

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2007

WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2**

**Table of Contents
Year Ended June 30, 2007**

	Page
INTRODUCTORY SECTION	
Title Page	
Table of Contents	iii
Official Roster	2
FINANCIAL SECTION	
Independent Auditors' Report	7
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet – All Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes In Fund Balance – All Governmental Funds to the Statement of Activities	16
Major Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	17
Title I Fund	19
Statement of Agency Funds Assets and Liabilities	20
Notes to the Financial Statements	21
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:	
General Fund:	
Combining Balance Sheet	48
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	49
Budgetary Presentation:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Operating Fund	50
Transportation Fund	52
Instructional Materials Fund	53

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Table of Contents
Year Ended June 30, 2007

Nonmajor Governmental Funds:	
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	59
Budgetary Presentation:	
Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Nonmajor Special Revenue Funds:	
Food Services Special Revenue Fund	69
Athletics Special Revenue Fund	70
IDEA-B Entitlement Special Revenue Fund	71
IDEA-B Preschool Special Revenue Fund	72
Enhancing Education Special Revenue Fund	73
Title V Special Revenue Fund	74
Title II Teacher Quality Special Revenue Fund	75
Title IV Drug Free schools Special Revenue Fund	76
Johnson O'Malley Special Revenue Fund	77
Indian Ed Formula Grant Special Revenue Fund	78
Wallace Grant Special Revenue Fund	79
Technology for Education Special Revenue Fund	80
Incentives for School Improvement Special Revenue Fund	81
Truancy Initiative Special Revenue Fund	82
Library GO Bond Special Revenue Fund	83
Beginning Teacher Mentoring Special Revenue Fund	84
 Debt Service Fund	 87
Capital Projects Funds:	
Bond Building Capital Projects Fund	90
SB-9 Capital Improvements Capital Projects Fund	91
Discretely Presented Component Units:	
Mosaic Academy:	
Combining Balance Sheet – Governmental Funds	94
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	95
Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	96
Schedule of Fiduciary Assets and Liabilities	97

**STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2**

**Table of Contents
Year Ended June 30, 2007**

Budgetary Presentation:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Operating Fund	98
Instructional Materials Fund	99
Budgetary Presentation:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Title I Special Revenue Fund	100
Federal Stimulus Special Revenue Fund	101
State Stimulus Special Revenue Fund	102
Public School Capital Outlay Capital Projects Fund	103
OTHER SUPPLEMENTAL INFORMATION	
Statement of Capital Assets – By Source	106
Fiduciary Funds:	
Statement of Changes in Assets and Liabilities – All Aztec Municipal School District No. 2 Funds	107
Schedule of Pledged Collateral:	
Aztec Municipal Schools	109
Mosaic Academy	110
Cash Reconciliation	
Aztec Municipal Schools	111
Mosaic Academy	112
SINGLE AUDIT SECTION	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	117
Report on Compliance With Requirement Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	121
Summary Schedule of Prior Year Audit Findings	123
Schedule of Findings and Questioned Costs	124
Schedule of Expenditures of Federal Awards	138
Notes to the Schedule of Expenditures of Federal Awards	140
REQUIRED DISCLOSURE	143

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OFFICIAL ROSTERS

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

OFFICIAL ROSTERS
June 30, 2007

AZTEC MUNICIPAL SCHOOL

Board of Education

Mitch Waggoner	Board President
Roger R. Collins	Board Vice President
Christine Lillywhite	Board Secretary
Wayne Ritter	Board Member
Leonard Tillman	Board Member

School Officials

Dr. Linda Paul	Superintendent
Ken Lyon	Assistant Superintendent
Michael Vallejo	Director, Federal Programs/Curriculum
Nancy Ross	Director of Finance
Brad Calvert	Director of Exceptional Programs
Riley Roland	Director of Transportation
Franklin Woodis	Director of Technology
Charles Lee	Director of Maintenance

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

OFFICIAL ROSTERS
June 30, 2007

MOSAIC ACADEMY

Governing Council

Barbara Galvich	Board President
Theresa Yanan	Board Vice President
Jen Merritt	Board Secretary
Lyn Garrison	Board Treasurer

