
Revenue accruals (net)			10,882	
Expenditure accruals (net)			<u>6,819</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 78,187</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 29,000	\$ 29,000	\$ 33,929	\$ 4,929
Earnings on investments	20	20	22	2
Total revenues	<u>\$ 29,020</u>	<u>\$ 29,020</u>	<u>\$ 33,951</u>	<u>\$ 4,931</u>
Expenditures:				
Current:				
Instruction	<u>40,203</u>	<u>40,203</u>	<u>15,577</u>	<u>24,626</u>
Net change in fund balance	\$ (11,183)	\$ (11,183)	\$ 18,374	\$ 29,557
Fund balance, July 1, 2012	<u>11,183</u>	<u>11,183</u>	<u>16,619</u>	<u>5,436</u>
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,993</u>	<u>\$ 34,993</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 19,902	
Revenue accruals (net)				
Expenditure accruals (net)			<u>(1,528)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 18,374</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
General administration				-
School administration				-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	17,990	17,990
Fund balance, June 30, 2013	\$ -	\$ -	\$ 17,990	\$ 17,990
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 - 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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ 1,185	\$ 1,185
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				-
School administration				-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ 1,185	\$ 1,185
Fund balance, July 1, 2012	-	-	(1,185)	(1,185)
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			1,185	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 1,185	

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 6,300	\$ 8,035	\$ 3,258	\$ (4,777)
Expenditures:				
Current:				
Support services - Students	<u>6,300</u>	<u>8,035</u>	<u>6,974</u>	<u>1,061</u>
Net change in fund balance	\$ -	\$ -	\$ (3,716)	\$ (3,716)
Fund balance, July 1, 2012	<u>-</u>	<u>-</u>	<u>(2,039)</u>	<u>(2,039)</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (5,755)</u></u>	<u><u>\$ (5,755)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(3,716)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (3,716)</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 25,261	\$ 32,394	\$ 29,514	\$ (2,880)
Expenditures:				
Current:				
Instruction	25,261	32,394	20,284	12,110
Net change in fund balance	\$ -	\$ -	\$ 9,230	\$ 9,230
Fund balance, July 1, 2012	-	-	(23,865)	(23,865)
Fund balance, June 30, 2013	\$ -	\$ -	\$ (14,635)	\$ (14,635)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			9,230	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 9,230	

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 15,377	\$ 29,850	\$ 14,473
Local sources	226,245	226,245	219,936	(6,309)
Earnings on investments	<u>300</u>	<u>300</u>	<u>193</u>	<u>(107)</u>
 Total revenues	 <u>\$ 226,545</u>	 <u>\$ 241,922</u>	 <u>\$ 249,979</u>	 <u>\$ 8,057</u>
Expenditures:				
Current:				
Administration	\$ 3,000	\$ 3,000	\$ 2,199	\$ 801
Operation of plant	190,000	265,377	217,546	47,831
Capital outlay	<u>212,945</u>	<u>152,945</u>	<u>55,896</u>	<u>97,049</u>
 Total expenditures	 <u>\$ 405,945</u>	 <u>\$ 421,322</u>	 <u>\$ 275,641</u>	 <u>\$ 145,681</u>
 Net change in fund balance	 <u>\$ (179,400)</u>	 <u>\$ (179,400)</u>	 <u>\$ (25,662)</u>	 <u>\$ 153,738</u>
 Fund balance, July 1, 2012	 <u>179,400</u>	 <u>179,400</u>	 <u>281,128</u>	 <u>101,728</u>
 Fund balance, June 30, 2013	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 255,466</u></u>	 <u><u>\$ 255,466</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (20,766)	
Revenue accruals (net)			(677)	
Expenditure accruals (net)			<u>(4,219)</u>	
 Net change in fund balance, NON-GAAP budgetary basis			 <u><u>\$ (25,662)</u></u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - MEDICAID
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 78,350	\$ 78,350	\$ 42,280	\$ (36,070)
Expenditures:				
Current:				
Support services - Students	78,350	78,350	42,280	36,070
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2012	-	-	(5,209)	(5,209)
Fund balance, June 30, 2013	\$ -	\$ -	\$ (5,209)	\$ (5,209)
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 - GRADS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 9,000	\$ 9,000	\$ -
Expenditures:				
Current:				
Instruction	-	9,000	8,067	933
Net change in fund balance	\$ -	\$ -	\$ 933	\$ 933
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ 933	\$ 933
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 933	
Revenue accruals (net)				
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 933	

