

Lordsburg Municipal School District No. 1

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

For The Fiscal Year Ended June 30, 2016

Lordsburg Municipal School District #1
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Lordsburg Municipal School District No. 1
DIRECTORY OF OFFICIALS
June 30, 2016

BOARD OF EDUCATION

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

SCHOOL OFFICIALS

Randall Piper	Superintendent
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MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Education
Lordsburg Municipal School District No. 1
Lordsburg, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Lordsburg Municipal School District No. 1, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Lordsburg Municipal School District No. 1's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Lordsburg Municipal School District No. 1's nonmajor governmental funds, components of the general fund and the budgetary comparisons for the components of the general fund, the nonmajor 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, 2016, 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 our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lordsburg Municipal School District No. 1 as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and the components of the general fund of the Lordsburg Municipal School District No. 1 as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, the debt service fund and the capital projects fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the District's pension plan presented on pages 78 to 80 be presented to supplement 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic

financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Lordsburg Municipal School District No. 1's financial statements that collectively comprise the District's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The Schedule of Expenditures of Federal Awards and the other supplemental data are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental data is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information, listed as other information in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, on our consideration of the 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 agreement 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* in considering the Lordsburg Municipal School District No. 1's internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 7, 2016

Stone, McGee & Co.
Certified Public Accountants

Lordsburg Municipal School District #1
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,599,223
Property taxes receivable	213,966
Due from other governments	454,361
Inventory	22,663
Capital assets:	
Land and improvements	341,566
Buildings and improvements	29,753,599
Equipment	4,176,865
Construction in progress	7,068,171
Less accumulated depreciation	(18,493,104)
Total capital assets, net of depreciation	\$ 22,847,097
Total assets	\$ 27,137,310
Deferred Outflows of Resources	
Related to pensions	\$ 1,005,439
Liabilities	
Accounts payable	\$ 19,242
Bond premiums	1,231
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	655,000
Accrued interest payable	44,611
Portion due or payable after one year:	
Net pension liability	8,479,389
Bonds payable	6,120,000
Compensated absences	61,382
Total liabilities	\$ 15,380,855
Deferred Inflows of Resources	
Related to pensions	\$ 671,110
Net Position	
Net investment in capital assets	\$ 17,758,740
Restricted for:	
Capital projects	265,542
Debt service	975,152
Other purposes	923,665
Unrestricted	(7,832,315)
Total net position	\$ 12,090,784

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, 2016

<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	\$ 3,841,595	\$ 101,945	\$ 1,127,315	\$ -	\$ (2,612,335)
Support services - Students	637,612		57,244		(580,368)
Support services - Instruction	77,927		4,414		(73,513)
General administration	218,627				(218,627)
School administration	930,075		80,356		(849,719)
Central services	265,761		2,755		(263,006)
Operation of plant	936,565		27,509	4,858,903	3,949,847
Food services	387,312	24,825	341,191		(21,296)
Transportation	448,636		348,914		(99,722)
Other support services	2,453				(2,453)
Bond issue costs	46,006				(46,006)
Interest on long-term debt	172,523				(172,523)
	<u>\$ 7,965,092</u>	<u>\$ 126,770</u>	<u>\$ 1,989,698</u>	<u>\$ 4,858,903</u>	<u>\$ (989,721)</u>
Total governmental activities					

General revenues:	
Property taxes:	
Levied for general purposes	\$ 74,827
Levied for debt service	896,150
Levied for capital improvements	262,826
State aid - formula grants	4,822,337
Recoveries and refunds	5,234
Gain on disposition of assets	
Unrestricted investment earnings	3,683
	<u>3,683</u>
Total general revenues and special items	<u>\$ 6,065,057</u>
Change in net position	<u>\$ 5,075,336</u>
Net position - beginning of year, as originally stated	\$ 7,130,548
Restatement (Note 15)	<u>(115,100)</u>
Net position - beginning of year, as restated	\$ 7,015,448
Change in net position	<u>5,075,336</u>
Net position - end of year	<u>\$ 12,090,784</u>

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

Lordsburg Municipal School District #1
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Title I	Kindergarten 3+	SB-9
Assets				
Cash and investments	\$ -	\$ -	\$ -	\$ 702,854
Property taxes receivable	21,862			43,970
Inventory	17,976			
Due from other governments		101,243	89,123	
Interfund receivable	418,175			
	<u>418,175</u>	<u>101,243</u>	<u>89,123</u>	<u>746,824</u>
Total assets	<u>\$ 458,013</u>	<u>\$ 101,243</u>	<u>\$ 89,123</u>	<u>\$ 746,824</u>
 Liabilities				
Accounts payable	\$ 15,096	\$ -	\$ -	\$ 250
Interfund payable		101,243	89,123	
	<u>15,096</u>	<u>101,243</u>	<u>89,123</u>	<u>250</u>
Total liabilities	<u>\$ 15,096</u>	<u>\$ 101,243</u>	<u>\$ 89,123</u>	<u>\$ 250</u>
 Deferred Inflows of Resources				
Unavailable revenue	\$ 20,978	\$ -	\$ -	\$ 40,166
	<u>20,978</u>	<u>-</u>	<u>-</u>	<u>40,166</u>
Total deferred inflows of resources	<u>\$ 20,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,166</u>
 Fund balance:				
Nonspendable:				
Inventories	\$ 17,976	\$ -	\$ -	\$ -
Restricted for:				
Education	48,985			706,408
Food service				
Social services				
Transportation	598			
Capital projects				
Debt service				
Unassigned	354,380			
	<u>354,380</u>	<u>-</u>	<u>-</u>	<u>706,408</u>
Total fund balances	<u>\$ 421,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 706,408</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 458,013</u>	<u>\$ 101,243</u>	<u>\$ 89,123</u>	<u>\$ 746,824</u>

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

<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 1,955,690	\$ 871,629 148,134	\$ 69,050	\$ 3,599,223 213,966 22,663 454,361 443,919
<u>\$ 1,955,690</u>	<u>\$ 1,019,763</u>	<u>\$ 363,476</u>	<u>\$ 4,734,132</u>
\$ 3,505	\$ -	\$ 391 253,553	\$ 19,242 443,919
<u>\$ 3,505</u>	<u>\$ -</u>	<u>\$ 253,944</u>	<u>\$ 463,161</u>
\$ -	\$ 135,254	\$ -	\$ 196,398
<u>\$ -</u>	<u>\$ 135,254</u>	<u>\$ -</u>	<u>\$ 196,398</u>
\$ -	\$ -	\$ 4,687	\$ 22,663
1,952,185	884,509	14,854 88,229 1,762	770,247 88,229 1,762 598 1,952,185 884,509 354,380
<u>\$ 1,952,185</u>	<u>\$ 884,509</u>	<u>\$ 109,532</u>	<u>\$ 4,074,573</u>
<u>\$ 1,955,690</u>	<u>\$ 1,019,763</u>	<u>\$ 363,476</u>	<u>\$ 4,734,132</u>

Lordsburg Municipal School District #1
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
 June 30, 2016

Total governmental fund balances	\$	4,074,573
<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.		22,847,097
Bond premiums are deferred and amortized over the life of the bonds		(1,231)
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		196,398
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred inflows of resources related to pensions		(671,110)
Deferred outflows of resources related to pensions		1,005,439
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:		
Net pension liability		(8,479,389)
Bonds payable		(6,775,000)
Accrued interest payable		(44,611)
Accrued compensated absences		(61,382)
		(15,359,382)
<i>Net Position of Governmental Activities</i>	\$	12,090,784

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, 2016

	General Fund	Title I	Kindergarten 3+
Revenues:			
Property taxes	\$ 60,166	\$ -	\$ -
Fees and charges	63,062		
State aid	5,507,108		103,532
Federal aid	23,624	329,229	
Earnings on investments	197		
Miscellaneous	5,234		
Total revenues	\$ 5,659,391	\$ 329,229	\$ 103,532
Expenditures:			
Current:			
Instruction	\$ 2,726,307	\$ 299,678	\$ 84,571
Support services - Students	545,291		6,543
Support services - Instruction	67,647		
General administration	202,934		
School administration	787,762	29,551	11,156
Central services	249,678		
Operation of plant	723,817		775
Food service	2,668		
Transportation	358,906		487
Other support services	2,453		
Debt service:			
Principal			
Interest			
Bond issue costs			
Capital outlay			
Total expenditures	\$ 5,667,463	\$ 329,229	\$ 103,532
Revenues over (under) expenditures	\$ (8,072)	\$ -	\$ -
Other financing sources:			
Bond proceeds			
Net change in fund balance	\$ (8,072)	\$ -	\$ -
Fund balance, June 30, 2015, as originally stated	\$ 545,111	\$ -	\$ -
Restatement (Note 15)	(115,100)		
Fund balance, June 30, 2015, as restated	\$ 430,011	\$ -	\$ -
Net change in fund balance	(8,072)	-	-
Fund balance, June 30, 2016	\$ 421,939	\$ -	\$ -