School Officials

Bonnie Braden	Principal
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FINANCIAL SECTION

FISCAL YEAR 2007

JULY 1, 2006 THROUGH JUNE 30, 2007

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KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

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Telephone (505) 566-1900
Fax (505) 566-1911

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
And the Board of Education of
Aztec Municipal School District No. 2

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Aztec Municipal School District No. 2, as of and for the year ended June 30, 2007, which collectively comprise Aztec Municipal School District No. 2's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Aztec Municipal School District No. 2's nonmajor governmental funds and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of Aztec Municipal School District No. 2's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Aztec Municipal School District No. 2's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Aztec Municipal School District No. 2, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and fiduciary fund of Aztec Municipal School District No. 2 as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparisons for the major capital project funds, debt service funds, and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Hector H. Balderas, State Auditor
And the Board of Education of
Aztec Municipal School District No. 2

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2008, on our consideration of Aztec Municipal School District No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A- 133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keystone Accounting, LLC

October 29, 2008

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>	<u>Component Units</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 7,897,662	\$ 122,791
Receivables:		
Delinquent property taxes receivable	78,599	-
Grant	693,883	6,120
Other receivables	391,193	-
Due from other governments	662,107	-
Deferred bond issuance costs	27,751	-
Parts Inventory	27,888	-
USDA commodities inventory	16,908	-
Food inventory	18,686	-
Non-current:		
Non-depreciable assets	7,360,391	-
Depreciable capital assets, net	<u>39,062,133</u>	<u>51,375</u>
 Total assets	 <u>56,237,201</u>	 <u>180,286</u>
<u>LIABILITIES</u>		
Accounts payable	345,078	2,422
Interest payable	227,422	-
Deferred grant revenue	12,932	313
Compensated absences	93,165	-
Noncurrent liabilities:		
Due within one year	2,325,000	-
Due in more than one year	<u>17,300,000</u>	<u>-</u>
 Total liabilities	 <u>20,303,597</u>	 <u>2,735</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	26,797,524	51,375
Restricted:		
Debt service	3,972,903	-
Capital projects	3,584,844	(8,773)
Inventories	63,482	-
Unrestricted	<u>1,514,851</u>	<u>134,949</u>
 Total net assets	 <u>\$ 35,933,604</u>	 <u>\$ 177,551</u>

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit		
Primary government:								
Governmental activities:								
Instruction	\$ 14,473,330	\$ 38,577	\$ 1,249,823	\$ 232,007	\$ (12,952,923)	\$ -		
Support Services - Students	2,396,862	84,310	206,978	38,422	(2,067,152)	-		
Support Services - Instruction	531,807	-	45,924	8,525	(477,358)	-		
Support Services - General Administration	2,612,185	-	225,571	41,873	(2,344,741)	-		
Support Services - School Administration	1,592,607	-	137,527	25,529	(1,429,551)	-		
Central Services	497,403	-	42,952	-	(454,451)	-		
Operations & Maintenance of Plant	2,780,431	-	240,100	-	(2,540,331)	-		
Student Transportation	1,355,467	-	1,516,612	-	161,145	-		
Other Support Services	3,606	-	311	-	(3,295)	-		
Food Services	1,100,921	545,461	598,891	-	43,431	-		
Bond interest paid	911,678	-	-	-	(911,678)	-		
Depreciation - unallocated	2,294,935	-	-	-	(2,294,935)	-		
Total governmental activities	\$ 30,551,232	\$ 668,348	\$ 4,264,689	\$ 346,356	(25,271,839)	-		
Component units:								
Mosaic charter school	\$ 955,234	\$ -	\$ 286,948	\$ -	-	(668,286)		
General revenues:								
Property taxes:								
General purposes							577,932	-
Debt service							2,897,077	-
Capital projects							2,406,182	-
Grants and contributions not restricted							19,599,865	791,734
Unrestricted investment earnings							142,211	-
Total general revenues							25,623,267	791,734
Change in net assets					351,428	123,448		
Net assets - beginning					34,797,343	-		
Restatement					784,833	54,103		
Net assets - as restated					35,582,176	54,103		
Net assets - ending					\$ 35,933,604	\$ 177,551		