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 1,325	\$ 1,538	\$ 213
Expenditures:				
Current:				
Instruction	\$ -	\$ 1,325	\$ 546	\$ 779
School administration				-
Total expenditures	\$ -	\$ 1,325	\$ 546	\$ 779
Net change in fund balance	\$ -	\$ -	\$ 992	\$ 992
Fund balance, July 1, 2012	-	-	(1,184)	(1,184)
Fund balance, June 30, 2013	\$ -	\$ -	\$ (192)	\$ (192)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			992	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 992	

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 8,634	\$ 11,613	\$ 8,349	\$ (3,264)
Expenditures:				
Current:				
Instruction	\$ 8,328	\$ 11,307	\$ 11,195	\$ 112
General administration	306	306		306
Total expenditures	<u>\$ 8,634</u>	<u>\$ 11,613</u>	<u>\$ 11,195</u>	<u>\$ 418</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ (2,846)	\$ (2,846)
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (2,846)	\$ (2,846)
Fund balance, July1, 2012	<u>-</u>	<u>-</u>	<u>(8,153)</u>	<u>(8,153)</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (10,999)</u></u>	<u><u>\$ (10,999)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(2,846)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (2,846)</u></u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - SCIENCE INSTRUCTIONAL MATERIALS K-12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 4,935	\$ -	\$ (4,935)
Expenditures:				
Current:				
Instruction	-	4,935	4,573	362
Net change in fund balance	\$ -	\$ -	\$ (4,573)	\$ (4,573)
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,573)</u>	<u>\$ (4,573)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(4,573)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (4,573)</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 5,474	\$ 259	\$ (5,215)
Expenditures:				
Current:				
Food services	-	5,474	3,291	2,183
Net change in fund balance	\$ -	\$ -	\$ (3,032)	\$ (3,032)
Fund balance, July 1, 2012	-	-	(259)	(259)
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,291)</u>	<u>\$ (3,291)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(3,032)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (3,032)</u>	

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 805,635	\$ 805,635	\$ 761,715	\$ (43,920)
Earnings on investments	600	600	328	(272)
Total revenues	\$ 806,235	\$ 806,235	\$ 762,043	\$ (44,192)
Expenditures:				
Current:				
Administration	\$ 10,000	\$ 10,000	\$ 7,616	\$ 2,384
Principal	675,000	675,000	675,000	-
Interest	130,635	130,635	130,632	3
Reserve	749,450	749,450		749,450
Total expenditures	\$ 1,565,085	\$ 1,565,085	\$ 813,248	\$ 751,837
Net change in fund balance	\$ (758,850)	\$ (758,850)	\$ (51,205)	\$ 707,645
Fund balance, July 1, 2012	758,850	758,850	842,066	83,216
Fund balance, June 30, 2013	\$ -	\$ -	\$ 790,861	\$ 790,861
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (48,594)	
Revenue accruals (net)			(2,611)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (51,205)	

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Earnings on investments	<u>1,500</u>	<u>1,500</u>	<u>1,148</u>	<u>(352)</u>
Total revenues	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 1,148</u>	<u>\$ (352)</u>
Expenditures:				
Capital outlay	<u>1,903,930</u>	<u>1,903,930</u>	<u>1,708,903</u>	<u>195,027</u>
Revenues over (under) expenditures	\$ (1,902,430)	\$ (1,902,430)	\$ (1,707,755)	\$ (195,379)
Other financing sources (uses):				
Bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance after other financing sources (uses)	\$ (1,902,430)	\$ (1,902,430)	\$ (1,707,755)	\$ 194,675
Fund balance, July 1, 2012	<u>1,902,430</u>	<u>1,902,430</u>	<u>1,988,539</u>	<u>86,109</u>
Fund balance, June 30, 2013	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 280,784</u></u>	<u><u>\$ 280,784</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (1,679,432)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>(28,323)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (1,707,755)</u></u>	