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

<u>SB-9</u>	<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ 246,796	\$ -	\$ 830,807	\$ -	\$ 1,137,769
15,083	4,843,820		63,708	126,770
155	3,171	108	253,519	10,723,062
			595,023	947,876
			52	3,683
				5,234
<u>\$ 262,034</u>	<u>\$ 4,846,991</u>	<u>\$ 830,915</u>	<u>\$ 912,302</u>	<u>\$ 12,944,394</u>
\$ -	\$ -	\$ -	\$ 427,495	\$ 3,538,051
2,468		8,310	48,939	600,773
131,489			4,414	72,061
			39,649	213,712
			2,755	868,118
			9,642	252,433
			372,244	865,723
			2,066	374,912
				361,459
				2,453
		550,000		550,000
		166,114		166,114
	46,006			46,006
<u>5,697</u>	<u>6,170,366</u>		<u>17,092</u>	<u>6,193,155</u>
<u>\$ 139,654</u>	<u>\$ 6,216,372</u>	<u>\$ 724,424</u>	<u>\$ 924,296</u>	<u>\$ 14,104,970</u>
\$ 122,380	\$ (1,369,381)	\$ 106,491	\$ (11,994)	\$ (1,160,576)
	2,000,000			2,000,000
<u>\$ 122,380</u>	<u>\$ 630,619</u>	<u>\$ 106,491</u>	<u>\$ (11,994)</u>	<u>\$ 839,424</u>
\$ 584,028	\$ 1,321,566	\$ 778,018	\$ 121,526	\$ 3,350,249
				(115,100)
\$ 584,028	\$ 1,321,566	\$ 778,018	\$ 121,526	\$ 3,235,149
122,380	630,619	106,491	(11,994)	839,424
<u>\$ 706,408</u>	<u>\$ 1,952,185</u>	<u>\$ 884,509</u>	<u>\$ 109,532</u>	<u>\$ 4,074,573</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, 2016

Net change in fund balances-total governmental funds	\$	839,424
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*Amounts reported for governmental activities in the statement
of activities are different because:*

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

Capital outlay		6,193,155
Depreciation expense		(508,401)

Bond proceeds are reported as financing sources in the funds. In the Statement of Activities, however, issuing debt increases long-term liabilities.		(2,000,000)
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Revenue in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. This is the net change
during the year:

Property taxes not collected within the 60 day availability period		96,034
--	--	--------

Governmental funds report pension contributions as expenditures. However
in the Statement of Activities, the cost of pension benefits earned net of
employee contributions is reported as pension expense

Pension contributions		510,630
Cost of benefits earned net of employee contributions		(589,802)

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		550,000
--	--	---------

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.

		(6,920)
--	--	---------

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.

		(9,295)
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<i>Change in Net Position of Governmental Activities</i>	<u>\$</u>	<u>5,075,336</u>
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The accompanying notes are an integral part of these financial statements.

Lordsburg Municipal School District #1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources		\$ 15,569	\$ 23,624	\$ 8,055
State sources	5,520,282	5,533,186	5,507,108	(26,078)
Local sources	108,840	108,840	91,175	(17,665)
Interest income			197	197
	\$ 5,629,122	\$ 5,657,595	\$ 5,622,104	\$ (35,491)
Expenditures:				
Current:				
Instruction	\$ 2,942,424	\$ 2,960,947	\$ 2,690,768	\$ 270,179
Support services - Students	544,555	560,881	545,481	15,400
Support services - Instruction	68,538	68,573	67,647	926
General administration	197,711	213,121	203,109	10,012
School administration	806,117	822,028	788,438	33,590
Central services	240,112	266,249	246,646	19,603
Operation of plant	813,172	762,193	737,741	24,452
Transportation	355,876	360,951	358,695	2,256
Other support services	26,589	26,589	2,453	24,136
Food services	29,232	11,267	2,668	8,599
Capital outlay				-
Non-operating				-
	\$ 6,024,326	\$ 6,052,799	\$ 5,643,646	\$ 409,153
Revenues over (under) expenditure:	\$ (395,204)	\$ (395,204)	\$ (21,542)	\$ 373,662
Other financing sources (uses)				
Transfers out	-	-	-	-
Net change in fund balance	\$ (395,204)	\$ (395,204)	\$ (21,542)	\$ 373,662
Fund balance, July 1, 2015	395,204	395,204	426,557	31,353
Fund balance, June 30, 2016	\$ -	\$ -	\$ 405,015	\$ 405,015
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (8,072)	
Revenue accruals (net)			(37,287)	
Expenditure accruals (net)			23,817	
Non-budgeted transactions (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (21,542)	

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - TITLE I
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 292,015	\$ 347,321	\$ 343,814	\$ (3,507)
 Expenditures:				
Current:				
Instruction	\$ 263,738	\$ 316,238	\$ 299,678	\$ 16,560
Support services - Students				-
School administration	<u>28,277</u>	<u>31,083</u>	<u>29,551</u>	<u>1,532</u>
Total expenditures	<u>\$ 292,015</u>	<u>\$ 347,321</u>	<u>\$ 329,229</u>	<u>\$ 18,092</u>
Net change in fund balance	\$ -	\$ -	\$ 14,585	\$ 14,585
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>(115,828)</u>	<u>(115,828)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,243)</u>	<u>\$ (101,243)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			14,585	
Expenditure accruals (net)				
Other financing uses (net)			<u> </u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 14,585</u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - SENATE BILL 9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 14,612	\$ 15,083	\$ 471
Local sources	252,662	252,662	246,794	(5,868)
Earnings on investments	<u>240</u>	<u>240</u>	<u>155</u>	<u>(85)</u>
 Total revenues	 <u>\$ 252,902</u>	 <u>\$ 267,514</u>	 <u>\$ 262,032</u>	 <u>\$ (5,482)</u>
Expenditures:				
Current:				
Administration	\$ 2,527	\$ 2,527	\$ 2,468	\$ 59
Operation of plant	724,300	744,609	132,281	612,328
Capital outlay	<u>60,000</u>	<u>54,303</u>	<u>5,697</u>	<u>48,606</u>
 Total expenditures	 <u>\$ 786,827</u>	 <u>\$ 801,439</u>	 <u>\$ 140,446</u>	 <u>\$ 660,993</u>
 Net change in fund balance	 <u>\$ (533,925)</u>	 <u>\$ (533,925)</u>	 <u>\$ 121,586</u>	 <u>\$ 655,511</u>
 Fund balance, July 1, 2015	 <u>533,925</u>	 <u>533,925</u>	 <u>581,268</u>	 <u>47,343</u>
 Fund balance, June 30, 2016	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 702,854</u></u>	 <u><u>\$ 702,854</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 122,380	
Revenue accruals (net)			(2)	
Expenditure accruals (net)			<u>(792)</u>	
 Net change in fund balance, NON-GAAP budgetary basis			 <u><u>\$ 121,586</u></u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - KINDERGARTEN 3+
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 57,516	\$ 109,976	\$ 59,475	\$ (50,501)
Expenditures:				
Current:				
Instruction	\$ 41,452	\$ 90,103	\$ 84,571	\$ 5,532
Student support	3,423	6,558	6,556	2
School administration	6,628	11,143	11,143	-
Operation of plant	6,013	1,552	775	777
Transportation	-	620	620	-
Total expenditures	\$ 57,516	\$ 109,976	\$ 103,665	\$ 6,311
Net change in fund balance	\$ -	\$ -	\$ (44,190)	\$ (44,190)
Fund balance, July 1, 2015	-	-	(44,933)	(44,933)
Fund balance, June 30, 2016	\$ -	\$ -	\$ (89,123)	\$ (89,123)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(44,057)	
Expenditure accruals (net)			(133)	
Net change in fund balance, NON-GAAP budgetary basis			\$ (44,190)	

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

Lordsburg Municipal School District #1
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	Private Purpose Trust Funds	Agency
Assets		
Cash and investments	\$ 53,641	\$ 84,401
Interest receivable	-	-
	<u>\$ 53,641</u>	<u>\$ 84,401</u>
Total assets	<u>\$ 53,641</u>	<u>\$ 84,401</u>
 Liabilities and Net Position		
Deposits held for others	\$ -	\$ 84,401
Total liabilities	\$ -	\$ 84,401
Net Position:		
Reserved for scholarship	\$ 641	
Reserved for endowment	53,000	
Total net position	\$ 53,641	

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, 2016

	<u>Private Purpose Trust Funds</u>
Additions	
Gifts and contributions	\$ -
Interest earned	<u>26</u>
Total additions	\$ 26
 Deductions	
Scholarships awarded	<u>-</u>
Change in net position	\$ 26
Net position, July 1, 2015	<u>53,615</u>
Net position, June 30, 2016	<u><u>\$ 53,641</u></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, 2016

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 funds 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 a 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).

SB -9 - Created by State Law to account for the Districts tax levy restricted solely for improvements to the physical plant NMSA 1978 22-25-1, and is a special revenue fund.