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2007

	General Fund	Title I Fund	Debt Service Fund	Bond Building Fund	Capital Improvements SB-9 Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>							
Pooled cash and investments	\$ 187,007	\$ -	\$ 3,904,050	\$ 124,240	\$ 3,512,027	\$ 170,338	\$ 7,897,662
Receivables:							
Delinquent property taxes	5,752	-	40,741	-	32,106	-	78,599
Grant	-	426,076	-	-	-	267,807	693,883
Other	385,056	-	-	-	-	6,137	391,193
Due from other governments	67,941	-	320,948	-	273,218	-	662,107
Due from other funds	1,141,113	-	-	-	-	-	1,141,113
Parts Inventory	27,888	-	-	-	-	-	27,888
USDA commodities inventory	-	-	-	-	-	16,908	16,908
Food inventory	-	-	-	-	-	18,686	18,686
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,814,757</u>	<u>\$ 426,076</u>	<u>\$ 4,265,739</u>	<u>\$ 124,240</u>	<u>\$ 3,817,351</u>	<u>\$ 479,876</u>	<u>\$ 10,928,039</u>
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable	\$ 103,877	\$ -	\$ -	\$ 99,639	\$ 140,162	\$ 1,400	\$ 345,078
Due to other funds	384,647	426,076	-	117,000	-	213,390	1,141,113
Deferred revenue:							
Federal, state, and local grants	-	-	-	-	-	12,932	12,932
Delinquent property taxes	4,695	-	33,073	-	26,291	-	64,059
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>493,219</u>	<u>426,076</u>	<u>33,073</u>	<u>216,639</u>	<u>166,453</u>	<u>227,722</u>	<u>1,563,182</u>
Fund balance:							
Reserved:							
Retirement of long-term debt	-	-	4,232,666	-	-	-	4,232,666
Inventories	27,888	-	-	-	-	35,594	63,482
Unreserved reported in:							
General fund	1,293,650	-	-	-	-	-	1,293,650
Special revenue funds	-	-	-	-	-	216,506	216,506
Capital projects funds	-	-	-	(92,399)	3,650,898	54	3,558,553
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,321,538</u>	<u>-</u>	<u>4,232,666</u>	<u>(92,399)</u>	<u>3,650,898</u>	<u>252,154</u>	<u>9,364,857</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 1,814,757</u>	<u>\$ 426,076</u>	<u>\$ 4,265,739</u>	<u>\$ 124,240</u>	<u>\$ 3,817,351</u>	<u>\$ 479,876</u>	<u>\$ 10,928,039</u>

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

RECONCILIATION OF THE BALANCE SHEET - ALL
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2007

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

Fund balances - total governmental funds	\$ 9,364,857
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	46,422,524
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	64,059
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(19,917,836)</u>
Net assets of governmental activities	<u>\$ 35,933,604</u>

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	General <u>Fund</u>	Title I <u>Fund</u>	Debt Service <u>Fund</u>	Bond Building <u>Fund</u>	Capital Improvements SB-9 <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:							
Federal sources:							
Federal flowthrough grants	\$ 14,306	\$ 554,672	\$ -	\$ -	\$ -	\$ 878,439	\$ 1,447,417
Federal direct grants	1,237	-	-	-	-	109,754	110,991
Food and milk reimbursements	-	-	-	-	-	541,839	541,839
USDA Commodities	-	-	-	-	-	57,052	57,052
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total federal revenues	15,543	554,672	-	-	-	1,587,084	2,157,299
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
State sources:							
State equalization guarantee	19,537,248	-	-	-	-	-	19,537,248
State flow through grants	16,158	-	-	-	-	-	16,158
Transportation	1,516,612	-	-	-	-	-	1,516,612
State instructional material	259,201	-	-	-	-	-	259,201
State grant	94,779	-	-	-	-	97,204	191,983
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total state revenues	21,423,998	-	-	-	-	97,204	21,521,202
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Local sources:							
Grant	-	-	-	-	-	21,622	21,622
District school tax levy	576,315	-	2,912,299	-	2,426,391	-	5,915,005
Fees and activities	38,577	-	-	-	-	629,771	668,348
Earnings from investments	142,086	-	44,079	-	346,356	125	532,646
Miscellaneous	7,350	-	-	55,267	-	-	62,617
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total local revenues	764,328	-	2,956,378	55,267	2,772,747	651,518	7,200,238
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	22,203,869	554,672	2,956,378	55,267	2,772,747	2,335,806	30,878,739
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(continued)

