

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**Basic Financial Statements and  
Required Supplementary Information  
For the Year Ended June 30, 2013  
and Independent Auditors' Report**

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**TABLE OF CONTENTS  
JUNE 30, 2013**

---

**FINANCIAL SECTION**

Official Roster	1
Independent Auditors' Report	2
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	6
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:	
General Fund	12
Title I Special Revenue Fund	13
Title XIX Medicaid 3/21 Years Special Revenue Fund	14
Rural Education Achievement Program Special Revenue Fund	15
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities - Agency Fund	16
Notes to the Financial Statements	17

**SUPPLEMENTARY INFORMATION**

Combining and Individual Funds Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	38
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	39
Special Revenue Funds	40
Combining Balance Sheet - Nonmajor Special Revenue Funds	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	44

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**TABLE OF CONTENTS (CONTINUED)  
JUNE 30, 2013**

---

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual	
Food Service Special Revenue Fund	46
Athletics Special Revenue Fund	47
IDEA - B Entitlement Special Revenue Fund	48
IDEA - B Preschool Special Revenue Fund	49
IDEA - B Risk Pool Special Revenue Fund	50
Teacher/Principal Training and Recruiting Special Revenue Fund	51
Child and Adult Food Program Special Revenue Fund	52
Formative Assessment Law Program Special Revenue Fund	53
ENMR Plateau - Education Foundation School Grant Special Revenue Fund	54
2010 GO Bond Library Special Revenue Fund	55
Technology for Education Special Revenue Fund	56
Beginning Teacher Mentoring Special Revenue Fund	57
Parents Reaching Out Special Revenue Fund	58
Combining Balance Sheet - Nonmajor Capital Project Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	61
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual	
Bond Building Capital Project Fund	62
Special Capital Outlay State Capital Project Fund	63
Capital Improvements SB -9 Capital Project Fund	64
Combining Balance Sheet - Nonmajor Debt Service Funds	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	67
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual	
Education Technology Debt Service Fund	69
Debt Service Fund	
Combining Balance Sheet - General Fund	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund	71

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**TABLE OF CONTENTS (CONTINUED)  
JUNE 30, 2013**

---

Statement of Revenues, Expenditures, and Changes in Fund Balance	
- Budget (Non-GAAP Budgetary Basis) and Actual:	
Operational Fund	72
Teacherage Fund	73
Transportation Fund	74
Instructional Materials Fund	75

**OTHER SUPPLEMENTAL INFORMATION**

Schedule of Changes in Assets and Liabilities - Agency Funds	76
Schedule of Pledged Collateral	77
Schedule of Deposits and Investments Accounts	78
Cash Reconciliation	79

**COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80
Schedule of Findings and Responses	82
Financial Statement Preparation	85
Exit Conference	86

## INDEPENDENT AUDITORS' REPORT

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Vaughn Municipal Schools

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Vaughn Municipal Schools (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds, and the budgetary comparisons for the major capital projects fund, debt service fund and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' 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 of 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 auditors' judgment, including the assessment of the 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 District, as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2013, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital projects fund, debt service fund and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context. Our opinion on the basic financial statements is not affected by the missing information.

#### *Other Information*

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Vaughn Municipal School's internal control over financial reporting and compliance.

*White & Samaniego & Campbell, CP*

El Paso, Texas

November 14, 2013

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 1,312,637
Property taxes receivable	1,080
Due from other governments	78,385
Other receivables	766
Inventory	<u>2,307</u>
Total current assets	1,395,175
Non-current assets	
Capital assets	8,715,320
Less accumulated depreciation	<u>(5,740,338)</u>
Total non-current assets	<u>2,974,982</u>
<b>Total assets</b>	<b><u>\$ 4,370,157</u></b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 29,308
Accrued interest	13,860
Unearned revenue	16,361
Current portion of bonds payable	<u>175,000</u>
Total current liabilities	234,529
Long-term obligations	
Bonds payable	1,425,000
Accrued compensated absences	<u>12,171</u>
Total long-term liabilities	<u>1,437,171</u>
<b>Total liabilities</b>	<b><u>1,671,700</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	1,361,122
Restricted for	
Cafeteria fund (inventory)	2,307
Special revenue	26,702
Capital projects	907,393
Debt service	218,350
Unrestricted	<u>182,583</u>
<b>Total net position</b>	<b><u>\$ 2,698,457</u></b>

See accompanying notes to financial statements and independent auditors' report.



**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Expenses:</b>					
<b>Governmental Activities:</b>					
Instruction	\$ 1,211,346	\$ 16,260	\$ 163,594	\$ -	\$ (1,031,492)
Support services	524,439	23,729	69,577	53,402	(377,731)
Central services	129,086	-	-	-	(129,086)
Operation and maintenance of plant	417,279	-	-	-	(417,279)
Student transportation	72,175	-	116,631	-	44,456
Food services	103,396	-	-	-	(103,396)
Interest on long-term debt	32,087	-	-	-	(32,087)
Total governmental activities	<u>\$ 2,489,808</u>	<u>\$ 39,989</u>	<u>\$ 349,802</u>	<u>\$ 53,402</u>	<u>(2,046,615)</u>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for operating programs					24,946
Property taxes, levied for debt services					215,438
Property taxes, levied for capital projects					99,862
State equalization guarantee					1,363,507
Interest and investment earnings					772
Miscellaneous					3,753
Special item- Emergency funding					<u>327,000</u>
Subtotal, general revenue					<u>2,035,278</u>
Change in net position					(11,337)
Net position - beginning of year					2,734,129
Prior period adjustment - Implementation of GASB 65					<u>(24,335)</u>
Net position as restated - end of year					<u>\$ 2,698,457</u>

See accompanying notes to financial statements and independent auditors' report.

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>General Fund</b>	<b>Title I</b>	<b>Title XIX Medicaid 3/21 Years</b>	<b>Rural Education Achievement Program</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 123,334	\$ -	\$ 43,648	\$ -
Property taxes receivable	75	-	-	-
Due from other funds	89,827	-	-	-
Due from grantors	-	19,857	-	27,974
	<u>213,236</u>	<u>19,857</u>	<u>43,648</u>	<u>27,974</u>
Total assets	<u>\$ 213,236</u>	<u>\$ 19,857</u>	<u>\$ 43,648</u>	<u>\$ 27,974</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 18,482	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	19,857	-	27,974
Unearned revenue	-	-	16,361	-
	<u>18,482</u>	<u>19,857</u>	<u>16,361</u>	<u>27,974</u>
Total liabilities	18,482	19,857	16,361	27,974
Fund balances:				
Nonspendable - Inventory	-	-	-	-
Restricted, reported in:				
Special revenue fund	-	-	27,287	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Unassigned, reported in:				
General fund	194,754	-	-	-
	<u>194,754</u>	<u>-</u>	<u>27,287</u>	<u>-</u>
Total fund balances	194,754	-	27,287	-
Total liabilities and fund balances	<u>\$ 213,236</u>	<u>\$ 19,857</u>	<u>\$ 43,648</u>	<u>\$ 27,974</u>

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>Bond Building</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 850,236	\$ 217,581	\$ 77,838	\$ 1,312,637
Property taxes receivable	-	704	301	1,080
Due from other funds	-	-	-	89,827
Other receivables	-	-	766	766
Inventory	-	-	2,307	2,307
Due from grantors	-	-	30,554	78,385
	<u>850,236</u>	<u>218,285</u>	<u>111,766</u>	<u>1,485,002</u>
Total assets	<u>\$ 850,236</u>	<u>\$ 218,285</u>	<u>\$ 111,766</u>	<u>\$ 1,485,002</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 10,826	\$ 29,308
Accrued payroll	-	-	-	-
Due to other funds	-	-	41,996	89,827
Unearned revenue	-	-	-	16,361
	<u>-</u>	<u>-</u>	<u>52,822</u>	<u>135,496</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>52,822</u>	<u>135,496</u>
Fund balances:				
Nonspendable - Inventory	-	-	2,307	2,307
Restricted, reported in:				
Special revenue fund	-	-	(585)	26,702
Capital projects funds	850,236	-	57,157	907,393
Retirement of long-term debt	-	218,285	65	218,350
Unassigned, reported in:				
General fund	-	-	-	194,754
	<u>850,236</u>	<u>218,285</u>	<u>58,944</u>	<u>1,349,506</u>
Total fund balances	<u>850,236</u>	<u>218,285</u>	<u>58,944</u>	<u>1,349,506</u>
Total liabilities and fund balances	<u>\$ 850,236</u>	<u>\$ 218,285</u>	<u>\$ 111,766</u>	<u>\$ 1,485,002</u>