Kinder 3+ - Funds used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education “Manual of Procedures for New Mexico School Districts” to be accounted for as a separate fund within the special funds (P.L. 94-142 and P.L. 99-457).

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, deferred outflows of resources, liabilities and deferred inflows of resources 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, deferred outflows of resources, liabilities and deferred inflows of resources (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 deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of resources. Such amounts are recorded net of estimated uncollectible amounts.

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 inflows of resources. 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. The general fund GAAP presentation includes certain non-budgeted activity funds. Such funds are excluded from the general fund budgetary comparisons. The bond building fund's GAAP presentation includes funding from the public schools facility authority, which makes payments directly to vendors, and bond proceeds which are held and disbursed directly from the New Mexico Finance Authority. Such amounts are excluded from the bond building budgetary comparison.

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

Actual expenditures may not exceed the budget on a functional category basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a “series”, this may be accomplished with only local Board of Education approval. If a transfer between “series” or a budget increase is required approval must also be obtained from Public Education Department. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. CASH AND INVESTMENTS

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

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

F. INVENTORIES

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

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value s of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

H. LONG-TERM DEBT

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

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

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

I. COMPENSATED ABSENCES

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

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The District has deferred outflows of resources related to pensions, as discussed in Note 5.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The District has one type of item, which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, has reported in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reports unavailable revenue from the following sources:

<u>Governmental Funds Balance Sheet</u>				
	<u>General</u>	<u>SB-9</u>	<u>Debt</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Service</u>	<u>Total</u>
			<u>Funds</u>	
Property taxes	<u>\$ 20,978</u>	<u>\$ 40,166</u>	<u>\$ 135,254</u>	<u>\$196,398</u>

In addition, the District reports deferred inflows of resources related to pensions, as discussed in Note 5.

K. EQUITY CLASSIFICATIONS

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, ore 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 constrains placed on the purposes for which resources can be used:

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

- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

L. 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, 2016 was \$.2242 per \$1,000 for non-residential property and \$.1986 for residential property. The District's tax rate for debt service was \$9.063 per \$1,000 for residential and \$9.210 for nonresidential property. The District's tax rate for District improvements was \$2.00 per \$1,000 for residential and \$2.00 for nonresidential property.

M. 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.

N. 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, 2016 \$963,091 of the government bank balance of \$2,866,655 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		<u>\$ 963,091</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	1,653,564	1,653,564
Uninsured and uncollateralized	<u>963,091</u>	<u>147,058</u>
	<u>\$ 2,866,655</u>	<u>\$ 2,050,622</u>

The District does not have a risk policy beyond that required by State Statute.

The cash on deposit with NMFA is, in effect, bond proceeds or payments made by the District but not yet disbursed. Such deposits are subject to the collateral requirements of NMFA. Such deposits total \$1,686,643.

Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 341,566	\$ -0-	\$ -0-	\$ 341,566
Construction in progress	<u>897,805</u>	<u>6,170,366</u>	<u>-0-</u>	<u>7,068,171</u>
Total assets not being depreciated	<u>\$ 1,239,371</u>	<u>\$ 6,170,366</u>	<u>\$ -0-</u>	<u>\$ 7,409,737</u>

Other capital assets:				
Building and improvements	\$ 29,730,810	\$ 22,789	\$ -0-	\$ 29,753,599
Furniture and equipment	<u>4,176,865</u>	<u>-0-</u>	<u>-0-</u>	<u>4,176,865</u>
Total other capital assets at historical cost	<u>\$ 33,907,675</u>	<u>\$ 22,789</u>	<u>\$ -0-</u>	<u>\$ 33,930,464</u>
Less accumulated depreciation:				
Buildings and improvements	\$(13,975,636)	\$ (429,633)	\$ -0-	\$(14,405,269)
Furniture and equipment	<u>(4,009,067)</u>	<u>(78,768)</u>	<u>-0-</u>	<u>(4,087,835)</u>
Total accumulated depreciation	<u>\$(17,984,703)</u>	<u>\$ (508,401)</u>	<u>\$ -0-</u>	<u>\$(18,493,104)</u>
Other capital assets, net	<u>\$ 15,922,972</u>	<u>\$ (485,612)</u>	<u>\$ -0-</u>	<u>\$ 15,437,360</u>
Total capital assets, net	<u>\$ 17,162,343</u>	<u>\$ 5,684,754</u>	<u>\$ -0-</u>	<u>\$ 22,847,097</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 249,116
Support Services - Students	30,504
Support Services – Instruction	5,081
General Administration	2,540
School Administration	50,081
Central services	10,161
Operation of plant	66,092
Food Services	10,025
Transportation	<u>84,801</u>
	<u>\$ 508,401</u>

The District has made future construction commitments, funded principally by the Public Schools Facility Authority, of approximately \$8,000,000.

Note 4 Long-Term Debt

Changes in long-term debt were as follows during the year end June 30, 2016:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due In</u> <u>One Year</u>
Compensated absences payable	\$ 52,087	\$ 176,862	\$ 167,567	\$ 61,382	\$ -0-
G.O. Bonds, series 2005	325,000		175,000	150,000	150,000
G.O. Bonds, series 2007	150,000		50,000	100,000	50,000
G.O. Bonds, series 2008	440,000		100,000	340,000	100,000
G.O. Bonds, series 2010	775,000		25,000	750,000	25,000
G.O. Bonds, series 2011	735,000		50,000	685,000	50,000
G.O. Bonds, series 2012	940,000		100,000	840,000	100,000
G.O. Bonds, series 2013	1,960,000		50,000	1,910,000	75,000
G.O. Bonds, series 2015	<u>-0-</u>	<u>2,000,000</u>		<u>2,000,000</u>	<u>105,000</u>
	<u>\$ 5,377,087</u>	<u>\$ 2,176,862</u>	<u>\$ 717,567</u>	<u>\$ 6,836,382</u>	<u>\$ 655,000</u>

Annual debt service for bonds payable requirements are as follows:
Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 655,000	\$ 170,715
2018	625,000	156,175
2019	535,000	142,670
2020	505,000	130,231
2021	535,000	117,605
2022-2026	2,460,000	371,641
2027-2031	<u>1,460,000</u>	<u>61,086</u>
	<u>\$ 6,775,000</u>	<u>\$ 1,150,123</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 \$7,925,123 at June 30, 2016, 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% to 4.1% for individually scheduled retirements, and maturity dates range from 2017 through 2031. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2016, the District recognized \$830,807 in property tax revenue pledged to retire the bonded indebtedness, and retired \$716,114 in bond principal and interest.

Pension Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit a payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description – ERB was created by the State's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the State's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits Provided – A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum or 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions – The contribution requirements of defined benefit plan members and the Lordsburg Municipal School District No. 1 are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For fiscal year ended June 30, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. Contributions to the pension plan from the Lordsburg Municipal School District No. 1 were \$510,630 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the Lordsburg Municipal School District No. 1 reported a liability of \$8,479,389 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal

year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the District's proportion was .13091 percent, which was a decrease of .01006% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, Lordsburg Municipal School District No. 1 recognized pension expense of \$589,809. At the June 30, 2016, the Lordsburg Municipal School District No. 1 reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ -	\$ (157,200)
Changes of assumptions	291,651	-
Net difference between projected and actual earnings on pension plan investments	-	(38,167)
Changes in proportion and differences between Lordsburg Municipal School District No. 1 contributions and proportionate share of contributions	203,158	(475,743)
Lordsburg Municipal School District No. 1 contributions subsequent to the measurement date	<u>510,630</u>	<u>-</u>
Total	<u>\$ 1,005,439</u>	<u>\$ (671,110)</u>

\$510,630 reported as deferred outflows of resources related to pensions resulting from Lordsburg Municipal School District No. 1 contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ (74,554)
2018	(82,886)
2019	(136,622)
2020	117,761

Actuarial assumptions – as described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2015, other than the lowering of the wage inflation from 4.25% to 3.75%. Specifically the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) Application of key economic projections (inflation, real growth, dividends, etc.), and 3) Structural themes (supply and demand imbalances, capital flows, etc). These items are developed for each major asset class.

<u>Asset Class</u>	<u>After June 14, 2014</u>	<u>Prior to June 14, 2014</u>
Asset Class		
Equities		
<i>Domestic Equities</i>		
Large cap equities	18%	20%
Small-mid cap equities	2%	2%
<i>International Equities</i>		
Developed	5%	5%
Emerging market	<u>10%</u>	<u>10%</u>
Total equities	<u>35%</u>	<u>37%</u>
Fixed Income		
Opportunistic credit	20%	20%
Core bonds	6%	7%
Emerging market debt	<u>2%</u>	<u>2%</u>
Total fixed income	<u>28%</u>	<u>29%</u>
Alternatives		
Real estate – REITS	7%	5%
Real assets	8%	7%
Private equity	11%	8%
Absolute return	0%	3%
Global asset allocation	5%	5%
Risk parity	<u>5%</u>	<u>5%</u>
Total alternatives	<u>36%</u>	<u>33%</u>
Cash	<u>1%</u>	<u>1%</u>
Total	<u>100%</u>	<u>100%</u>

Discount Rate – A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB’s defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Lordsburg Municipal School District No. 1 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2015. In particular, the table presents the District’s net pension liability under the current single rate assumption, as if it were calculated using a discount rate one

percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
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Lordsburg Municipal School District No. 1 proportionate share of the net pension liability	\$11,409,585	\$8,479,389	\$6,017,720
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Pension Plan Fiduciary Net Position – Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2015 and 2014 which are publicly available at www.nmerb.org.