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, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>6/30/2013</u>
Assets				
Cash and investments:				
Lordsburg High School	\$ 103,593	\$ 102,172	\$ 106,129	\$ 99,636
DTMS Middle School	4,788	22,427	24,123	3,092
Central Elementary School	2,204	6,429	7,852	781
Southside Elementary School	<u>18</u>	<u> </u>	<u>-</u>	<u>18</u>
 Total Assets	 <u><u>\$ 110,603</u></u>	 <u><u>\$ 131,028</u></u>	 <u><u>\$ 138,104</u></u>	 <u><u>\$ 103,527</u></u>
 Liabilities				
Deposits held for others:				
Lordsburg High School	\$ 103,593	\$ 102,172	\$ 106,129	\$ 99,636
DTMS Middle School	4,788	22,427	24,123	3,092
Central Elementary School	2,204	6,429	7,852	781
Southside Elementary School	<u>18</u>	<u> </u>	<u>-</u>	<u>18</u>
 Total Liabilities	 <u><u>\$ 110,603</u></u>	 <u><u>\$ 131,028</u></u>	 <u><u>\$ 138,104</u></u>	 <u><u>\$ 103,527</u></u>

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2013

	<u>Western Bank</u>	<u>Total</u>
Checking and CD's	<u>\$ 2,794,741</u>	<u>\$ 2,794,741</u>
Total on deposit	\$ 2,794,741	\$ 2,794,741
Less: FDIC insurance	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 2,544,741</u>	<u>\$ 2,544,741</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ 1,272,371</u>	<u>\$ 1,272,371</u>
Pledged Securities:		
FNMA 2001-64E QH 31392AHX9 11/25/2031	\$ 406,900	\$ 406,900
Silver City School District, 827513EX6 8/1/2017	432,982	432,982
Silver City NM Gross Recpts 82750PAP9 6/1/2025	285,244	285,244
FHR 3820 PA 3137A8S31 7/15/2019	646,457	646,457
Chama VY Indpt Sch Dist 19 157670DD9 8/1/2017	221,124	221,124
Torrence County NM 891398BA6 8/1/2016	<u>325,767</u>	<u>325,767</u>
Total pledged securities	<u>\$ 2,318,474</u>	<u>\$ 2,318,474</u>
Pledged securities over (under) requirement	<u>\$ 1,046,104</u>	<u>\$ 1,046,104</u>

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, 2013

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Western Bank</u>			
Federal Projects	Checking	\$ 180,724	\$ 180,724
Activity	Checking	14,154	14,154
Trella Rolfe Scholarship	Checking	579	579
Capital Improvement	Checking	192,834	192,834
Payroll	Checking	283,664	-
Athletics	Checking	30,294	30,294
Cafeteria	Checking	159,863	159,863
Operational	Checking	749,923	407,552
Investments	Checking	<u>1,182,706</u>	<u>1,182,706</u>
Total cash and investments		<u>\$ 2,794,741</u>	<u>\$ 2,168,706</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, 2013

	<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, 2012	\$ 1,138,966	\$ (8)	\$ 6,182	\$ (28,336)	\$ 16,619
Add: Current year receipts	5,471,049	345,521	36,065	291,303	33,951
Prior year warrants voided					
Less: Current year expenditures	(5,705,252)	(335,913)	(38,480)	(213,117)	(15,578)
Receivables/payables	(350,000)			50,000	
Transfers					
Total cash and investments as of June 30, 2013	<u>\$ 554,763</u>	<u>\$ 9,600</u>	<u>\$ 3,767</u>	<u>\$ 99,850</u>	<u>\$ 34,992</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, 2013