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	General	Title I	Debt Service	Bond Building	Capital Improvements SB-9	Other Governmental	Total Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
Expenditures:							
Current:							
Instruction	13,301,897	488,790	-	-	-	682,643	14,473,330
Support Services - Students	2,116,045	373	-	-	-	280,444	2,396,862
Support Services - Instruction	437,188	631	-	-	-	83,013	520,832
Support Services - General Administration	272,700	6,937	7,041	-	2,313,235	12,272	2,612,185
Support Services - School Administration	1,485,283	55,825	-	-	-	51,499	1,592,607
Central Services	497,403	-	-	-	-	-	497,403
Operations & Maintenance of Plant	2,856,656	-	-	7,642	-	-	2,864,298
Student Transportation	1,337,195	2,116	-	-	-	16,156	1,355,467
Other Support Services	-	-	-	-	-	3,606	3,606
Food Services	-	-	-	-	-	1,100,921	1,100,921
Capital outlay	194,314	-	-	260,264	2,067,852	5,763	2,528,193
Debt service:							
Principal retirement	-	-	3,150,000	-	-	-	3,150,000
Bond interest paid	-	-	962,737	-	-	-	962,737
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	22,498,681	554,672	4,119,778	267,906	4,381,087	2,236,317	34,058,441
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(294,812)	-	(1,163,400)	(212,639)	(1,608,340)	99,489	(3,179,702)
Fund balance at beginning of the year	1,616,350	-	5,396,066	120,240	5,259,238	152,665	12,544,559
Fund balance (deficit) at end of the year	<u>\$ 1,321,538</u>	<u>\$ -</u>	<u>\$ 4,232,666</u>	<u>\$ (92,399)</u>	<u>\$ 3,650,898</u>	<u>\$ 252,154</u>	<u>\$ 9,364,857</u>

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

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

Net change in fund balance - total governmental funds	\$ (3,179,702)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year	388,446
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(47,400)
The issuance of long-term debt (e.g., bonds) 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 assets. Also, governmental funds report the effect of issuance costs, premiums, and similar, items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,143,559
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>46,525</u>
Change in net assets of governmental activities	<u>\$ 351,428</u>

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ 23,000	\$ 23,000	\$ 14,306	\$ (8,694)
Federal direct grant	-	-	1,237	1,237
 Total federal revenues	 <u>23,000</u>	 <u>23,000</u>	 <u>15,543</u>	 <u>(7,457)</u>
State sources:				
State equalization guarantee	19,882,540	19,882,540	19,537,248	(345,292)
State flowthrough grant	15,690	15,690	16,158	468
Transportation	1,289,177	1,516,612	1,131,897	(384,715)
State instructional material	259,201	321,810	259,201	(62,609)
State grant	111,643	111,643	94,779	(16,864)
 Total state revenues	 <u>21,558,251</u>	 <u>21,848,295</u>	 <u>21,039,283</u>	 <u>(809,012)</u>
Local sources:				
District school tax levy	543,911	543,911	580,662	36,751
Fees and activities	25,000	25,000	38,577	13,577
Earnings from investments	100,000	100,000	141,599	41,599
Miscellaneous	-	-	7,350	7,350
 Total local revenues	 <u>668,911</u>	 <u>668,911</u>	 <u>768,188</u>	 <u>99,277</u>
 Total revenues	 <u>22,250,162</u>	 <u>22,540,206</u>	 <u>21,823,014</u>	 <u>(717,192)</u>

(continued)