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, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.0% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, 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, 2016, 2015, and 2014 were \$73,487, \$74,428, and \$77,729, 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, 2016, consisted of the following:

	<u>Inter-Fund Payable</u>			
	<u>Title I</u>	<u>Kinder 3+</u>	<u>All Others</u>	<u>Total</u>
<u>Inter-fund Receivable</u>				
General	\$ 101,243	\$ 89,123	\$ 227,809	\$ 418,175
Other Funds			<u>25,744</u>	<u>25,744</u>
	<u>\$ 101,243</u>	<u>\$ 89,123</u>	<u>\$ 253,553</u>	<u>\$ 443,919</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 2015–2016.

Note 10 Restricted Net Position

At June 30, 2016, net position restricted for other purposes included the following balances in special revenue funds:

Cafeteria	\$ 92,916
Athletics	14,854
SB-9	746,574
Other	<u>69,321</u>
	<u>\$ 923,665</u>

The government-wide statement of net position reports \$2,164,359 of restricted net position, of which \$2,149,505 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 \$641 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 Cooperative No. 10. This regional cooperative 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 Cooperative.

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

Separately issued financial statements of the Cooperative are available from the Cooperative 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 2015-2016.

Note 14 Evaluation of Subsequent Events

The District has evaluated subsequent events through November 7, 2016, the date which the financial statements were available to be issued.

Note 15 Restatement

Prior to the year ended June 30, 2016, the District had not reconciled its cash in bank.

During the year ended June 30, 2016, the District reconciled its bank accounts, and reconciled cash in bank to the general ledger.

The cash in bank to general ledger reconciliation resulted in a restatement of general fund cash of \$115,100. Prior year net assets/fund balance have been restated to show the effects of the change, where necessary.

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).

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.

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.

Pre-K Initiative Kinder 3+ - funds used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education "Manual of Procedures for New Mexico School Districts" to be accounted for as a separate fund within the special funds (P.L. 94-142 and P.L. 99-457).

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, 2016

	Special Revenue Funds			
	Cafeteria	Athletics	Entitlement	Preschool
Assets				
Cash and investments	\$ 52,434	\$ 14,854	\$ -	\$ -
Inventory	4,687			
Property taxes receivable				
Interfund receivable	25,744			
Due from other governments	10,442		47,843	15,342
	<u>\$ 93,307</u>	<u>\$ 14,854</u>	<u>\$ 47,843</u>	<u>\$ 15,342</u>
Liabilities				
Accounts payable	\$ 391	\$ -	\$ -	\$ -
Interfund payable			47,843	15,342
	<u>\$ 391</u>	<u>\$ -</u>	<u>\$ 47,843</u>	<u>\$ 15,342</u>
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:				
Nonspendable:				
Inventories	\$ 4,687	\$ -	\$ -	\$ -
Restricted for:				
Education		14,854		
Food service	88,229			
Social services				
Capital projects				
Unassigned				
	<u>\$ 92,916</u>	<u>\$ 14,854</u>	<u>\$ -</u>	<u>\$ -</u>
Total fund balances	<u>\$ 92,916</u>	<u>\$ 14,854</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 93,307</u>	<u>\$ 14,854</u>	<u>\$ 47,843</u>	<u>\$ 15,342</u>

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

Special Revenue Funds

<u>Teacher Training</u>	<u>CDC School Health</u>	<u>Rural Education</u>	<u>Reads to Lead</u>	<u>Pre-K Initiative</u>	<u>Medicaid</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,762
<u>30,481</u>	<u>1,655</u>	<u>4,269</u>	<u>12,338</u>	<u>25,322</u>	<u> </u>
<u>\$ 30,481</u>	<u>\$ 1,655</u>	<u>\$ 4,269</u>	<u>\$ 12,338</u>	<u>\$ 25,322</u>	<u>\$ 1,762</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>30,481</u>	<u>1,655</u>	<u>4,269</u>	<u>12,338</u>	<u>25,322</u>	<u> </u>
<u>\$ 30,481</u>	<u>\$ 1,655</u>	<u>\$ 4,269</u>	<u>\$ 12,338</u>	<u>\$ 25,322</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,762</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,762</u>
<u>\$ 30,481</u>	<u>\$ 1,655</u>	<u>\$ 4,269</u>	<u>\$ 12,338</u>	<u>\$ 25,322</u>	<u>\$ 1,762</u>

Lordsburg Municipal School District #1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2016

	Special Revenue Funds		
	Dual Credit	NM Grown Fruits and Veg	Teacher and School Leader
Cash and investments	\$ -	\$ -	\$ -
Inventory			
Property taxes receivable			
Interfund receivable			
Due from other governments	715	534	56,637
	715	534	56,637
Total assets	\$ 715	\$ 534	\$ 56,637
 Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	715	534	56,637
	715	534	56,637
Total liabilities	\$ 715	\$ 534	\$ 56,637
 Deferred Inflows of Resources			
Unavailable revenue	\$ -	\$ -	\$ -
	-	-	-
Total deferred inflows of resources	\$ -	\$ -	\$ -
 Fund balance:			
Nonspendable:			
Inventories	\$ -	\$ -	\$ -
Restricted for:			
Education			
Food service			
Capital projects			
Social services			
Unassigned			
	-	-	-
Total fund balances	\$ -	\$ -	\$ -
Total liabilities, deferred inflows of resources, and fund balances	\$ 715	\$ 534	\$ 56,637

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

<u>Special Revenue Funds</u>	
<u>Teacher and School Leader Group</u>	<u>Total</u>
\$ -	\$ 69,050
	4,687
	-
	25,744
<u>58,417</u>	<u>263,995</u>
<u>\$ 58,417</u>	<u>\$ 363,476</u>
\$ -	\$ 391
<u>58,417</u>	<u>253,553</u>
<u>\$ 58,417</u>	<u>\$ 253,944</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 4,687
	14,854
	88,229
	-
	1,762
<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 109,532</u>
<u>\$ 58,417</u>	<u>\$ 363,476</u>

Lordsburg Municipal School District #1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2016

	Special Revenue Funds			
	Cafeteria	Athletics	Entitlement	Preschool
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges	24,825	38,883		
State aid				
Federal aid	329,379		180,588	23,310
Earnings on investments	43	9		
Miscellaneous				
Total revenues	\$ 354,247	\$ 38,892	\$ 180,588	\$ 23,310
Expenditures:				
Current:				
Instruction	\$ -	\$ 46,463	\$ 158,991	\$ 23,310
Support services - Students			4,874	
Support services - Instruction				
General administration				
School administration			16,723	
Central services				
Operation of plant				
Transportation				
Food services	360,432			
Capital outlay				
Total expenditures	\$ 360,432	\$ 46,463	\$ 180,588	\$ 23,310
Revenues over (under) expenditures	\$ (6,185)	\$ (7,571)	\$ -	\$ -
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ (6,185)	\$ (7,571)	\$ -	\$ -
Fund balance, July 1, 2015	99,101	22,425		
Fund balance, June 30, 2016	<u>\$ 92,916</u>	<u>\$ 14,854</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue Funds

Teacher Training	CDC School Health	Rural Education	Reads to Lead	Pre-K Initiative	Medicaid
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12,039	1,655	7,982	49,328	65,781	40,070
<u>\$ 12,039</u>	<u>\$ 1,655</u>	<u>\$ 7,982</u>	<u>\$ 49,328</u>	<u>\$ 65,781</u>	<u>\$ 40,070</u>
\$ 8,168	\$ 1,655	\$ 7,982	\$ 49,328	\$ 65,781	\$ -
3,871					38,308
<u>\$ 12,039</u>	<u>\$ 1,655</u>	<u>\$ 7,982</u>	<u>\$ 49,328</u>	<u>\$ 65,781</u>	<u>\$ 38,308</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,762
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,762</u>
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,762</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, 2016

	Special Revenue Funds		
	Dual Credit	NM Hwy Department	Elementary Breakfast
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
Fees and charges			
State aid	4,782	17,092	948
Federal aid			
Earnings on investments			
Miscellaneous			
Total revenues	\$ 4,782	\$ 17,092	\$ 948
Expenditures:			
Current:			
Instruction	\$ 4,782	\$ -	\$ -
Support services - Students			
Support services - Instruction			
General administration			
School administration			
Central services			
Operation of plant			
Transportation			
Food services			948
Capital outlay		17,092	
Total expenditures	\$ 4,782	\$ 17,092	\$ 948
Revenues over (under) expenditures	\$ -	\$ -	\$ -
Other financing sources (uses):			
Transfer in			
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance, July 1, 2015			
Fund balance, June 30, 2016	\$ -	\$ -	\$ -