	Non- Instructional Support	Federal Projects	Federal Direct	State Flowthrough	State Direct Fund
Total cash and investments as of July 1, 2012	\$ 189,480	\$ (438,439)	\$ (5,210)	\$ (1,443)	\$ -
Add: Current year receipts	161,391	601,389	42,280	1,797	9,000
Prior year warrants voided					
Less: Current year expenditures	(172,140)	(490,753)	(42,280)	(8,410)	(8,067)
Receivables/payables	28	300,000			
Transfers					
Total cash and investments as of June 30, 2013	<u>\$ 178,759</u>	<u>\$ (27,803)</u>	<u>\$ (5,210)</u>	<u>\$ (8,056)</u>	<u>\$ 933</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, 2013

	<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, 2012	\$ 1,988,539	\$ -	\$ 281,128	\$ 842,066	\$ 3,989,544
Add: Current year receipts	1,148		249,979	762,044	8,006,917
Prior year warrants voided					-
Less: Current year expenditures	(1,708,903)		(275,641)	(813,249)	(9,827,783)
Receivables/payables					28
Transfers					-
Total cash and investments as of June 30, 2013	<u>\$ 280,784</u>	<u>\$ -</u>	<u>\$ 255,466</u>	<u>\$ 790,861</u>	<u>\$ 2,168,706</u>

Lordsburg Municipal School District No. 1
SCHEDULE OF JOINT POWERS AGREEMENTS
 June 30, 2013

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, 2013

<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>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through N.M. Department of Education:			
Title I Grants to Lea's	84.010	24.101	\$ 263,101
Special Education - Grants to States	84.027	24.106	139,885
Special Education - Preschool Grants	84.173	24.109	20,284
Education of the Homeless	84.196	24.113	6,974
Rural Education	84.358	24.160	11,195
Teacher Quality State Grants	84.367	24.154	<u>49,470</u>
 Total U.S. Department of Education			 <u>\$ 490,909</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Programs:			
Schools and Roads-Grants to States	10.665	N/A	\$ 29,345
Passed through N.M. Department of Education:			
National School Lunch Program	10.555	N/A	155,509
School Breakfast Program	10.553	N/A	75,061
Passed through N.M. Department of Human Svc's:			
Emergency Food Assistance Program	10.569	N/A	<u>20,580</u>
 Total U.S. Department of Agriculture			 <u>\$ 280,495</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through the N.M. Dept. of Human Services:			
Medical Assistance Program	93.778	24.253	<u>\$ 42,280</u>
 Total expenditures of federal awards			 <u><u>\$ 813,684</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, 2013

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 \$20,580 in food commodities during the 2012-2013 fiscal year.

Note 3 The District had the following insurance coverage during the year ended June 30, 2013:

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, 2013

Current Status

Findings – Financial Statement Audit

2011-1 Expenditures were incurred in excess of budgetary authority	Repeated
2012-1 Bank accounts were not reconciled, so actual cash by fund could not be verified	Repeated
2012-2 Purchase orders manually adjusted with no supervisory approval evidenced	Resolved
2012-3 Travel reimbursements were calculated incorrectly	Repeated
2012-4 Activity cash receipts were not deposited timely	Resolved

Findings and Questioned Costs – Major Federal Award Programs

DEPARTMENT OF EDUCATION

2012-5 Title I Grants to LEAs-CFDA NO. 84.010, Grant No. 24.101

Condition – This finding was a material weakness stating that bank accounts had not been reconciled, therefore cash by fund, including federal funds, could not be verified.

Recommendation – The Auditor recommended that procedures be implemented to reconcile the bank accounts, and verify that the correct cash balances by fund are included in the District’s general ledger. Management concurred with the recommendation and indicated that procedures would be implemented to reconcile cash.

Current Status – The District is still in the process of “catching up” the bank reconciliations, however, the condition still exists at June 30, 2013.

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LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS 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, 2013, and the related notes to the financial statements, which collectively comprise Lordsburg Municipal School District No. 1's basic financial statements and have issued our report thereon dated November 5, 2013. 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, 2013 and have issued our report thereon dated November 5, 2013. Our report dated November 5, 2013, 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

In planning and performing our audit of the financial statements, we considered Lordsburg Municipal School District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Lordsburg Municipal School District No. 1's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 2013-1 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2012-3, and 2011-1.