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

---

Amounts reported for government activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 1,349,506
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,974,982
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest	(13,860)
Compensated absences	(12,171)
General obligation bonds	<u>(1,600,000)</u>
Total net position as restated - governmental funds	<u>\$ 2,698,457</u>

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Title I	Title XIX Medicaid 3/21 Years	Rural Education Achievement Program
<b>REVENUES</b>				
Taxes	\$ 24,946	\$ -	\$ -	\$ -
Charges for services	16,260	-	-	-
State sources	1,709,422	-	-	9,091
Federal sources	-	43,710	7,979	-
Transportation distribution	116,631	-	-	-
Earnings from investments	772	-	-	-
Miscellaneous	3,753	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,871,784	43,710	7,979	9,091
<b>EXPENDITURES</b>				
Current:				
Direct instruction	1,021,699	41,980	465	9,091
Instructional support	429,453	1,730	7,514	-
Central services	121,758	-	-	-
Operation and maintenance	257,054	-	-	-
Transportation	72,175	-	-	-
Food services	32,021	-	-	-
Debt services:				
Principal payments	-	-	-	-
Interest	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,934,160	43,710	7,979	9,091
Excess(deficiency) of revenues over expenditures	(62,376)	-	-	-
<b>OTHER FINANCING SOURCES (USE)</b>				
Bond proceeds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(62,376)	-	-	-
Fund balance - beginning of year	257,130	-	27,287	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ 194,754	\$ -	\$ 27,287	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Bond Building</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>				
Taxes	\$ -	\$ 215,438	\$ 99,862	\$ 340,246
Charges for services	-	-	23,729	39,989
State sources	-	-	137,302	1,855,815
Federal sources	-	-	69,576	121,265
Transportation distribution	-	-	-	116,631
Earnings from investments	-	-	-	772
Miscellaneous	-	-	-	3,753
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	-	215,438	330,469	2,478,471
<b>EXPENDITURES</b>				
Current:				
Direct instruction	-	-	83,192	1,156,427
Instructional support	-	2,179	1,403	442,279
Central services	-	-	-	121,758
Operation and maintenance	6,162	-	146,351	409,567
Transportation	-	-	-	72,175
Food services	-	-	71,375	103,396
Debt services:				
Principal payments	-	170,000	-	170,000
Interest	-	36,220	-	36,220
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	6,162	208,399	302,321	2,511,822
Other financial sources:				
Bond proceeds	850,000	-	-	850,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financial sources	850,000	-	-	850,000
Net change in fund balance	843,838	7,039	28,148	816,649
Fund balance - beginning of year	6,398	211,246	30,796	532,857
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance - end of year	\$ 850,236	\$ 218,285	\$ 58,944	\$ 1,349,506
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

---

Amount reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 816,649
--	------------

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period

Depreciation expense	(148,076)
----------------------	-----------

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Bond proceeds	(850,000)
Decrease in accrued interest	4,133
Increase in accrued compensated absences	(4,043)
Principal payment on bond	170,000
Bond issuance cost	24,335
Prior period adjustment - implementation of GASB 65	<u>(24,355)</u>

Change in net position of governmental activities	<u>\$ (11,337)</u>
---	--------------------

See accompanying notes to financial statements and independent auditors' report.



**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**GENERAL FUND COMBINED  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues:</b>				
Taxes	\$ 23,138	\$ 23,138	\$ 24,946	\$ 1,808
Charges for services	14,000	14,000	16,260	2,260
State sources	1,894,581	1,820,562	1,826,053	5,491
Earnings from investments	950	950	772	(178)
Miscellaneous	-	-	3,753	3,753
<b>Total revenues</b>	<b>1,932,669</b>	<b>1,858,650</b>	<b>1,871,784</b>	<b>13,134</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Direct instruction	1,109,196	1,028,231	1,021,699	6,532
Instruction support	442,009	465,959	414,821	51,138
Central services	124,094	120,694	121,758	(1,064)
Operation and maintenance	319,268	302,268	257,054	45,214
Transportation	112,172	116,631	72,175	44,456
Other support services	-	-	-	-
Food services	30,000	32,021	32,021	-
<b>Total expenditures</b>	<b>2,136,739</b>	<b>2,065,804</b>	<b>1,919,528</b>	<b>146,276</b>
Excess (deficiency) of revenues over expenditures	(204,070)	(207,154)	(47,744)	159,410
Other financing sources (uses)				
Designated cash	99,626	99,626	-	(99,626)
<b>Total other financing sources (uses)</b>	<b>99,626</b>	<b>99,626</b>	<b>-</b>	<b>(99,626)</b>
Net change in fund balance	(104,444)	(107,528)	(47,744)	59,784
Fund balance - beginning of year	183,924	183,924	257,130	73,206
Fund balance - end of year	\$ 79,480	\$ 76,396	\$ 209,386	\$ 132,990
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (47,744)	
Net revenue accruals			-	
Net expenditure accruals			(14,632)	
Net changes in fund balance GAAP basis			\$ (62,376)	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**TITLE I IASA SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 31,352	\$ 57,208	\$ 23,852	\$ (33,356)
Expenditures:				
Current:				
Direct instruction	29,010	54,866	41,980	12,886
Instruction support	2,342	2,342	1,730	612
Total expenditures	31,352	57,208	43,710	13,498
Excess (deficiency) of revenues over expenditures	-	-	(19,858)	(19,858)
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	(19,858)	(19,858)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ (19,858)	\$ (19,858)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (19,858)	
Net revenue accruals			19,858	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**TITLE XIX MEDICAID 3/21 YEARS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
Federal sources	\$ 8,333	\$ 8,333	\$ 7,979	\$ (354)
Expenditures:				
Current:				
Direct instruction	39,331	39,331	465	38,866
Instructional support	-	-	7,514	(7,514)
Total expenditures	<u>39,331</u>	<u>39,331</u>	<u>7,979</u>	<u>31,352</u>
Excess (deficiency) of revenues over expenditures	<u>(30,998)</u>	<u>(30,998)</u>	<u>-</u>	<u>30,998</u>
Other financing sources (uses)				
Designated cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(30,998)	(30,998)	-	30,998
Fund balance - beginning of year	<u>27,287</u>	<u>27,287</u>	<u>27,287</u>	<u>-</u>
Fund balance - end of year	<u>\$ (3,711)</u>	<u>\$ (3,711)</u>	<u>\$ 27,287</u>	<u>\$ 30,998</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**RURAL EDUCATION ACHIEVEMENT PROGRAM SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 9,754	\$ -	\$ (9,754)
Expenditures:				
Current:				
Direct instruction	-	9,754	9,091	663
Total expenditures	-	9,754	9,091	663
Excess (deficiency) of revenues over expenditures	-	-	(9,091)	(9,091)
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(9,091)	(9,091)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ (9,091)	\$ (9,091)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (9,091)	
Net revenue accruals			9,091	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Vaughn Public School's management who is responsible for their integrity and objectivity. The financial statements and disclosures of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by State Equalization Guarantee, taxes and intergovernmental revenues.

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

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

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

**C. Measurement Focus, Basis of Accounting**

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are accrued as receivable when levied, net of estimated refund and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are

considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by district school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

Title XIX Medicaid 3/21 years is to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children (Title XIX Social Security Act).

Rural Education Achievement Program is to provide financial assistance to rural district 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.

Bond Building Capital Fund is for the revenue received from bonds sold by the school to be used for improvements and additions to school owned property.

Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

Additionally, the District reports the following agency fund:

The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

**D. Assets, Liabilities, and Net Position or Equity**

**Deposits and Investments** - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

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

**Restricted Assets** - The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.



**Receivables and Payables** - Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables 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 interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

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

The District receives monthly income from a tax levy in Guadalupe and Torrance County. The funds are collected by the County Treasurers and are remitted to the District the following month.

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August 2013 is considered measurable and available and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2013.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Inventory** - The District uses the consumption method of accounting for inventory. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed.

Inventory is valued at cost utilizing the consumption basis of accounting. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No unearned revenue was recorded for unused commodity inventory as of June 30, 2013.

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report.

The costs of normal maintenance and repairs that do not add to the value of the asset or

materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Furniture, Equipment Vehicles and Library Books	3-15

**Unearned Revenues** - Under both accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by corresponding liability for unearned revenue. Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as unavailable revenues in the governmental fund financial statements as deferred inflows.

**Compensated Absences** - Twelve month employees are entitled to accumulate annual leave up to 10 days per year for the first five years. After five years of service, they will earn one and one quarter days per month for a total of 15 days per year.

Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, no payment is due to the employee upon termination of employment.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Balance of Fund Financial Statements** - In the fund financial statements, governmental funds are classified as follows:

**Nonspendable** - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

**Restricted** - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

**Unassigned** - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

### **Equity Classifications**

#### Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position:  
Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Net position:  
All other net position that do not meet the definition of "restricted" or "invested in

capital assets, net of related debt."