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Expenditures:				
Current:				
Instruction	\$ 14,268,106	\$ 14,315,963	\$ 13,486,405	\$ 829,558
Support Services - Students	2,117,572	2,182,096	2,111,327	70,769
Support Services - Instruction	508,994	459,682	389,820	69,862
Support Services - General Administration	448,820	320,901	277,013	43,888
Support Services - School Administration	1,590,676	1,572,209	1,485,283	86,926
Central Services	388,390	516,309	497,403	18,906
Operation & Maintenance of Plant	3,135,120	3,135,120	2,858,529	276,591
Student Transportation	1,304,177	1,360,305	1,340,873	19,432
Other Support Services	150,909	150,909	-	150,909
	23,912,764	24,013,494	22,446,653	1,566,841
Total current expenses				
Capital outlay:				
Equipment	5,000	194,314	194,314	-
	23,917,764	24,207,808	22,640,967	1,566,841
Total expenditures				
Excess (deficiency) of revenues over expenditures	(1,667,602)	(1,667,602)	(817,953)	849,649
Beginning cash balance budgeted	1,667,602	1,667,602	-	(1,667,602)
Fund balance at beginning of the year	-	-	1,616,350	1,616,350
Fund balance at end of the year	\$ -	\$ -	798,397	\$ 798,397
RECONCILIATION TO GAAP BASIS:				
Change in inventory			(20,496)	
Change in receivables			486	
Change in grant receivable			384,715	
Change in property tax receivable			(33,821)	
Change in due from other governments			31,092	
Change in payables			162,782	
Change in deferred property taxes			(1,617)	
			\$ 1,321,538	

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

TITLE I SPECIAL REVENUE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Federal grant	\$ 538,675	\$ 557,891	\$ 256,262	\$ (301,629)
Expenditures:				
Current:				
Instruction	538,675	486,650	488,790	(2,140)
Support Services - Students	-	-	373	(373)
Support Services - Instruction	-	381	631	(250)
Support Services - General Administration	-	12,609	6,937	5,672
Support Services - School Administration	-	56,255	55,825	430
Student Transportation	-	1,996	2,116	(120)
Total expenditures	538,675	557,891	554,672	3,219
Excess (deficiency) of revenues over expenditures	-	-	(298,410)	(298,410)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(298,410)	\$ (298,410)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			298,410	
			\$ -	

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2007

ASSETS

Pooled cash and investments	\$ <u>288,916</u>
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LIABILITIES

Deposits held for others	\$ <u>288,916</u>
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See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Aztec Municipal School District (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 in the City of Aztec, New Mexico, and the surrounding areas. 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.

The District's financial statements include all entities over which the Board of Education exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

As required by GAAP, these financial statements present the District (primary government) and its component units. The component units discussed below are included in the District's reporting because of the significance of their operational or financial relationships with the District in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 29, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

a. Mosaic Academy

Mosaic Academy (Charter School) was established in 2006 under the Charter School Act and serves to provide public education to the community of Aztec, New Mexico. The Charter School has a significant financial relationship with the District as that it receives federal and state funding through the District. Additionally, the District is financially responsible for the Charter School. The Charter School operates and is reported on the same basis as the District.

No other entities meet the criteria for inclusion in the reporting entity.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The summary of significant accounting policies of the District is presented to assist in the understanding of the Association's financial statements. The financial statements and notes are the representation of Aztec Municipal School District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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, net of estimated refunds and estimated uncollectable amounts, in the year for which they are levied. 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.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Title I – To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Bond Building Fund – This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

Capital Improvements SB-9 – This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

Additionally, the government reports the following fund types:

SPECIAL REVENUE FUNDS

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes.

CAPITAL PROJECTS FUNDS

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

FIDUCIARY FUNDS

Fiduciary Funds – Fiduciary Funds are Aztec Municipal School District No. 2 funds used to account for financial resources used by the student activity groups for which the District has stewardship

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Similar to private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. Assets, Liabilities, and Net Assets or Equity

1. *Deposits and investments*

The government'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 investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

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 school district. Deposits may be made to the extent that they are insured by an Aztec Municipal School District No. 2 of the United States or by collateral deposited as security or by bond given by the financial institution.

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.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

The School District’s property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, HB – 33 Capital Improvements Fund , SB – 9 Capital Improvements Fund, and Debt Service Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the School District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the School District has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. A receivable and deferred revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the district has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not be collected, as prescribed in GASB 34. An allowance for refunds and uncollectibles has not been recorded.