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

<u>NM Grown Fruit and Veg</u>	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total</u>
	<u>Teacher and School Leader</u>	<u>Teacher and School Leader Group</u>	<u>Special Capital Outlay</u>	
\$ -	\$ -	\$ -	\$ -	\$ -
534	56,637	58,417		63,708
				253,519
				595,023
				52
				-
<u>\$ 534</u>	<u>\$ 56,637</u>	<u>\$ 58,417</u>	<u>\$ -</u>	<u>\$ 912,302</u>
\$ -	\$ 45,410	\$ 15,625	\$ -	\$ 427,495
	2,955	2,802		48,939
		4,414		4,414
	8,272	10,783		-
		2,755		39,649
		9,642		2,755
		2,066		9,642
534		10,330		2,066
				372,244
				17,092
<u>\$ 534</u>	<u>\$ 56,637</u>	<u>\$ 58,417</u>	<u>\$ -</u>	<u>\$ 924,296</u>
\$ -	\$ -	\$ -	\$ -	\$ (11,994)
				-
\$ -	\$ -	\$ -	\$ -	\$ (11,994)
				121,526
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,532</u>

Lordsburg Municipal School District #1
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2016

	Operational	Transportation	Instructional Materials
Assets			
Cash and investments		\$ -	\$ -
Taxes receivable	21,862		
Inventory	17,976		
Interfund receivable	368,592	598	35,825
Total assets	\$ 408,430	\$ 598	\$ 35,825
 Liabilities			
Accounts payable	\$ 15,096	\$ -	\$ -
Interfund payable			
Total liabilities	\$ 15,096	\$ -	\$ -
 Deferred Inflows of Resources			
Unavailable revenue	\$ 20,978	\$ -	\$ -
Total deferred inflows of resources	\$ 20,978	\$ -	\$ -
 Fund balance:			
Nonspendable:			
Inventories	\$ 17,976	\$ -	\$ -
Restricted for:			
Education			35,825
Transportation		598	
Unassigned	354,380		
Total fund balances	\$ 372,356	\$ 598	\$ 35,825
Total liabilities, deferred inflows of resources, and fund balances	\$ 408,430	\$ 598	\$ 35,825

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

<u>Non - Instructional Support</u>	<u>Total</u>
\$ -	\$ -
	21,862
	17,976
<u>13,160</u>	<u>418,175</u>
<u>\$ 13,160</u>	<u>\$ 458,013</u>
\$ -	\$ 15,096
	-
<u>-</u>	<u>15,096</u>
\$ -	\$ 20,978
<u>-</u>	<u>20,978</u>
\$ -	\$ 17,976
13,160	48,985
	598
<u>-</u>	<u>354,380</u>
<u>\$ -</u>	<u>\$ 421,939</u>
<u>\$ -</u>	<u>\$ 458,013</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, 2016

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>
Revenues:			
Property taxes	\$ 60,166	\$ -	\$ -
Fees and charges	25,764		
State aid	5,126,291	346,361	34,456
Federal aid	23,624		
Earnings on investments	197		
Miscellaneous	5,042		192
	<u>5,241,084</u>	<u>346,361</u>	<u>34,648</u>
Total revenues	\$ 5,241,084	\$ 346,361	\$ 34,648
Expenditures:			
Current:			
Instruction	\$ 2,662,325	\$ -	\$ 25,126
Support services - Students	545,291		
Support services - Instruction	67,647		
General administration	202,934		
School administration	787,762		
Central services	249,678		
Operation of plant	723,817		
Transportation	3,805	355,101	
Food services	2,668		
Other support services	2,453		
Capital outlay			
	<u>5,248,380</u>	<u>355,101</u>	<u>25,126</u>
Total expenditures	\$ 5,248,380	\$ 355,101	\$ 25,126
Revenues over (under) expenditures	\$ (7,296)	\$ (8,740)	\$ 9,522
Other financing sources:			
Loan proceeds			
Operating transfers in (out)			
	<u>(7,296)</u>	<u>(8,740)</u>	<u>9,522</u>
Net change in fund balance	\$ (7,296)	\$ (8,740)	\$ 9,522
Fund balance, June 30, 2015, as originally stated	\$ 496,310	\$ 9,338	\$ 26,303
Restatement (Note)	(115,100)		
Fund balance, June 30, 2015, as restated	\$ 381,210	\$ 9,338	\$ 26,303
Net change in fund balance	(7,296)	(8,740)	9,522
Fund balance, June 30, 2016	<u>373,914</u>	<u>598</u>	<u>35,825</u>

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

<u>Activity Funds</u>	<u>Total</u>
\$ -	\$ 60,166
37,298	63,062
	5,507,108
	23,624
	197
	<u>5,234</u>
<u>\$ 37,298</u>	<u>\$ 5,659,391</u>
\$ 38,856	\$ 2,726,307
	545,291
	67,647
	202,934
	787,762
	249,678
	723,817
	358,906
	2,668
	2,453
	-
<u>\$ 38,856</u>	<u>\$ 5,667,463</u>
\$ (1,558)	\$ (8,072)
	-
	-
<u>\$ (1,558)</u>	<u>\$ (8,072)</u>
\$ 13,160	\$ 545,111
	<u>(115,100)</u>
\$ 13,160	\$ 430,011
(1,558)	(8,072)
<u>11,602</u>	<u>421,939</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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 15,659	\$ 23,624	\$ 7,965
State sources	5,143,539	5,143,539	5,126,291	(17,248)
Local sources	108,640	108,640	90,983	(17,657)
Interest income			197	197
	\$ 5,252,179	\$ 5,267,838	\$ 5,241,095	\$ (26,743)
Expenditures:				
Current:				
Instruction	\$ 2,887,706	\$ 2,898,330	\$ 2,665,642	\$ 232,688
Support services - Students	544,555	560,881	545,481	15,400
Support services - Instruction	68,538	68,573	67,647	926
General administration	197,711	213,121	203,109	10,012
School administration	806,117	822,028	788,438	33,590
Central services	240,112	266,249	246,646	19,603
Operation of plant	813,172	762,193	737,741	24,452
Transportation	5,690	5,850	3,594	2,256
Other support services	26,589	26,589	2,453	24,136
Food services	29,232	11,267	2,668	8,599
Capital outlay				-
Non-operating				-
	\$ 5,619,422	\$ 5,635,081	\$ 5,263,419	\$ 371,662
Revenues over (under) expenditure	\$ (367,243)	\$ (367,243)	\$ (22,324)	\$ 344,919
Other financing sources (uses)				
Transfers out	-	-	-	-
Net change in fund balance	\$ (367,243)	\$ (367,243)	\$ (22,324)	\$ 344,919
Fund balance, July 1, 2015	367,243	367,243	390,916	23,673
Fund balance, June 30, 2016	\$ -	\$ -	\$ 368,592	\$ 368,592
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				
Revenue accruals (net)				
Expenditure accruals (net)				
Other financing uses (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
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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 350,186	\$ 355,101	\$ 346,361	\$ (8,740)
Expenditures:				
Current:				
Pupil transportation	\$ 350,186	\$ 355,101	\$ 355,101	\$ -
Capital outlay				-
Total expenditures	<u>\$ 350,186</u>	<u>\$ 355,101</u>	<u>\$ 355,101</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (8,740)	\$ (8,740)
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>9,338</u>	<u>9,338</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 598</u>	<u>\$ 598</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (8,740)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (8,740)</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	26,557	34,456	34,456	-
Local sources	200	200	192	(8)
Total revenues	<u>\$ 26,757</u>	<u>\$ 34,656</u>	<u>\$ 34,648</u>	<u>\$ (8)</u>
Expenditures:				
Current:				
Instruction	\$ 54,718	\$ 62,617	\$ 25,126	\$ 37,491
Support service - Instruction				-
Total expenditures	<u>\$ 54,718</u>	<u>\$ 62,617</u>	<u>\$ 25,126</u>	<u>\$ 37,491</u>
Net change in fund balance	\$ (27,961)	\$ (27,961)	\$ 9,522	\$ 37,483
Fund balance, July 1, 2015	<u>27,961</u>	<u>27,961</u>	<u>26,303</u>	<u>(1,658)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,825</u>	<u>\$ 35,825</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 9,522	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 9,522</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 287,447	\$ 287,447	\$ 322,960	\$ 35,513
Local sources	31,500	31,500	24,376	(7,124)
Earnings on investments	<u>45</u>	<u>45</u>	<u>43</u>	<u>(2)</u>
Total revenues	\$ 318,992	\$ 318,992	\$ 347,379	\$ 28,387
Expenditures:				
Current:				
Food services	<u>372,313</u>	<u>372,313</u>	<u>340,396</u>	<u>31,917</u>
Net change in fund balance	\$ (53,321)	\$ (53,321)	\$ 6,983	\$ 60,304
Fund balance, July 1, 2015	<u>53,321</u>	<u>53,321</u>	<u>71,195</u>	<u>17,874</u>
Fund balance, June 30, 2016	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 78,178</u></u>	<u><u>\$ 78,178</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (6,185)	
Revenue accruals (net)			(6,868)	
Expenditure accruals (net)			<u>20,036</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 6,983</u></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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 37,150	\$ 37,150	\$ 38,883	\$ 1,733
Earnings on investments	<u>15</u>	<u>15</u>	<u>9</u>	<u>(6)</u>
Total revenues	\$ 37,165	\$ 37,165	\$ 38,892	\$ 1,727
Expenditures:				
Current:				
Instruction	<u>57,823</u>	<u>57,823</u>	<u>49,538</u>	<u>8,285</u>
Net change in fund balance	\$ (20,658)	\$ (20,658)	\$ (10,646)	\$ 10,012
Fund balance, July 1, 2015	<u>20,658</u>	<u>20,658</u>	<u>25,500</u>	<u>4,842</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,854</u>	<u>\$ 14,854</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (7,571)	
Revenue accruals (net)				
Expenditure accruals (net)			<u>(3,075)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (10,646)</u>	