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

#### **E. Revenues**

**State Equalization Guarantee** - School districts in the State of New Mexico receive a state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program costs.

A school district's program costs are determined through the use of various formulas using program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,363,507 in state equalization guarantee distributions during the year ended June 30, 2013.

**Tax Revenues** - The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$340,245 in tax revenues in the governmental fund financial statements during the year ended June 30, 2013. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

**Transportation Distribution** - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$116,631 in transportation distributions during the year ended June 30, 2013.

**Public School Capital Outlay** - Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (0); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

**Federal Grants** - The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operates under its own

budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the local School Board and the New Mexico Public Education Department.

**New Accounting Pronouncements** - In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The District incorporated this statement for the current year, no significant effect on the financial statements was noted.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The District incorporated this statement for the current year, no significant effect on the financial statements was noted.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net position. The District incorporated this statement for the current year, no significant effect on th financial statements was noted.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider.

This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The District incorporated this statement for the current year, no significant effect on the financial statements was noted.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The District recorded a prior period adjustment, expensing bond issuance cost for the year ended June 30, 2013.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The District incorporated this statement for the current year, no significant effect on the financial statements was noted.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The District incorporated this statement for the current year, no significant effect on the financial statements was noted.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are

provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The District incorporated this statement for the current year, no significant effect on the financial statements was noted.

In January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 Government Combinations and Disposals of Government Operations. The requirements of this Statement are effective for government combinations and disposals of operations occurring in financial reporting periods beginning after December 15, and should be applied on a prospective basis. Earlier application is encouraged. The District incorporated this statement for the current year, no significant effect on the financial statements was noted.

In April 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is effective for financial statements for periods beginning after June 15, Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. The District incorporated this statement for the current year, no significant effect on the financial statements was noted.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department.

These budgets are prepared on the Non-GAAP cash basis. Budgeted expenditures exclude encumbrances and the budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of subsequent fiscal year, when the budget is approved those funds are legally restricted and as reserved fund balance.

Actual expenditures may not exceed the budget at the function level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Public Education Department.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board and the New Mexico Public Education Department.
5. Formal budgetary integration is employed as a management control device during the year For the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Budget basis expenditures exclude encumbrances

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

The District is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in each individual budgetary comparison.

### **3. DEPOSIT AND INVESTMENTS**

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2013.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of



finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

The types of collateral allowed are limited to direct obligations of the United States Government or agency, districts or political subdivisions of the States of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for non interest bearing accounts.

**Deposits:**

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Everyone's Federal Credit Union
Cash on deposit at June 30, 2013	\$ 1,482,404
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 1,232,404</u>
Pledged collateral	\$ 2,376,000
Collateral requirement (50% of uninsured public funds)	<u>616,202</u>
Over collateralization	<u>\$ 1,759,798</u>

***Custodial Credit Risk-Deposits***—Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2013, \$1,232,404 of the District's bank balance of \$1,482,404 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2013, the carrying amount of these deposits was \$1,343,086.

**Reconciliation of Cash and Cash Equivalents**

Cash and cash equivalents per Governmental Funds - Balance Sheet	\$ 1,312,637
Restricted cash and cash equivalents - Balance Sheet	-
Statement of Fiduciary Net Position - cash	<u>30,449</u>
	1,343,086
Add outstanding checks and other reconciling items	<u>139,318</u>
Bank balance of deposits and investments	<u>\$ 1,482,404</u>

Credit and Interest Rate Risk

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

**4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received.

The composition of interfund balances during the year ended June 30, 2013 is as follows:

<b>Governmental Activities</b>	<b>Due from other funds</b>	<b>Due to other funds</b>
General fund	\$ 89,827	\$ -
Title I	-	19,857
IDEA-B Entitlement	-	8,645
IDEA-B Preschool	-	393
Teacher/Principal Training & Recruiting	-	28,813
Instructional Materials	-	292
2010 GO Bond Library	-	3,853
REAP	-	27,974
	<u>          </u>	<u>          </u>
Totals	<u>\$ 89,827</u>	<u>\$ 89,827</u>

All interfund balances are to be repaid within one year.

**5. ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2013, are as follows:

	<b>General</b>	<b>Major Governmental Funds</b>	<b>Total</b>
Government grants	\$ -	\$ 78,385	\$ 78,385
Other Receivable	-	766	766
Property taxes	<u>75</u>	<u>1,005</u>	<u>1,080</u>
Total	<u>\$ 75</u>	<u>\$ 80,156</u>	<u>\$ 80,231</u>

The above receivables are deemed 100% collectible.

The composition of interfund transfers during the year ended Vaughn Municipal Schools is as follows:

<b>Fund</b>	<b>Amount In (Out)</b>
Senate Bill Nine	\$ (33,289)
Capital Projects Fund	<u>33,289</u>
Total transfers	<u>\$ -</u>

**6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2013 is as follows:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2013</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 169,045	\$ -	\$ -	\$ 169,045
Total capital assets not being depreciated	<u>169,045</u>	<u>-</u>	<u>-</u>	<u>169,045</u>
Capital assets being depreciated:				
Buildings & building improvements	6,979,923	-	-	6,979,923
Equipment, Vehicles, Information Technology Equipment, Software & Books	<u>1,566,352</u>	<u>-</u>	<u>-</u>	<u>1,566,352</u>
Total capital assets being depreciated	<u>8,546,275</u>	<u>-</u>	<u>-</u>	<u>8,546,275</u>
Less accumulated depreciation for:				
Buildings & building improvements	4,460,029	101,458	-	4,561,487
Equipment, Vehicles, Information Technology Equipment, Software & Books	<u>1,132,233</u>	<u>46,618</u>	<u>-</u>	<u>1,178,851</u>
Total accumulated depreciation	<u>5,592,262</u>	<u>148,076</u>	<u>-</u>	<u>5,740,338</u>
Total capital assets being depreciated, net	<u>2,954,013</u>	<u>(148,076)</u>	<u>-</u>	<u>2,805,937</u>
Governmental activities capital assets, net	<u>\$ 3,123,058</u>	<u>\$ (148,076)</u>	<u>\$ -</u>	<u>\$ 2,974,982</u>

For the year ended June 30, 2013, depreciation was charged to the following functions:

<b>Governmental Activities</b>	
Instruction	\$ 50,876
Support services	82,160
Central services	7,328
Operations and maintenance of plant	<u>7,712</u>
Total	<u>\$ 148,076</u>

**7. LONG TERM OBLIGATIONS**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$1,597,000. A new bond was issued with an original amount of \$850,000 in June 21, 2013 for the construction of a major capital facility. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2013 are for governmental activities.

Bonds outstanding at June 30, 2013, are comprised of the following:

	Series 9/15/2005	Series 4/1/2001	Series 6/21/2013
Original Issue:	\$ 855,000	\$ 742,000	\$ 850,000
Maturity	8/1/2019	7/1/2013	8/1/2025
Principal	August 1	July 1	August 1
Interest Rate	4.00% - 4.25%	5.40% - 5.95%	5.40% - 5.95%
Interest	February 1 & August 1	January 1 & July 1	February 1 & August 1

The following is a summary of the long-term debt and the activity for the year ended June 30, 2013:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2013</b>	<b>Due Within One Year</b>
Governmental Activities:					
Bonds payable	\$ 920,000	\$ 850,000	\$ 170,000	\$ 1,600,000	\$ 175,000
Compensated absences	8,128	12,171	8,128	12,171	-
Total governmental activities	<u>\$ 928,128</u>	<u>\$ 862,171</u>	<u>\$ 178,128</u>	<u>\$ 1,612,171</u>	<u>\$ 175,000</u>

The annual requirements to amortize the April 1, 2001 Series general obligation bonds outstanding as of June 30, 2013, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2014	<u>\$ 120,000</u>	<u>\$ 3,360</u>	<u>\$ 123,360</u>
	<u>\$ 120,000</u>	<u>\$ 3,360</u>	<u>\$ 123,360</u>

The annual requirements to amortize the September 15, 2005 Series general obligation bonds outstanding as of June 30, 2013, including interest payments are as follows:

<b>Years ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 55,000	\$ 24,100	\$ 79,100
2015	85,000	21,300	106,300
2016	90,000	17,800	107,800
2017	95,000	14,100	109,100
2018	100,000	10,200	110,200
2019-2020	205,000	8,300	213,300
	<u>\$ 630,000</u>	<u>\$ 95,800</u>	<u>\$ 725,800</u>

The annual requirements to amortize the June 21, 2013 Series general obligation bonds outstanding as of June 30, 2013, including interest payments are as follows:

<b>Years ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ -	\$ 6,145	\$ 6,145
2015	80,000	9,822	89,822
2016	80,000	9,315	89,315
2017	45,000	8,858	53,858
2018	40,000	8,474	48,474
2019-2023	305,000	30,680	335,680
2024-2028	300,000	1,627	301,627
	<u>\$ 850,000</u>	<u>\$ 74,921</u>	<u>\$ 924,921</u>

**Compensated Absences** - Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2013, compensated absences increased \$4,043 from the prior year accrual.