3. *Inventories*

USDA Commodity, food inventories and part inventory are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2006, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The costs of library books are not depreciated unless the individual cost is in excess of \$5,000. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Building improvements	7-20
Vehicles	5
Office equipment	5
Computer equipment	5

5. *Compensated absences*

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the school district. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. *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 assets. 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 discounts. 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 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 capital projects expenditures.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

7. *Fund balance*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. *Net assets*

Net assets are presented on the statement of net assets and may be presented in any of three components.

a. Invested in capital assets, net of related debt

This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

b. Restricted net assets

Net assets are reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation 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.

c. Unrestricted net assets

Unrestricted net assets consist of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

In the governmental environment, net assets often are designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net assets, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

9. *Indirect Costs*

The School District's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

10. *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.

11. *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 cost".

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 \$19,537,248 in state equalization guarantee distributions during the year ended June 30, 2007.

Transportation Distribution: School districts in the State of New Mexico received 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 \$1,516,612 in transportation distributions during the year ended June 30, 2007.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of the \$46,422,524 difference are as follows:

Capital assets	\$ 83,466,510
Accumulated depreciation	<u>(37,044,056)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 46,422,454</u>

Another element of the reconciliation states “other assets are not available to pay to current-period expenditures and therefore are deferred in the funds.” The details of the \$64,059 difference are as follows:

Property taxes receivable	<u>\$ 64,059</u>
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The final adjustment in the reconciliation indicates that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The \$19,917,836 difference is detailed as follows:

Bonds payable	\$ (19,625,000)
Accrued interest payable	(227,422)
Accrued vacation payable	(93,165)
Bond issue costs	45,086
Amortization of bond issue costs	<u>(17,335)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (19,917,836)</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities
(continued)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$388,446 difference are as follows:

Capital outlay	\$	2,528,193
Depreciation expense		(2,294,935)
PSFA funds		<u>155,188</u>
Net adjustment to changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>388,446</u>

The second element in the reconciliation indicates “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The adjustment of \$47,400 is detailed as follows:

Reduction in revenue:		
Deferred grant revenue in 2006	\$	(13,586)
Deferred property taxes in 2006		(97,873)
Amounts to be included in revenue:		
Deferred property taxes in 2007		<u>64,059</u>
Net adjustment to change in net assets of governmental activities for revenues that are not recorded in the funds	\$	<u>(47,400)</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities
(continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$3,143,559 difference are as follows:

Principal repayments:	
General obligation debt	\$ 3,150,000
Amortization of bond issuance costs	<u>(6,441)</u>
Net adjustment to decrease change in net assets of governmental activities	<u>\$ 3,143,559</u>

The final element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$46,525 difference are as follows:

Accrued interest:	
June 30, 2007	\$ (227,422)
June 30, 2006	284,922
Compensated absences:	
July 30, 2007	82,190
June 30, 2006	<u>(93,165)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 46,525</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public 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 of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
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 State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

6. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2007 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Aztec Municipal School District No. 2 to exceed an individual line item. These amendments resulted in the following changes:

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	\$ 23,917,764	\$ 24,207,808
Special Revenue Fund	2,646,411	3,219,555
Debt Service Fund	8,050,549	8,050,549
Capital Projects Fund	7,451,523	7,577,394
Totals	\$ 42,066,247	\$ 43,055,306

B. Deficit Fund Equity

Aztec Municipal Schools

There were two deficit fund balances as of June 30, 2007. The \$92,399 fund balance deficit in the Bond Building Capital Projects Fund which will be covered by the General Fund. The \$176 fund balance deficit in the Transportation Fund which will be covered by the General Fund.

Mosaic Academy Charter School

There was one deficit fund balances as of June 30, 2007. The \$8,773 fund balance deficit in the Public School Capital Outlay Fund which will be covered by the General Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2007, the carrying amount of the District's deposits was \$8,186,578 and the bank balance was \$9,388,205. Of this balance \$200,000 was covered by federal depository insurance and \$6,927,456 was covered by collateral held in joint safekeeping by a third party. The remaining \$2,260,749 not covered by pledged collateral is comprised of amounts in excess of those required to be collateralized under State law.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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 District for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits.