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ 114	\$ 114
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				-
School administration				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 114	\$ 114
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>(114)</u>	<u>(114)</u>
Fund balance, June 30, 2016	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			114	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 114</u></u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - EDUCATION OF HOMELESS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ 3,165	\$ 3,165
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				-
General administration				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 3,165	\$ 3,165
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>(3,165)</u>	<u>(3,165)</u>
Fund balance, June 30, 2016	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			3,165	
Expenditure accruals (net)			<u> </u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 3,165</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 26,577	\$ 49,679	\$ 13,730	\$ (35,949)
Expenditures:				
Current:				
Instruction	<u>26,577</u>	<u>49,679</u>	<u>23,310</u>	<u>26,369</u>
Net change in fund balance	\$ -	\$ -	\$ (9,580)	\$ (9,580)
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>(5,762)</u>	<u>(5,762)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,342)</u>	<u>\$ (15,342)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(9,580)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (9,580)</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 178,498	\$ 366,110	\$ 189,326	\$ (176,784)
Expenditures:				
Current:				
Instruction	\$ 160,991	\$ 219,091	\$ 158,991	\$ 60,100
Support services - Students	182	93,224	4,874	88,350
School administration	17,325	53,795	16,723	37,072
Total expenditures	<u>\$ 178,498</u>	<u>\$ 366,110</u>	<u>\$ 180,588</u>	<u>\$ 185,522</u>
Net change in fund balance	\$ -	\$ -	\$ 8,738	\$ 8,738
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>(56,581)</u>	<u>(56,581)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,843)</u>	<u>\$ (47,843)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			8,738	
Expenditure accruals (net)				
Other financing uses (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 8,738</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 45,829	\$ 45,829	\$ 40,070	\$ (5,759)
Expenditures:				
Current:				
Support services - Students	<u>45,829</u>	<u>45,829</u>	<u>38,308</u>	<u>7,521</u>
Net change in fund balance	\$ -	\$ -	\$ 1,762	\$ 1,762
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,762</u>	<u>\$ 1,762</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 1,762	
Revenue accruals (net)				
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 1,762</u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - NM HIGHWAY DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 17,092	\$ 17,092	\$ -
Expenditures:				
Current:				
Operation of plant	-	17,092	17,092	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2015	-	-		-
Fund balance, June 30, 2016	\$ -	\$ -	\$ -	\$ -
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 - 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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 4,784	\$ 4,067	\$ (717)
Expenditures:				
Current:				
Instruction	\$ -	\$ 4,784	\$ 4,782	\$ 2
School administration				-
Total expenditures	<u>\$ -</u>	<u>\$ 4,784</u>	<u>\$ 4,782</u>	<u>\$ 2</u>
Net change in fund balance	\$ -	\$ -	\$ (715)	\$ (715)
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2016	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (715)</u></u>	<u><u>\$ (715)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(715)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (715)</u></u>	

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 7,982	\$ 7,982	\$ 10,021	\$ 2,039
Expenditures:				
Current:				
Instruction	\$ 7,982	\$ 7,982	\$ 7,982	\$ -
General administration				-
Total expenditures	\$ 7,982	\$ 7,982	\$ 7,982	\$ -
Revenues over (under) expenditures	\$ -	\$ -	\$ 2,039	\$ 2,039
Other financing sources (uses)				
Transfers in	-			-
Net change in fund balance	\$ -	\$ -	\$ 2,039	\$ 2,039
Fund balance, July1, 2015			(6,308)	(6,308)
Fund balance, June 30, 2016	\$ -	\$ -	\$ (4,269)	\$ (4,269)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			2,039	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 2,039	

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 30,266	\$ 70,133	\$ 26,850	\$ (43,283)
Expenditures:				
Current:				
Instruction	\$ 21,560	\$ 56,560	\$ 8,168	\$ 48,392
Support services - Students				-
School administration	8,706	13,573	1,945	11,628
Total expenditures	\$ 30,266	\$ 70,133	\$ 10,113	\$ 60,020
Net change in fund balance	\$ -	\$ -	\$ 16,737	\$ 16,737
Fund balance, July 1, 2015	-	-	(47,218)	(47,218)
Fund balance, June 30, 2016	\$ -	\$ -	\$ (30,481)	\$ (30,481)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			14,811	
Expenditure accruals (net)			1,926	
Net change in fund balance, NON-GAAP budgetary basis			\$ 16,737	

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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 949	\$ 1,506	\$ 557
Expenditures:				
Current:				
Food services	-	949	948	1
Net change in fund balance	\$ -	\$ -	\$ 558	\$ 558
Fund balance, July 1, 2015	-	-	(558)	(558)
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			558	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 558</u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - READS TO LEADS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 50,000	\$ 50,000	\$ 49,244	\$ (756)
Expenditures:				
Current:				
Instruction	<u>50,000</u>	<u>50,000</u>	<u>49,328</u>	<u>672</u>
Net change in fund balance	\$ -	\$ -	\$ (84)	\$ (84)
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>(12,254)</u>	<u>(12,254)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,338)</u>	<u>\$ (12,338)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(84)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (84)</u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - NM GROWN FVV
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 534	\$ 832	\$ 298
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
School administration				-
Operation of plant				-
Food services		534	534	-
Total expenditures	\$ -	\$ 534	\$ 534	\$ -
Net change in fund balance	\$ -	\$ -	\$ 298	\$ 298
Fund balance, July 1, 2015	-	-	(832)	(832)
Fund balance, June 30, 2016	\$ -	\$ -	\$ (534)	\$ (534)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			298	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 298	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - USHHS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ 4,542	\$ -	\$ (4,542)
Expenditures:				
Current:				
Instruction	\$ -	\$ 4,542	\$ 1,655	\$ 2,887
Support services - Students				-
School administration				-
Total expenditures	<u>\$ -</u>	<u>\$ 4,542</u>	<u>\$ 1,655</u>	<u>\$ 2,887</u>
Net change in fund balance	\$ -	\$ -	\$ (1,655)	\$ (1,655)
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,655)</u>	<u>\$ (1,655)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(1,655)	
Expenditure accruals (net)				
Other financing uses (net)				
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (1,655)</u>	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - TEACHER & SCHOOL LEADER INCENTIVE PAY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 160,000	\$ 106,133	\$ (53,867)
Expenditures:				
Current:				
Instruction	\$ -	\$ 121,800	\$ 45,410	\$ 76,390
Support services - Students		10,675	2,955	7,720
School administration		27,525	8,272	19,253
Food services				-
Total expenditures	\$ -	\$ 160,000	\$ 56,637	\$ 103,363
Net change in fund balance	\$ -	\$ -	\$ 49,496	\$ 49,496
Fund balance, July 1, 2015	-	-	(106,133)	(106,133)
Fund balance, June 30, 2016	\$ -	\$ -	\$ (56,637)	\$ (56,637)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			49,496	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 49,496	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - TEACHER & SCHOOL LEADER INCENTIVE PAY GROUP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 80,000	\$ 101,010	\$ 21,010
Expenditures:				
Current:				
Instruction	\$ -	\$ 28,210	\$ 15,625	\$ 12,585
Support services - Students		3,370	2,802	568
Support services - Instruction		5,700	4,414	1,286
General administration				-
School administration		11,100	10,783	317
Central services		4,640	2,755	1,885
Operation of plant		11,500	9,642	1,858
Transportation		2,320	2,066	254
Food services		13,160	10,330	2,830
Total expenditures	\$ -	\$ 80,000	\$ 58,417	\$ 21,583
Net change in fund balance	\$ -	\$ -	\$ 42,593	\$ 42,593
Fund balance, July 1, 2015	-	-	(101,010)	(101,010)
Fund balance, June 30, 2016	\$ -	\$ -	\$ (58,417)	\$ (58,417)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			42,593	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 42,593	