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

## 8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors omissions; and natural disasters, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the

provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2013, there have been no claims that have exceeded insurance coverage.

**9. UNEARNED REVENUE**

In accordance with the terms of the various grants agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to grantor.

**10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds. The following fund reflected a deficit fund balance as of June 30, 2013:

Teacher/Principal Training & Recruiting	\$	28,813
---	----	--------

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2013.

	<u>Budgeted</u> <u>Expenditures</u>	<u>Actual</u> <u>Expenditures</u>	<u>Difference</u>
Beginning Teacher Mentoring Instructional Support	\$ -	\$ 1,275	\$ 1,275

**11. ERB PENSION PLAN**

**Plan Description.** Substantially all of the Vaughn Municipal School's full-time employees participate in an educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

***Funding Policy.***

**Member Contributions**

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

**Employer Contributions**

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

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

The contribution requirements of plan members and the (name of employer) are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$120,660, \$100,840, and \$95,726, respectively, which equal the amount of the required contributions for each fiscal year.

**12. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN**

Plan Description. Vaughn Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided 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 employers 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 post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized the RHCA Board to establish the monthly premium contributions that retirees are required to pay for



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

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

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

Vaughn Municipal Schools contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$33,012, \$38,684, and \$28,216, respectively, which equal the required contributions for each year.

### **13. LOSS CONTINGENCIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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 District expects such amount, if any, to be immaterial.

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

**14. OPERATING LEASES**

On November 1, 2012, the District entered into a lease agreement to lease three copy machines. The lease has a five year term with payment of \$670, monthly. Future annual minimum payments are as follows:

<b>Years ending June 30,</b>	<b>Amount</b>
2014	\$ 8,041
2015	8,041
2016	8,041
2017	<u>3,350</u>
	<u>\$27,473</u>

**15. RESTATEMENTS**

A prior period adjustment of \$24,335 was recorded during fiscal year ended June 30, 2013 to remove the asset related to the debt issuance cost. Per GASB 65, debt issuance cost should be expensed not amortized. Implementation of GASB 65 was not required for the year ended June 30, 2013; however, early implementation was encouraged.

**SUPPLEMENTARY INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS**

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
<b>ASSETS</b>				
Cash on deposit	\$ 10,091	\$ 67,682	\$ 65	77,838
Property taxes receivable	-	301	-	301
Accounts receivable	766	-	-	766
Inventory, at cost	2,307	-	-	2,307
Due from grantors	30,554	-	-	30,554
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 43,718</u>	<u>\$ 67,983</u>	<u>\$ 65</u>	<u>\$ 111,766</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 10,826	\$ -	\$ 10,826
Due to other funds	41,996	-	-	41,996
Unearned revenue	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	41,996	10,826	-	52,822
Fund balances:				
Nonspendable - inventory	2,307	-	-	2,307
Restricted, reported in:				
Special revenue funds	(585)	-	-	(585)
Capital project funds	-	57,157	-	57,157
Retirement of long-term debt	-	-	65	65
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>1,722</u>	<u>57,157</u>	<u>65</u>	<u>58,944</u>
Total liabilities and fund balances	<u>\$ 43,718</u>	<u>\$ 67,983</u>	<u>\$ 65</u>	<u>\$ 111,766</u>

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Total</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ 99,862	\$ -	\$ 99,862
Charges for services	23,729	-	-	23,729
State sources	83,900	53,402	-	137,302
Federal sources	69,576	-	-	69,576
<b>Total revenues</b>	<b>177,205</b>	<b>153,264</b>	<b>-</b>	<b>330,469</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Direct instruction	83,192	-	-	83,192
Instructional support	1,403	-	-	1,403
Food services	71,375	-	-	71,375
Operating and maintenance	-	146,351	-	146,351
<b>Total expenditures</b>	<b>155,970</b>	<b>146,351</b>	<b>-</b>	<b>302,321</b>
<b>Net changes in fund balances</b>	<b>21,235</b>	<b>6,913</b>	<b>-</b>	<b>28,148</b>
<b>Fund balance - beginning of year</b>	<b>(19,513)</b>	<b>50,244</b>	<b>65</b>	<b>30,796</b>
<b>Fund balance - end of year</b>	<b>\$ 1,722</b>	<b>\$ 57,157</b>	<b>\$ 65</b>	<b>\$ 58,944</b>

See accompanying notes to financial statements and independent auditors' report.

**SPECIAL REVENUE FUNDS**

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

---

**SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for Federal, State and Local Funded grants. These grants are awarded to the District with the purpose of accomplishing specific education tasks. Grants accounted for in the Special Revenue Funds include:

**FOOD SERVICE (21000)** - This program provides financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 Stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

**ATHLETICS (22000)** – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

**IDEA-B ENTITLEMENT SPECIAL (24106), (24206 FEDERAL STIMULUS)** – is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

**IDEA-B PRESCHOOL (24109)** – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

**TEACHER/PRINCIPAL TRAINING & RECRUITING (24154)** - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

**CHILD AND ADULT FOOD PROGRAM (25171)** – created by the National School Lunch Act, this fund is designed to initiate and maintain nonprofit food service programs for children.

**FORMATIVE ASSESSMENT LAW (27111)** – To account for one time testing material allocation.

**ENMR PLATEAU - EDUCATION FOUNDATION SCHOOL GRANT (26191)** – To account for monies received to purchase equipment needed to use the Accelerated Math Program.



**2010 GO BOND LIBRARY (27106)** - To account for monies received from, Laws of 2010 to be used to improve the library, acquire library books or library resources that support the library program.

**TECHNOLOGY FOR EDUCATION PED (27117)** - To account for State funding which is to be used by the District to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities. Financing and Authority is provided by NMSA 22-15A-1 to 22-15A-10.

**BEGINNING TEACHER MENTORING (27154)** - To account for monies appropriated by the State Legislature to be used for stipends to mentors, for professional development opportunities, release time; including payment of substitutes, materials and supplies and for minor administrative costs. Financing and authority is provided by the State Legislature.

**INSTRUCTIONAL MATERIAL (27176)** - To account for one time allocation for year's adoption.

**PARENTS REACHING OUT (29102)** - To account for revenue and expenditures from a non-profit organization, Parents Reaching Out for the purpose of development and implementation of the School Parent Community Involvement Plan. The fund was created by grant provisions.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	Entitlement IDEA - B 24106	IDEA-B Preschool 24109	Teacher/ Principal Training & Recruiting 24154	Child Adult Health Program 25171	Formative Assessment Law 27111
<b>ASSETS</b>							
Cash on deposit	\$ 3,048	\$ 3,977	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes receivable	-	-	-	-	-	-	-
Accounts receivable	766	-	-	-	-	-	-
Inventory, at cost	2,307	-	-	-	-	-	-
Due from grantors	-	-	8,645	393	-	293	-
<b>Total assets</b>	<b>\$ 6,121</b>	<b>\$ 3,977</b>	<b>\$ 8,645</b>	<b>\$ 393</b>	<b>\$ -</b>	<b>\$ 293</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ 8,645	\$ 393	\$ 28,813	\$ -	\$ -
Unearned revenue	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>8,645</b>	<b>393</b>	<b>28,813</b>	<b>-</b>	<b>-</b>
Fund balances:							
Nonspendable - inventory	2,307	-	-	-	-	-	-
Restricted, reported in:							
Special revenue funds	3,814	3,977	-	-	(28,813)	293	-
<b>Total fund balance</b>	<b>6,121</b>	<b>3,977</b>	<b>-</b>	<b>-</b>	<b>(28,813)</b>	<b>293</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,121</b>	<b>\$ 3,977</b>	<b>\$ 8,645</b>	<b>\$ 393</b>	<b>\$ -</b>	<b>\$ 293</b>	<b>\$ -</b>