Lordsburg Municipal School District No. 1's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lordsburg Municipal School District No. 1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co., CPAs

Silver City, New Mexico
November 5, 2013

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Program

We have audited Lordsburg Municipal School District No. 1's compliance with the types of compliance requirements described in the *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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lordsburg Municipal School District No. 1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lordsburg Municipal School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lordsburg Municipal School District No. 1's compliance.

Opinion on Each Major Federal Program

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, 2013.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lordsburg Municipal School District No. 1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Lordsburg Municipal School District No. 1's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Stone, McGee & Co., CPAs

Silver City, New Mexico
November 5, 2013

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, 2013

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 *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*. 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 is reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by 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 unmodified 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: Title I Grants to Lea's, CFDA No. 84.010; and the Nutrition cluster, consisting of the National School Lunch Program, CFDA No. 10.555 and the School Breakfast Program, CFDA No. 10.553.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. Lordsburg Municipal School District No. 1 was not a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2012-1 Cash Reconciliations (Material Weakness)

Condition – The District has not reconciled its bank accounts since November, 2012. As a result, the cash in banks has not been reconciled to individual fund cash since November, 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, 2013. When the District was made aware of this situation, the former Business manager was contacted and she is currently attempting to complete the reconciliation process. However, she was only able to complete reconciliations through November, 2012, 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, once we are able to bring the bank reconciliations current.

2013-1 Payroll Reporting (Significant Deficiency)

Condition – We noted during our review of payroll that NM unemployment reports had not been filed since the quarter ending September 30, 2012; that two other payroll reports had been filed late, resulting in penalties of \$166; and the gross wages for 2012 as reported on quarterly payroll forms 941 were 1,720 more than the wages reported on the W-2 forms.

Criteria – Sound accounting practice and federal and state regulations require the timely filing of payroll reports, and that the payroll reports filed quarterly balance to the year-end W-2s.

Effect – Federal and state regulations have been violated. In addition, penalties have been incurred do to the late filing of the reports. Finally, significant administrative time may be required to balance the 2012 941s to the 2012 W-2s.

Cause – The employee tasked with filing the required payroll reports did not file them all on a timely basis, did not reconcile the 941s to the w-2s, and supervisory personnel did not review the employees work.

Recommendation – We recommend that the required payroll reports be timely filed, that year end reports be reconciled to quarterly payroll reports prior to submission to the federal or state authority, and that a process be developed so that the appropriate supervisory personnel are involved in the review process.

Agency Response – The recommendation will be adopted, and our internal controls will be revised to include supervisory personnel in the review process.

2012-3 Travel and Per Diem (Other)

Condition – In a total of 25 travel and per diem reimbursements tested, we noted eight instances where meals were reimbursed at less than the amount allowed under New Mexico law by a total of \$86, and one instance where the reimbursement was the “special cities rate” of \$135 when travel was not to a special city, resulting in an overpayment of \$50.

Criteria – The Per Diem and Mileage Act, Sections 10-8-1 to 10-8-8 NMSA 1978, and Regulations Governing the Per Diem and Mileage Act, 2.42.2 NMAC, establish rates for reimbursement of travel costs. The District had adopted these rates as a matter of policy. These rates must be used to reimburse employees and board members for authorized travel.

Effect – The District has violated state statutes, and reimbursements for travel are not in accordance with established rates.

Cause – The District did not calculate the partial day reimbursement in accordance with regulations, and has established special cities rates for destinations other than Santa Fe.

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

Agency Response – The recommendation will be adopted.

2011-1 Budgetary Controls (Other)

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

General Fund:	
Support services-students	\$16,838
Operational sub-fund:	
Support services-students	\$16,838
Transportation	818

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, and the backlog of work left by a prior business manager. 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, Passed through New Mexico Public Education Department, Grant period-Year ended June 30, 2013

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 23, 2013. 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
Tina Diaz	Business Manager	Lordsburg Municipal Schools
Irene Baisa	Financial Consultant	Lordsburg Municipal Schools
Kay Stone	Shareholder	Stone, McGee & Co., CPAs
Mike Stone	Shareholder	Stone, McGee & Co., CPAs