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

Lordsburg Municipal School District #1
SPECIAL REVENUE FUND - PRE K INITIATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 71,924	\$ 71,924	\$ 59,860	\$ (12,064)
Expenditures:				
Current:				
Instruction	<u>71,924</u>	<u>71,924</u>	<u>65,781</u>	<u>6,143</u>
Net change in fund balance	\$ -	\$ -	\$ (5,921)	\$ (5,921)
Fund balance, July 1, 2015	<u>-</u>	<u>-</u>	<u>(19,401)</u>	<u>(19,401)</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (25,322)</u>	<u>\$ (25,322)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(5,921)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (5,921)</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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 880,748	\$ 880,748	\$ 830,914	\$ (49,834)
Earnings on investments	<u>60</u>	<u>60</u>	<u>108</u>	<u>48</u>
Total revenues	<u>\$ 880,808</u>	<u>\$ 880,808</u>	<u>\$ 831,022</u>	<u>\$ (49,786)</u>
Expenditures:				
Current:				
Administration	\$ 8,808	\$ 8,808	\$ 8,310	\$ 498
Principal	605,000	605,000	550,000	55,000
Interest	275,748	275,748	166,114	109,634
Reserve	<u>671,361</u>	<u>671,361</u>	<u> </u>	<u>671,361</u>
Total expenditures	<u>\$ 1,560,917</u>	<u>\$ 1,560,917</u>	<u>\$ 724,424</u>	<u>\$ 836,493</u>
Net change in fund balance	\$ (680,109)	\$ (680,109)	\$ 106,598	\$ 786,707
Fund balance, July 1, 2015	<u>680,109</u>	<u>680,109</u>	<u>765,031</u>	<u>84,922</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871,629</u>	<u>\$ 871,629</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 106,491	
Revenue accruals (net)			107	
Expenditure accruals (net)			<u> </u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 106,598</u>	

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

Lordsburg Municipal School District #1
CAPITAL PROJECTS FUND - BOND BUILDING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Earnings on investments	<u>500</u>	<u>500</u>	<u>242</u>	<u>(258)</u>
Total revenues	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 242</u>	<u>\$ (258)</u>
Expenditures:				
Capital outlay	<u>3,079,753</u>	<u>3,079,753</u>	<u>1,504,656</u>	<u>1,575,097</u>
Revenues over (under) expenditures	\$ (3,079,253)	\$ (3,079,253)	\$ (1,504,414)	\$ (1,575,355)
Other financing sources (uses):				
Bond proceeds	<u>2,000,000</u>	<u>2,000,000</u>	<u></u>	<u>(2,000,000)</u>
Net change in fund balance after other financing sources (uses)	\$ (1,079,253)	\$ (1,079,253)	\$ (1,504,414)	\$ (425,161)
Fund balance, July 1, 2015	<u>1,079,253</u>	<u>1,079,253</u>	<u>1,773,461</u>	<u>694,208</u>
Fund balance, June 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,047</u>	<u>\$ 269,047</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 630,619	
Revenue accruals (net)			(2,929)	
Expenditure accruals (net)			(132,104)	
Other financing sources (net)			<u>(2,000,000)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (1,504,414)</u>	

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

Lordsburg Municipal School District No. 1
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
 THE EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST 10 FISCAL YEARS***

	2016	2015
Lordsburg Municipal School District No. 1's proportion of the net pension liability	.13091%	.14097%
Lordsburg Municipal School District No. 1's proportionate share of the net pension liability	\$ 8,479,389	\$ 8,043,362
Lordsburg Municipal School District No. 1's covered employee payroll	\$ 3,686,599	\$ 3,722,143
Lordsburg Municipal School District No. 1's proportionate share of the net pension liability as a percentage of its covered employee payroll	230%	216%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	66.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Lordsburg Municipal School District No. 1 will present information for those years for which information is available.

Lordsburg Municipal School District No. 1
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
***LAST 10 FISCAL YEARS**

	2016	2015
Contractually required contributions	\$ 510,630	\$ 517,257
Contributions in relation to contractually required contribution	(510,630)	(517,257)
Contribution deficiency (excess)	\$ -	\$ -
Lordsburg Municipal School District No. 1's covered-employee payroll	\$ 3,686,599	\$ 3,722,143
Contributions as a percentage of covered-employee payroll	13.90%	13.90%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Lordsburg Municipal School District No. 1 will present information for those years for which information is available.

Lordsburg Municipal School District No. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2016

Changes in benefit terms – The Cola and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study as of June 30, 2014, presented to the Board of Trustees on June 12, 2015, ERB implemented the following changes in assumptions for the fiscal years 2015:

1. Fiscal year 2015 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - b. Lower population growth from .50% to zero.
 - c. Minor changes in demographic assumptions
 - d. Remove population growth assumptions for projections

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. Net 4.75% real return assumption
 - d. COLA assumption of 2% per year
 - e. Payroll growth of 3.50%

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Lordsburg Municipal School District #1
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Assets				
Cash and investments:				
Lordsburg High School	\$ 93,848	\$ 107,710	\$ 120,985	\$ 80,573
DTMS Middle School	2,412	5,941	4,637	3,716
Central Elementary School	150	40	78	112
Southside Elementary School	<u>18</u>	<u>-</u>	<u>18</u>	<u>-</u>
Total Assets	<u><u>\$ 96,428</u></u>	<u><u>\$ 113,691</u></u>	<u><u>\$ 125,718</u></u>	<u><u>\$ 84,401</u></u>
Liabilities				
Deposits held for others:				
Lordsburg High School	\$ 93,848	\$ 107,710	\$ 120,985	\$ 80,573
DTMS Middle School	2,412	5,941	4,637	3,716
Central Elementary School	150	40	78	112
Southside Elementary School	<u>18</u>	<u>-</u>	<u>18</u>	<u>-</u>
Total Liabilities	<u><u>\$ 96,428</u></u>	<u><u>\$ 113,691</u></u>	<u><u>\$ 125,718</u></u>	<u><u>\$ 84,401</u></u>

The accompanying notes are an integral part of these financial statements

Lordsburg Municipal School District #1
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2016

	<u>Western Bank</u>	<u>Total</u>
Checking and CD's	\$ 2,866,655	\$ 2,866,655
Total on deposit	\$ 2,866,655	\$ 2,866,655
Less: FDIC insurance	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 2,616,655</u>	<u>\$ 2,616,655</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ 1,308,328</u>	<u>\$ 1,308,328</u>
Pledged Securities:		
FNMA 2001-64E QH 31392AHX9 11/25/2031	\$ 218,706	\$ 218,706
Silver City School District, 827513EX6 8/1/2017	421,121	421,121
Silver City NM Gross Recpts 82750PAP9 6/1/2025	303,551	303,551
Chama VY Indpt Sch Dist 19 157670DD9 8/1/2017	206,950	206,950
Corrales NM Hold GRT 22026TAK6 5/1/23	177,293	177,293
Torrence County NM 891398BA6 8/1/2016	<u>325,943</u>	<u>325,943</u>
Total pledged securities	<u>\$ 1,653,564</u>	<u>\$ 1,653,564</u>
Pledged securities over (under) requirement	<u>\$ 345,237</u>	<u>\$ 345,237</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, 2016

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Western Bank</u>			
Federal Projects	Checking	\$ 131,461	\$ 107,641
Activity	Checking	34,674	150,613
Trella Rolfe Scholarship	Checking	624	624
Capital Improvement	Checking	579,289	971,804
Payroll	Checking	422,659	20,107
Athletics	Checking	16,489	15,867
Cafeteria	Checking	162,132	147,197
Operational	Checking	1,056,627	636,769
Investments	Checking	462,700	-
		<u>\$ 2,866,655</u>	<u>\$ 2,050,622</u>
Total Western Bank		<u>\$ 2,866,655</u>	<u>\$ 2,050,622</u>
Cash on deposit with NMFA		<u>\$ 1,686,643</u>	<u>\$ 1,686,643</u>
Total cash and investments		<u><u>\$ 4,553,298</u></u>	<u><u>\$ 3,737,265</u></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, 2016

	<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, 2015	\$ 506,016	\$ 9,338	\$ 26,303	\$ 71,195	\$ 25,500
Add: Current year receipts	5,241,095	346,361	34,648	347,379	38,892
Prior year warrants voided		(8,143)			
Less: Current year expenditures	(5,263,419)	(346,958)	(25,126)	(340,396)	(49,538)
Outstanding loans	(250,000)				
Transfers					
Total cash and investments as of June 30, 2016 per cash report	\$ 233,692	\$ 598	\$ 35,825	\$ 78,178	\$ 14,854
Audit adjustment	(115,100)				
Cash and investments per audit report	<u>\$ 118,592</u>	<u>\$ 598</u>	<u>\$ 35,825</u>	<u>\$ 78,178</u>	<u>\$ 14,854</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, 2016