Continued

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2013**

	Special Revenue Funds							
	ENMR Plateau Education Foundation School Grant 26191	2010 GO Bond Library 27106	Technology for Education 27117	Beginning Teacher Mentoring 27154	Instructional Material 27176	Parents Reaching Out 29102	Total Special Revenue Funds	
<b>ASSETS</b>								
Cash on deposit	\$ 499	\$ -	\$ -	\$ 2,567	\$ -	\$ -	\$ 10,091	
Taxes receivable	-	-	-	-	-	-	-	
Accounts receivable	-	-	-	-	-	-	766	
Inventory, at cost	-	-	-	-	-	-	2,307	
Due from grantors	2,501	3,853	13,302	1,275	292	-	30,554	
	<u>\$ 3,000</u>	<u>\$ 3,853</u>	<u>\$ 13,302</u>	<u>\$ 3,842</u>	<u>\$ 292</u>	<u>\$ -</u>	<u>\$ 43,718</u>	
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Due to other funds	\$ -	\$ 3,853	\$ -	\$ -	\$ 292	\$ -	\$ 41,996	
Unearned revenue	-	-	-	-	-	-	-	
Total liabilities	-	3,853	-	-	292	-	41,996	
Fund balances:								
Nonspendable - inventory	-	-	-	-	-	-	2,307	
Restricted, reported in:								
Special revenue funds	3,000	-	13,302	3,842	-	-	(585)	
Total fund balance	<u>3,000</u>	<u>-</u>	<u>13,302</u>	<u>3,842</u>	<u>-</u>	<u>-</u>	<u>1,722</u>	
Total liabilities and fund balances	<u>\$ 3,000</u>	<u>\$ 3,853</u>	<u>\$ 13,302</u>	<u>\$ 3,842</u>	<u>\$ 292</u>	<u>\$ -</u>	<u>\$ 43,718</u>	

Concluded

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2013

	Special Revenue Funds							
	Food Service 21000	Athletics 22000	Entitlement IDEA - B 24106	IDEA-B Preschool 24109	Teacher/ Principal Training & Recruiting 24154	Child and Adult Food Program 25171	Formative Assessment Law 27111	
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	2,462	21,267	-	-	-	-	-	-
State share of taxes	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
State sources	57,944	-	35,738	-	-	-	-	902
Federal sources	-	-	-	393	31,504	1,039	-	-
Total revenues	60,406	21,267	35,738	393	31,504	1,039	-	902
Expenditures:								
Current:								
Direct instruction	-	20,271	35,730	393	767	-	-	902
Instructional support	-	-	8	-	-	-	-	-
Food services	70,336	-	-	-	-	1,039	-	-
Central services	-	-	-	-	-	-	-	-
Operation and maintenance	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	70,336	20,271	35,738	393	767	1,039	-	902
Other financing sources:								
Transfers in (out)	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-
Net changes in fund balances	(9,930)	996	-	-	30,737	-	-	-
Fund balance - beginning of year	16,051	2,981	-	-	(59,550)	293	-	-
Fund balance - end of year	\$ 6,121	\$ 3,977	\$ -	\$ -	\$ (28,813)	\$ 293	\$ -	\$ -

Continued

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2013

	Special Revenue Funds							Total Special Revenue Funds
	ENMR Plateau Education Foundation School Grant 26191	2010 GO Bond Library 27106	Technology for Education 27117	Beginning Teacher Mentoring 27154	Instructional Material 27176	Parents Reaching Out 29102		
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	23,729
Charge for services	-	-	-	-	-	-	-	-
State share taxes	-	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-	-
State sources	4,611	236	14,817	1,275	2,501	2,516	-	83,900
Federal sources	-	-	-	-	-	-	-	69,576
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	4,611	236	14,817	1,275	2,501	2,516	-	177,205
Expenditures:								
Current:								
Direct instruction	4,611	236	14,817	-	2,501	2,964	-	83,192
Instructional support	-	-	-	1,275	-	120	-	1,403
Food services	-	-	-	-	-	-	-	71,375
Central services	-	-	-	-	-	-	-	-
Operation and maintenance	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	4,611	236	14,817	1,275	2,501	3,084	-	155,970
Other financial sources:								
Transfers in (out)	-	-	-	-	-	-	-	-
Total financial sources	-	-	-	-	-	-	-	-
Net changes in fund balances	-	-	-	-	-	(568)	-	21,235
Fund balance - beginning of year	3,000	-	13,302	3,842	-	568	-	(19,513)
Fund balance - end of year	\$ 3,000	\$ -	\$ 13,302	\$ 3,842	\$ -	\$ -	\$ -	\$ 1,722

See accompanying notes to financial statements and independent auditors' report.

Concluded

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**FOOD SERVICE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Charge for services	\$ 5,500	\$ 5,500	\$ 2,462	\$ (3,038)
Federal sources	<u>65,500</u>	<u>65,500</u>	<u>57,178</u>	<u>(8,322)</u>
Total revenues	71,000	71,000	59,640	(11,360)
Expenditures:				
Current:				
Food service	<u>71,669</u>	<u>71,669</u>	<u>70,336</u>	<u>1,333</u>
Excess (deficiency) of revenues over expenditures	<u>(669)</u>	<u>(669)</u>	<u>(10,696)</u>	<u>(10,027)</u>
Other financing sources (uses)				
Designated cash	<u>3,048</u>	<u>3,048</u>	<u>-</u>	<u>(3,048)</u>
Total other financing sources (uses)	<u>3,048</u>	<u>3,048</u>	<u>-</u>	<u>(3,048)</u>
Net change in fund balance	2,379	2,379	(10,696)	(13,075)
Fund balance - beginning of year	<u>16,051</u>	<u>16,051</u>	<u>16,051</u>	<u>-</u>
Fund balance - end of year	<u>\$ 18,430</u>	<u>\$ 18,430</u>	<u>\$ 5,355</u>	<u>\$ (13,075)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (10,696)	
Net revenue accruals			766	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (9,930)</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

**ATHLETICS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 21,205	\$ 21,205	\$ 21,267	\$ 62
Expenditures:				
Current:				
Direct instruction	<u>23,664</u>	<u>23,664</u>	<u>20,271</u>	<u>3,393</u>
Excess (deficiency) of revenues over expenditures	<u>(2,459)</u>	<u>(2,459)</u>	<u>996</u>	<u>3,455</u>
Other financing sources (uses)				
Designated cash	<u>3,977</u>	<u>3,977</u>	<u>-</u>	<u>(3,977)</u>
Total other financing sources (uses)	<u>3,977</u>	<u>3,977</u>	<u>-</u>	<u>(3,977)</u>
Net change in fund balance	1,518	1,518	996	(522)
Fund balance - beginning of year	<u>2,981</u>	<u>2,981</u>	<u>2,981</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,499</u>	<u>\$ 4,499</u>	<u>\$ 3,977</u>	<u>\$ (522)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 996	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 996</u>	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**IDEA-B ENTITLEMENT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 55,971	\$ 27,093	\$ (28,878)
Expenditures:				
Current:				
Direct instructional	-	53,660	35,738	17,922
Instruction support	-	2,311	-	2,311
Total expenditures	-	55,971	35,738	20,233
Excess (deficiency) of revenues over expenditures	-	-	(8,645)	8,645
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(8,645)	8,645
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ (17,290)	\$ (17,290)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (8,645)	
Net revenue accruals			8,645	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.



**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**IDEA-B PRESCHOOL SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 7,882	\$ -	\$ (7,882)
Expenditures:				
Current:				
Direct instructional	-	7,334	393	6,941
Instruction support	-	548	-	548
Total expenditures	-	7,882	393	7,489
Excess (deficiency) of revenues over expenditures	-	-	(393)	393
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(393)	393
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ (393)	\$ (393)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (393)	
Net revenue accruals			393	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**IDEA-B RISK POOL SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
Federal sources	\$ -	\$ 148	\$ -	\$ (148)
Expenditures:				
Current:				
Direct instructional	-	148	-	148
Excess (deficiency) of revenues over expenditures	-	-	-	148
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	148
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ 148
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

TEACHER/PRINCIPAL TRAINING & RECRUITING SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 10,810	\$ 14,694	\$ 31,504	\$ 16,810
Expenditures:				
Current:				
Direct instruction	10,810	14,694	767	13,927
Total expenditures	10,810	14,694	767	13,927
Excess (deficiency) of revenues over expenditures	-	-	30,737	30,737
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	30,737	30,737
Fund balance - beginning of year	(59,550)	(59,550)	(59,550)	-
Fund balance - end of year	\$ (59,550)	\$ (59,550)	\$ (28,813)	\$ 30,737
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 30,737	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 30,737	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**CHILD AND ADULT PROGRAM SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 3,894	\$ 3,894	\$ 1,039	\$ (2,855)
Expenditures:				
Current:				
Food services	4,187	4,187	1,039	3,148
Total expenditures	4,187	4,187	1,039	3,148
Excess (deficiency) of revenues over expenditures	293	293	-	293
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	293	293	-	293
Fund balance - beginning of year	293	293	293	-
Fund balance - end of year	\$ 586	\$ 586	\$ 293	\$ 293
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	
See accompanying notes to financial statements and independent auditors' report.				