	<u>Non- Instructural Support</u>	<u>Federal Flowthrough</u>	<u>Federal Direct</u>	<u>State Flowthrough</u>	<u>State Direct Fund</u>
Total cash and investments as of July 1, 2015	\$ 96,428	\$ (234,977)	\$ -	\$ (285,120)	\$ -
Add: Current year receipts	151,014	587,020	40,070	382,127	17,092
Prior year warrants voided					
Less: Current year expenditures	(164,489)	(552,876)	(38,308)	(340,093)	(17,092)
Outstanding loans		250,000			
Transfers					
Total cash and investments as of June 30, 2016	<u>\$ 82,953</u>	<u>\$ 49,167</u>	<u>\$ 1,762</u>	<u>\$ (243,086)</u>	<u>\$ -</u>
 Audit adjustment	 <u>68,249</u>				
Cash and investments per audit report	<u><u>\$ 151,202</u></u>	<u><u>\$ 49,167</u></u>	<u><u>\$ 1,762</u></u>	<u><u>\$ (243,086)</u></u>	<u><u>\$ -</u></u>

Lordsburg Municipal School District #1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2016

	<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, 2015	\$ 1,773,461	\$ -	\$ 581,268	\$ 765,030	\$ 3,334,442
Add: Current year receipts	242		262,032	831,022	8,278,994
Prior year warrants voided					(8,143)
Less: Current year expenditures	(1,504,656)		(140,446)	(724,423)	(9,507,820)
Outstanding loans					-
Transfers					-
Total cash and investments as of June 30, 2016	<u>\$ 269,047</u>	<u>\$ -</u>	<u>\$ 702,854</u>	<u>\$ 871,629</u>	<u>\$ 2,097,473</u>
Audit adjustment					<u>(46,851)</u>
Cash and investments per audit report	<u><u>\$ 269,047</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 702,854</u></u>	<u><u>\$ 871,629</u></u>	<u><u>\$ 2,050,622</u></u>

Lordsburg Municipal School District No. 1
SCHEDULE OF JOINT POWERS AGREEMENTS
 June 30, 2014

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, 2016

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Passed Through to Subrecipients</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 Special Education Cluster (IDEA):	84.010	24.101	\$ -	\$ 329,229
Special Education - Grants to States	84.027	24.106	\$ -	\$ 180,588
Special Education - Preschool Grants	84.173	24.109		23,310
			\$ -	\$ 203,898
Total Special Education (IDEA) Cluster				
Rural Education	84.358	24.160	\$ -	\$ 7,982
Teacher Quality State Grants	84.367	24.154		12,039
			\$ -	\$ 553,148
Total U.S. Department of Education				
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Programs:				
Schools and Roads-Grants to States	10.665	N/A	\$ -	\$ 23,624
Passed through N.M. Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	\$ -	\$ 192,276
Summer Food Service Program for Children	10.559	N/A		10,442
School Breakfast Program	10.553	N/A		126,661
			\$ -	\$ 329,379
Total Child Nutrition Cluster				
			\$ -	\$ 353,003
Total U.S. Department of Agriculture				
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through the N.M. Dept. of Human Services:				
CDC School Health	93.079	24.186	\$ -	\$ 1,655
Medical Assistance Program	93.778	25.253		40,072
			\$ -	\$ 41,727
Total U.S. Department of Health and Human Services				
			\$ -	\$ 947,878
Total expenditures of federal awards				

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

Lordsburg Municipal School District No. 1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lordsburg Municipal School District No. 1, under programs of the federal government for the year ended Jun 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lordsburg Municipal School District No. 1, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lordsburg Municipal School District No. 1.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance.

Note 3 Non-Monetary Assistance

Non-monetary assistance is reported in the schedule at the fair market value of the USDA commodities received. The District received \$19,049 in food commodities during the 2015-2016 fiscal year.

Note 4 Indirect Costs

The District has elected not to use the de Minimis indirect cost rate as allowed under the Uniform Guidance.

Lordsburg Municipal School District #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2016

Current Status

Findings – Financial Statement Audit

2014-001 Cash not reconciled or reported to PED correctly Repeated as Finding 2016-002

Findings and Questioned Costs – Major Federal Award Programs

DEPARTMENT OF EDUCATION

2015-001 Title I Grants to LEAs, CFDA No. 84.010, Grant No. 24-101, Passed through New Mexico Public Education Department, Grant Period FYE June 30, 2015.

This finding was a material weakness indicating that the District has not reconciled its cash in the bank, and therefore cash balances by individual fund could not be verified.

During the year ended June 30, 2016, the District reconciled its cash in bank, and adjusted its individual fund cash to balance to actual cash in bank. Therefore, the finding has been resolved, and we noted no reoccurrence in the current fiscal year.

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

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Education
Lordsburg Municipal School District No. 1
Lordsburg, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Lordsburg Municipal School District No. 1 as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lordsburg Municipal School District No. 1's basic financial statements, and the combining and individual fund financial statements and related budgetary comparisons, presented as other supplementary information, and have issued our report thereon dated November 7, 2016.

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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lordsburg Municipal School District No. 1's internal control.

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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*, which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2014-001.

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

Lordsburg Municipal School District No. 1's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co CPAs

Silver City, New Mexico
October 28, 2016

Stone, McGee & Co.
Certified Public Accountants



MIKE STONE, C.P.A.
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Timothy Keller, State Auditor
And
Board of Education
Lordsburg Municipal School District No. 1
Lordsburg, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Lordsburg Municipal School District No. 1's compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lordsburg Municipal School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 types of 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, 2016.

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 the Uniform Guidance, 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.

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 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 7, 2016

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, 2016

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Lordsburg Municipal School District No. 1 were prepared in accordance with Generally Accepted Accounting Principles.
2. No 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*.
3. No instances of noncompliance material to the financial statements of Lordsburg Municipal School District No. 1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
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. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) were noted during the audit.
7. The programs tested as major programs included: Title I Grants to Lea's, CFDA No. 84.010; and the Special Education Cluster (IDEA), consisting of Special Education – Grants to States, CFDA No. 84.027, and the Special Education – Preschool Grants, CFDA No. 84.173.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Lordsburg Municipal School District No. 1 was not a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001 Payroll Reporting (Other noncompliance)

Condition – The District paid employees the wrong amount, made erroneous payroll tax deposits, totaling \$2374.44, resulting in penalties of \$58, and filed payroll reports that did not agree to actual payroll by \$109.91. These noncompliance issues happened several times and appear to be a systemic issue.

Criteria – Sound internal control requires the reconciliation of payroll to contract amounts; that payroll tax deposits be made accurately and timely; and that payroll reports agree to actual payroll amounts.

Effect – The District risks paying personnel the incorrect amounts and not discovering the problem in a timely, manner. Further, substantial penalties could be incurred.

Cause – The District’s had significant turnover and/or absences in personnel. This required a realignment/hiring of inexperienced personnel, which were not properly versed in payroll reporting.

Recommendation – We recommend that the District take the appropriate steps to ensure proper payroll preparation and reporting.

Agency Response – The District discovered the errors and took corrective action to recover any overpayments. In addition, the District has outsourced its payroll function to an independent entity, and is reviewing the reports and payrolls prepared by that outside agency. Business department personnel and the Superintendent are charged with reviewing this information in a timely manner.

2014-001 – Cash Reporting to Public Education Department (other noncompliance)

Condition – The District’s cash report to the Public Education Department (PED) for the year ended June 30, 2016, did not reflect actual cash balances. The Operational account was overstated by \$115,100, and the Non-Instructional Support account was understated by \$68,249. This appears to be an isolated occurrence, since bank account balances are now reconciled.

Criteria – The Public Education Department Manual of Procedures required the reconciliation of bank balances to reported fund amounts, and that the amounts reported to PED be accurate and timely.

Effect – The District has not complied with PED regulations, and the budgeting and oversight process conducted by PED is compromised.

Cause – The Cause is two-fold. First, in prior years, the District did not have accurate bank reconciliations. Because the PED cash report is required to be filed shortly after year-end, the District reported its cash balances as available. Between the filing with PED and the annual audit, the bank accounts were reconciled, and corrected cash balances became available. Secondly, a PED budget analyst required correction to the District’s Non-Instructional Support cash balance to exclude the District’s private purpose trust funds. This requirement was incorrect, and resulted in the understatement shown above.

Recommendation – We recommend that the District file an amended June 30, 2016, cash report with PED that reflects the actual cash balances now available. We further recommend that the District continue to reconcile cash in bank to the individual funds, to ensure that future reporting is accurate.

Agency Response – The District will file the properly amended year-end cash report, by March 31, 2016, and the District has already contracted with an independent entity to provide accounting services, which includes accurate PED reporting. The Superintendent and Business Department personnel are responsible for filing the amended report.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s, with substantial assistance from District personnel, who have acknowledged and accepted responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed October 17, 2016. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Manuel D.V. Saucedo	Board President	Lordsburg Municipal Schools
Alfredo Morelos	Board Secretary	Lordsburg Municipal Schools
Randall Piper	Superintendent	Lordsburg Municipal Schools
Kathy Johnson	Business Consultant	Lordsburg Municipal Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPAs
Kay Stone	Shareholder	Stone, McGee & Co., CPAs