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**FORMATIVE ASSESSMENT LAW PROGRAM SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 902	\$ 902	\$ -
Expenditures:				
Current:				
Direct instruction	-	902	902	-
Total expenditures	-	902	902	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

ENMR PLATEAU - EDUCATION FOUNDATION SCHOOL GRANT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 5,000	\$ 4,611	\$ (389)
Expenditures:				
Current:				
Direct instruction	-	5,000	4,611	389
Total expenditures	-	5,000	4,611	389
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	110	110	-	(110)
Total other financing sources (uses)	110	110	-	(110)
Net change in fund balance	110	110	-	(110)
Fund balance - beginning of year	3,000	3,000	3,000	-
Fund balance - end of year	\$ 3,110	\$ 3,110	\$ 3,000	\$ (110)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**2010 GO BOND LIBRARY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ 4,089	\$ 4,089	\$ 236	\$ (3,853)
Expenditures:				
Current:				
Direct instruction	4,089	4,089	236	3,853
Total expenditures	4,089	4,089	236	3,853
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

TECHNOLOGY FOR EDUCATION SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ 14,817	\$ 14,817
Expenditures:				
Current:				
Direct instruction	-	14,817	14,817	-
Total expenditures	-	14,817	14,817	-
Excess (deficiency) of revenues over expenditures	-	(14,817)	-	14,817
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(14,817)	-	14,817
Fund balance - beginning of year	13,302	13,302	13,302	-
Fund balance - end of year	13,302	(1,515)	\$ 13,302	\$ 14,817
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.



**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**BEGINNING TEACHER MENTORING SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ 1,275	\$ 1,275
Expenditures:				
Current:				
Instructional support	-	-	1,275	(1,275)
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	3,842	3,842	3,842	7,684
Fund balance - end of year	\$ 3,842	\$ 3,842	\$ 3,842	\$ 7,684
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**PARENTS REACHING OUT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ 2,516	\$ 2,516
Expenditures:				
Current:				
Instructional support	<u>568</u>	<u>3,084</u>	<u>3,084</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(568)</u>	<u>(3,084)</u>	<u>(568)</u>	<u>2,516</u>
Other financing sources (uses)				
Designated cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(568)	(3,084)	(568)	2,516
Fund balance - beginning of year	<u>568</u>	<u>568</u>	<u>568</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ (2,516)</u>	<u>\$ -</u>	<u>\$ 2,516</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (568)	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (568)</u>	

See accompanying notes to financial statements and independent auditors' report.

## **CAPITAL PROJECTS FUNDS**

**BOND BUILDING CAPITAL FUND (31100)** – This fund accounts for the revenue received from bonds sold by the school to be used for improvements and additions to school owned property.

**SPECIAL CAPITAL OUTLAY - STATE (31400)** - To account for resources received from the New Mexico State General Fund, HB-885, Chapter 347, Section 48, Paragraph 287, Laws of 2005 for \$80,000 to plan, design, construct and purchase a building for the youth entrepreneurial and teen center. Also, from the General Fund, HB622, Chapter I I I, Section 39, Paragraph 248, Laws of 2006 for \$45,000 to improve and equip the library.

**CAPITAL IMPROVEMENTS SB - 9 (31700)** - To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also to account for resources received from the State of New Mexico General Fund.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2013**

	<b>Special Capital Outlay State 31400</b>	<b>Capital Improvements SB-9 31700</b>	<b>Total</b>
<b>ASSETS</b>			
Cash on deposit	\$ -	\$ 67,682	\$ 67,682
Taxes receivable	-	301	301
Accounts receivable	-	-	-
Inventory, at cost	-	-	-
Due from grantors	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ -</u>	<u>\$ 67,983</u>	<u>\$ 67,983</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 10,826	\$ 10,826
Unearned revenue	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	-	10,826	10,826
Fund balances:			
Restricted, reported in:			
Capital projects funds	-	57,157	57,157
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	-	57,157	57,157
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 67,983</u>	<u>\$ 67,983</u>

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2013

	Special Capital Outlay State 31400	Capital Improvements SB-9 31700	Total
Revenues:			
Taxes	\$ -	\$ 99,862	\$ 99,862
State sources	-	53,402	53,402
Total revenues	-	153,264	153,264
Expenditures:			
Current:			
Direct instruction	-	-	-
Operating and maintenance	-	1,010	1,010
Capital outlay	-	145,341	145,341
Total expenditures	-	146,351	146,351
Other financial sources:			
Transfer in	-	33,289	33,289
Transfer out	(33,289)	-	(33,289)
Total other financial sources	(33,289)	33,289	-
Net changes in fund balances	(33,289)	40,202	6,913
Fund balance - beginning of year	33,289	16,955	50,244
Fund balance - end of year	\$ -	\$ 57,157	\$ 57,157

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

**BOND BUILDING FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Sale of bond	\$ -	\$ 850,000	\$ 850,000	\$ -
Total revenues	-	850,000	850,000	-
Expenditures:				
Current:				
Capital outlay	5,598	6,398	6,162	236
Total expenditures	5,598	6,398	6,162	236
Excess (deficiency) of revenues over expenditures	(5,598)	843,602	843,838	236
Other financing sources (uses)				
Designated cash	6,398	6,398	-	(6,398)
Total other financing sources (uses)	6,398	6,398	-	(6,398)
Net change in fund balance	800	850,000	843,838	(6,162)
Fund balance - beginning of year	6,398	6,398	6,398	-
Fund balance - end of year	\$ 7,198	\$ 856,398	\$ 850,236	\$ (6,162)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 843,838	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 843,838	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

SPECIAL CAPITAL OUTLAY STATE CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Transfer out	-	-	(33,289)	(33,289)
Total other financing sources (uses)	-	-	(33,289)	(33,289)
Net changes in fund balance	-	-	(33,289)	(33,289)
Fund balance - beginning of year	33,289	33,289	33,289	-
Fund balance - end of ye ar	\$ 33,289	\$ 33,289	\$ -	\$ (33,289)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (33,289)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (33,289)	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

**CAPITAL IMPROVEMENTS SB-9 CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 92,592	\$ 92,592	\$ 99,862	\$ 7,270
State sources	-	53,319	53,402	83
Total revenues	92,592	145,911	153,264	7,353
Expenditures				
Current:				
Instructional support	-	1,008	1,010	(2)
Capital outlay	-	159,264	145,341	13,923
Total expenditures	-	160,272	146,351	13,921
Excess (deficiency) of revenues over expenditures	92,592	(14,361)	6,913	21,274
Other financing sources (uses)				
Transfer in	67,682	67,682	33,289	(34,393)
Total other financing sources (uses)	67,682	67,682	33,289	(34,393)
Net changes in fund balance	160,274	53,321	40,202	(13,119)
Fund balance - beginning of year	16,955	16,955	16,955	-
Fund balance - end of year	\$ 177,229	\$ 70,276	\$ 57,157	\$ (13,119)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 40,202	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 40,202	

See accompanying notes to financial statements and independent auditors' report.



## **DEBT SERVICE FUNDS**

**DEBT SERVICE (41000)** - To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

**EDUCATION TECHNOLOGY DEBT SERVICE (43000)** - To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
JUNE 30, 2013**

---

	<b>Education Technology Debt Service 43000</b>	<b>Total</b>
<b>ASSETS</b>		
Cash on deposit	\$ 65	\$ 65
Taxes receivable	-	-
Accounts receivable	-	-
Inventory, at cost	-	-
Due from grantors	-	-
	<hr/>	<hr/>
Total assets	<b>\$ 65</b>	<b>\$ 65</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Due to other funds	\$ -	\$ -
Unearned revenue	-	-
	<hr/>	<hr/>
Total liabilities	-	-
Fund balances:		
Restricted, reported in:		
Retirement of long-term debt	65	65
	<hr/>	<hr/>
Total fund balance	65	65
	<hr/>	<hr/>
Total liabilities and fund balances	<b>\$ 65</b>	<b>\$ 65</b>

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES  
NONMAJOR DEBT SERVICE FUND  
JUNE 30, 2013

---

	Education Technology Debt Service 43000	Total
Revenues:		
Taxes	\$ -	\$ -
Charge for services	-	-
State shared taxes	-	-
Local sources	-	-
State sources	-	-
Federal sources	-	-
Earnings form investments	-	-
	<hr/>	<hr/>
Total revenues	-	-
Expenditures:		
Current:		
Direct instruction	-	-
Instructional support	-	-
Food services	-	-
Capital outlay	-	-
Debt service:		
Bond	-	-
Interest	-	-
	<hr/>	<hr/>
Total expenditures	<hr/> -	<hr/> -
Net changes in fund balances	-	-
Fund balance - beginning of year	<hr/> 65	<hr/> 65
Fund balance - end of year	<hr/> <u>\$ 65</u>	<hr/> <u>\$ 65</u>

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**EDUCATION TECHNOLOGY DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Current:				
Instructional support	-	-	-	-
Debt service				
Reserve	-	-	-	-
Bond	-	-	-	-
Interest	-	65	-	65
Total expenditures	-	65	-	65
Excess (deficiency) of revenues over expenditures	-	(65)	-	65
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	-	(65)	-	65
Fund balance - beginning of year	65	65	65	-
Fund balance - end of year	\$ 65	\$ -	\$ 65	\$ 65
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
Taxes	\$ 206,220	\$ 206,220	\$ 215,438	\$ 9,218
Total revenues	206,220	206,220	215,438	9,218
Expenditures				
Current:				
Instructional support	2,046	2,046	2,179	(133)
Debt service				
Reserve	170,318	170,318	-	170,318
Bond	170,000	170,000	170,000	-
Interest	40,471	40,471	36,220	4,251
Total expenditures	382,835	382,835	208,399	174,436
Excess (deficiency) of revenues over expenditures	(176,615)	(176,615)	7,039	183,654
Other financing sources (uses)				
Designated cash	217,581	217,581	-	(217,581)
Total other financing sources (uses)	217,581	217,581	-	(217,581)
Net changes in fund balance	40,966	40,966	7,039	(33,927)
Fund balance - beginning of year	211,246	211,246	211,246	-
Fund balance - end of year	\$ 252,212	\$ 252,212	\$ 218,285	\$ (33,927)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 7,039	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 7,039	

See accompanying notes to financial statements and independent auditors' report.

**GENERAL FUND**

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**COMBINING BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2013**

	<b>Operational 11000</b>	<b>Teacherage 12000</b>	<b>Transportation 13000</b>	<b>Instructional Material 14000</b>	<b>Total</b>
<b>ASSETS</b>					
Cash	\$ 20,204	\$ 28,242	\$ 73,758	\$ 1,130	\$ 123,334
Taxes receivable	75	-	-	-	75
Due from other funds	89,827	-	-	-	89,827
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 110,106</u>	<u>\$ 28,242</u>	<u>\$ 73,758</u>	<u>\$ 1,130</u>	<u>\$ 213,236</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 18,482	\$ -	\$ -	\$ -	\$ 18,482
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>18,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,482</u>
<b>Fund balances:</b>					
Unassigned, reported in:					
General fund	91,624	28,242	73,758	1,130	194,754
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>91,624</u>	<u>28,242</u>	<u>73,758</u>	<u>1,130</u>	<u>194,754</u>
Total liabilities and fund balances	<u>\$ 110,106</u>	<u>\$ 28,242</u>	<u>\$ 73,758</u>	<u>\$ 1,130</u>	<u>\$ 213,236</u>

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
<b>REVENUES</b>					
Taxes	\$ 24,946	\$ -	\$ -	\$ -	\$ 24,946
Charges for services	-	16,260	-	-	16,260
State sources	1,702,006	-	-	7,416	1,709,422
Transportation distribution	-	-	116,631	-	116,631
Earnings from investments	772	-	-	-	772
Miscellaneous	3,753	-	-	-	3,753
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,731,477	16,260	116,631	7,416	1,871,784
<b>EXPENDITURES</b>					
Current:					
Direct instruction	1,007,819	-	-	13,880	1,021,699
Instructional support	429,453	-	-	-	429,453
Central services	121,758	-	-	-	121,758
Operation and maintenance	240,530	16,524	-	-	257,054
Transportation	-	-	72,175	-	72,175
Food services	32,021	-	-	-	32,021
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,831,581	16,524	72,175	13,880	1,934,160
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	(100,104)	(264)	44,456	(6,464)	(62,376)
Fund balance at beginning of year	191,728	28,506	29,302	7,594	257,130
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance at end of year	\$ 91,624	\$ 28,242	\$ 73,758	\$ 1,130	\$ 194,754
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements and independent auditors' report.



**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**OPERATIONAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 23,138	\$ 23,138	\$ 24,946	\$ 1,808
State sources	1,774,993	1,696,515	1,702,006	5,491
Earnings from investments	950	950	772	(178)
Miscellaneous	-	-	3,753	3,753
Total revenues	<u>1,799,081</u>	<u>1,720,603</u>	<u>1,731,477</u>	<u>10,874</u>
Expenditures:				
Current:				
Direct instruction	1,095,316	1,014,351	1,007,819	6,532
Instruction support	442,009	465,959	429,453	36,506
Central services	124,094	120,694	121,758	(1,064)
Operation and maintenance	276,619	259,619	225,898	33,721
Food services	30,000	32,021	32,021	-
Total expenditures	<u>1,968,038</u>	<u>1,892,644</u>	<u>1,816,949</u>	<u>75,695</u>
Excess (deficiency) of revenues over expenditures	<u>(168,957)</u>	<u>(172,041)</u>	<u>(85,472)</u>	<u>86,569</u>
Other financial sources (uses)				
Designated cash	<u>81,218</u>	<u>81,218</u>	<u>-</u>	<u>(81,218)</u>
Total other financing sources (uses)	<u>81,218</u>	<u>81,218</u>	<u>-</u>	<u>(81,218)</u>
Net change in fund balance	(87,739)	(90,823)	(85,472)	5,351
Fund balance - beginning of year	<u>191,728</u>	<u>191,728</u>	<u>191,728</u>	<u>-</u>
Fund balance - end of year	<u>\$ 103,989</u>	<u>\$ 100,905</u>	<u>\$ 106,256</u>	<u>\$ 5,351</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (85,472)	
Net revenue accruals			-	
Net expenditure accruals			<u>(14,632)</u>	
Net changes in fund balance GAAP basis			<u>\$ (100,104)</u>	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**TEACHERAGE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
Charges for services	\$ 14,000	\$ 14,000	\$ 16,260	\$ 2,260
Total revenues	14,000	14,000	16,260	2,260
Expenditures:				
Current:				
Operation and maintenance	42,649	42,649	16,524	26,125
Total expenditures	42,649	42,649	16,524	26,125
Excess (deficiency) of revenues over expenditures	(28,649)	(28,649)	(264)	28,385
Other financial sources (uses)				
Designated cash	28,242	28,242	-	(28,242)
Total other financing sources (uses)	28,242	28,242	-	(28,242)
Net change in fund balance	(407)	(407)	(264)	143
Fund balance - beginning of year	28,506	28,506	28,506	-
Fund balance - end of year	\$ 28,099	\$ 28,099	\$ 28,242	\$ 143
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (264)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (264)	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
State sources	\$ 112,172	\$ 116,631	\$ 116,631	\$ -
Total revenues	112,172	116,631	116,631	-
Expenditures:				
Current:				
Transportation	112,172	116,631	72,175	44,456
Total expenditures	112,172	116,631	72,175	(44,456)
Excess (deficiency) of revenues over expenditures	-	-	44,456	44,456
Other financial sources (uses)				
Designated cash	73,758	73,758	-	(73,758)
Total other financing sources (uses)	73,758	73,758	-	(73,758)
Net change in fund balance	-	-	44,456	44,456
Fund balance - beginning of year	29,302	29,302	29,302	-
Fund balance - end of year	\$ 176,818	\$ 176,818	\$ 73,758	\$ 103,060
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 44,456	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 44,456	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**INSTRUCTIONAL MATERIALS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues:</b>				
State sources	\$ 7,416	\$ 7,416	\$ 7,416	\$ -
Total revenues	7,416	7,416	7,416	-
<b>Expenditures:</b>				
<b>Current:</b>				
Direct instruction	13,880	13,880	13,880	-
Total expenditures	13,880	13,880	13,880	-
Excess (deficiency) of revenues over expenditures	(6,464)	(6,464)	(6,464)	-
<b>Other financial sources (uses)</b>				
Designated cash	1,130	1,130	-	(1,130)
Total other financing sources (uses)	1,130	1,130	-	(1,130)
Net change in fund balance	(5,334)	(5,334)	(6,464)	(1,130)
Fund balance - beginning of year	7,594	7,594	7,594	-
Fund balance - end of year	\$ 2,260	\$ 2,260	\$ 1,130	\$ (1,130)
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net changes in fund balance budgetary basis			\$ (6,464)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (6,464)	

See accompanying notes to financial statements and independent auditors' report.

**SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

---

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
Assets				
Cash	<u>\$ 31,727</u>	<u>\$ 18,899</u>	<u>\$ 20,177</u>	<u>\$ 30,449</u>
Total assets	<u>\$ 31,727</u>	<u>\$ 18,899</u>	<u>\$ 20,177</u>	<u>\$ 30,449</u>
Liabilities				
Deposits held for others	<u>\$ 31,727</u>	<u>\$ 18,899</u>	<u>\$ 20,177</u>	<u>\$ 30,449</u>
Total liabilities	<u>\$ 31,727</u>	<u>\$ 18,899</u>	<u>\$ 20,177</u>	<u>\$ 30,449</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2013**

---

Everyone's Federal Credit Union

Description of Pledge Collateral	Market Value
MBS Inc. - Multi Bank Securities Inc.	\$ <u>2,376,000</u>
Total:	\$ <u>2,376,000</u>

**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS  
JUNE 30, 2013**

---

<b>Bank Account Type/Name</b>	<b>Total</b>
Everyone's Federal Credit Union	
Checking - General Operational	\$ 1,451,955
Checking- Activity Fund	<u>30,449</u>
Total On Demand	1,482,404
Reconciling items	<u>(139,318)</u>
Reconciled Balance June 30, 2013	1,343,086
Less: Fiduciary Funds Cash	<u>(30,449)</u>
Balance Sheet Total June 30, 2013	<u>\$ 1,312,637</u>

See accompanying notes to financial statements.



**STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS**

**CASH RECONCILIATION  
JUNE 30, 2013**

	Operational 11000	Teacherege 12000	Transportation 13000	Instructional Materials 14000	Food Service 21000	Athletics Account 22000	Non - Instructional 23000	Federal Flowthrough 24000	Federal Direct 25000
Cash, June 30, 2012	\$ 50,121	\$ 28,506	\$ 29,302	\$ 7,594	\$ 9,157	\$ 2,981	\$ 31,727	\$ -	40,488
Cash receipts, 2012-2013	1,801,664	16,260	116,631	7,416	64,227	21,267	18,899	80,609	21,269
Cash disbursements, 2012-2013	(1,831,581)	(16,524)	(72,175)	(13,880)	(70,336)	(20,271)	(20,177)	(80,609)	(18,109)
Cash balance, June 30, 2013	\$ 20,204	\$ 28,242	\$ 73,758	\$ 1,130	\$ 3,048	\$ 3,977	\$ 30,449	\$ -	43,648
	<b>State Flowthrough 26000</b>	<b>State Flowthrough 27000</b>	<b>Local / State 29000</b>	<b>Bond Building 31100</b>	<b>Capital Outlay 31400</b>	<b>Cap. Impro. SB 9 31700</b>	<b>Debt Service Fund 41000</b>	<b>Ed. Tech. Debt Service 43000</b>	<b>Total</b>
Cash, June 30, 2012	\$ 110	\$ 18,659	\$ 3,084	\$ 6,398	\$ 33,289	\$ 15,752	\$ 208,167	\$ 65	\$ 485,400
Cash receipts, 2012-2013	5,000	1,128	-	850,000	-	198,281	217,813	-	3,420,464
Cash disbursements, 2012-2013	(4,611)	(17,220)	(3,084)	(6,162)	(33,289)	(146,351)	(208,399)	-	(2,562,778)
Cash balance, June 30, 2013	\$ 499	\$ 2,567	\$ -	\$ 850,236	\$ -	\$ 67,682	\$ 217,581	\$ 65	\$ 1,343,086

See accompanying notes to financial statements.

**COMPLIANCE SECTION**

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

Hector H. Balderas  
State Auditor of the State of New Mexico  
Board of Directors of the Vaughn Municipal Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the 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, and the aggregate remaining fund information, the budgetary comparisons for the general fund, major special revenue funds, major debt service fund, the major capital outlay fund and the nonmajor funds of the Vaughn Municipal Schools as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Vaughn Municipal Schools' basic financial statements, and the combining and individual funds and related budgetary comparisons of Vaughn Municipal Schools presented as supplemental information, and have issued or report thereon dated November 14, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Vaughn Municipal School's internal control over financial reporting 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 Vaughn Municipal School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Vaughn Municipal Schools' 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (12-01), (13-01), and (13-02).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Vaughn Municipal School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items (12-01), (13-01), and (13-02).

**Vaughn Municipal Schools**

Vaughn Municipal Schools response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Vaughn Municipal Schools' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express an opinion on it.

**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 results 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.



El Paso, Texas

November 14, 2013

**VAUGHN MUNICIPAL SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**PRIOR AUDIT FINDINGS**

**Current status**

08-02 Capital Assets

Resolved

12-01 Budgetary Compliance

Updated and Repeated

**VAUGHN MUNICIPAL SCHOOLS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Budgetary Compliance (12-01) - Noncompliance**

**CONDITION** The District incurred expenditures in excess of the approved budget in the following funds:

	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Begining Teacher Mentoring Instruction Support	\$ -	\$ 1,275	\$ 1,275

The following fund had a deficit fund balance for the year ended June 30, 2013:

Teacher/Principal Training & Recruiting fund balance deficit	\$ 28,813
--	-----------

**CRITERIA** As per NMSA 1978 Section 22-8 -11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines. A budget is a proposed plan of financial operations for a given period of time. The annual budget authorizes and provides the basis for control of financial operations during the fiscal year. The budget should be analyzed monthly to insure expenditures remain within the legally adopted budget and revision should be made whenever necessary. Management is required to have an internal control system of financial reporting including the preparation of the financial statements.

**CAUSE** The School did not make the appropriate budgetary transfers to alleviate the overexpenditures experienced by the function.

**EFFECT** The District is not in compliance with NMSA Section 22-8-11 subjecting those responsible to the penalty provisions of the statute.

**RECOMMENDATION** Accounting personnel should closely monitor expenditures and budget restrictions, if a change is needed to the budget, accounting personnel should ensure that such changes are presented to the Board members and the Public Education Department (PED). If no changes in the budget are deemed necessary, then no payments should be remitted that would cause the total expenditures to exceed the legal budget.

**RESPONSE** The School has established a policy of budgetary review of year end, and will make necessary budget adjustments and transfer on a monthly basis as needed during the monthly board meetings at the function level.

**Late Audit Report (13-01) - Noncompliance**

---

<b>CONDITION</b>	The audit report was not submitted to the New Mexico State Auditor's Office before the required November 15, 2013 submission date.
<b>CRITERIA</b>	NMAC 2-2-2-9 requires that Local Public Bodies submit the audit report by November 15, following the end of each fiscal year at June 30. Failure to file the audit report by the stipulated due date is considered a compliance finding.
<b>CAUSE</b>	The District was not able to provide necessary financial information timely. Additionally, the District did not provide the signed management representation letter timely. Therefore the audit report could not be submitted before the required deadline as stipulated in Section 2.2.2.9 (A)(3)NMAC.
<b>EFFECT</b>	Delays in the submission of the audit report will affect the dissemination of financial information to state agencies and other governmental agencies.
<b>RECOMMENDATION</b>	The District should make all information requested during the audit available to the auditor within a reasonable time frame.
<b>RESPONSE</b>	The District will provide information requested during the audit in a timely manner in the future.

**Late IPA Recommendation Form and Audit Contract Submission (13-02) - Noncompliance**

---

<b>CONDITION</b>	The <i>IPA Recommendation Form for Audits</i> and the completed <i>Audit Contract</i> were not submitted to the State Auditor before the stipulated deadline and the commencement of the audit
<b>CRITERIA</b>	Failure to submit the completed <i>IPA Recommendation Form</i> and <i>Audit Contract</i> by the due date of May 1, specified at (ii) of Subparagraph (c) of Paragraph (6) of Subsection G of 2.2.2.8 NMAC is considered noncompliance with this Rule and shall be reported as a current year compliance finding.
<b>CAUSE</b>	There was management oversight at the District and by the IPA.
<b>EFFECT</b>	Delays in the submission of the <i>IPA Recommendation Form for Audits</i> and the completed <i>Audit Contract</i> is considered noncompliance finding.
<b>RECOMMENDATION</b>	The District should review and submit all required documentation to the State Auditor before the stipulated deadline. Additionally, audit field work should not be started until an approved contract from the State Auditor is received.
<b>RESPONSE</b>	In the future the District will ensure that all required documentation has been submitted to and approved by the State Auditor before the stipulated deadline. Additionally, the audit will not be started until the contract has been approved by the State Auditor's Office.

**VAUGHN MUNICIPAL SCHOOLS**

**FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED JUNE 30, 2013**

---

The financial statements of Vaughn Municipal Schools as of, and for the year ended June 30, 2013 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible District personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.



**VAUGHN MUNICIPAL SCHOOLS**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2013**

---

An exit conference was conducted October 5, 2013, in a closed meeting of the Vaughn Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Vaughn Municipal Schools

Trude Bauler  
Susan Wilkinson Davis  
Floraida Tapia  
Rudy Martinez

Business Manager  
Superintendent  
Board Secretary  
Member

White + Samaniego + Campbell, LLP

Jorge Almuina

Audit Staff