	Primary Government	Component Unit
Uninsured and uncollateralized	\$ 2,260,749	\$ (67,968)
Uninsured and collateral held by pledging bank's trust dept not in the city's name	<u>6,927,456</u>	<u>100,031</u>
Total uninsured	9,188,205	32,063
Insured (FDIC)	<u>200,000</u>	<u>100,000</u>
Total deposits	<u>\$ 9,388,205</u>	<u>\$ 132,063</u>
State of New Mexico collateral requirement:		
50% of uninsured public fund bank deposits	\$ 4,594,103	\$ 16,032
Pledged security	<u>6,927,456</u>	<u>100,031</u>
Over collateralization	<u>\$ 2,333,353</u>	<u>\$ 83,999</u>

The collateral pledged is listed on Pages 109 and 110 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any Aztec Municipal School District No. 2, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the following:

	<u>General</u>	<u>Title I</u>	<u>Debt Service</u>	<u>Bond Building</u>	<u>SB-9 Capital Improvements</u>	<u>Other Governmental Funds</u>
Receivables:						
Delinquent property taxes	\$ 5,752	\$ -	\$ 40,741	\$ -	\$ 32,106	\$ -
Grant	-	426,075	-	-	-	267,807
Other	385,056	-	-	-	-	6,137
Due from other:						
Governments	67,941	-	320,948	-	273,218	-
Funds	<u>1,141,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,599,862</u>	<u>\$ 426,075</u>	<u>\$ 361,689</u>	<u>\$ -</u>	<u>\$ 305,324</u>	<u>\$ 273,944</u>

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Aztec Municipal School District:

	<u>Unavailable</u>	<u>Unearned</u>
Grant drawdowns prior to meeting all eligibility requirements		
Other Governmental Funds	-	12,932
Delinquent property taxes		
General Fund	4,695	-
Education Technology Bond	33,073	-
SB-9 Capital Improvements	<u>26,291</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 64,059</u>	<u>\$ 12,932</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

Mosaic Academy:

	<u>Unavailable</u>	<u>Unearned</u>
Grant drawdowns prior to meeting all eligibility requirements		
Title I	\$ 6,119	\$ -
Federal Stimulus	-	313
	-	313
Total deferred/unearned revenue for governmental funds	\$ 6,119	\$ 313

C. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Aztec Municipal School District:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,895,514	\$ -	\$ -	\$ -	\$ 5,895,514
Construction in progress	-	1,464,877	-	-	1,464,877
Total capital assets, not being depreciated	\$ 5,895,514	\$ 1,464,877	\$ -	\$ -	\$ 7,360,391
Capital assets, being depreciated:					
Land improvements	\$ -	\$ 22,649	\$ -	\$ -	\$ 22,649
Buildings and improvements	67,335,673	905,772	-	953,145	69,194,590
Furniture, fixtures, and equipment	6,682,664	290,083	(83,867)	-	6,888,880
Total capital assets being depreciated	74,018,337	1,218,504	(83,867)	953,145	76,106,119
Less accumulated depreciation for:					
Land improvements	-	(5,271)	-	-	(5,271)
Buildings and improvements	(30,209,841)	(1,873,623)	-	(168,312)	(32,251,776)
Furniture, fixtures, and equipment	(4,454,765)	(416,041)	83,867	-	(4,786,939)
Total accumulated depreciation	(34,664,606)	(2,294,935)	83,867	(168,312)	(37,043,986)
Total capital assets being depreciated, net	\$ 39,353,731	\$ (1,076,431)	\$ -	\$ 784,833	\$ 39,062,133

**STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2**

Notes to the Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

Depreciation has been allocated to the functions by the following amounts:

<u>Depreciation Allocation to Functions</u>	
Instruction	\$ 1,214,694
Support Services - Students	201,160
Support Services - Instruction	44,633
Support Services - General Administration	219,231
Support Services - School Administration	133,662
Central Services	41,745
Operations & Maintenance of Plant	233,352
Student Transportation	113,759
Other Support Services	303
Food Services	92,396
Total Depreciation Expense	<u>\$ 2,294,935</u>

Construction commitments

The Aztec Municipal School District No. 2 received \$71,321 any funds from the State of New Mexico Public School Facilities Authority for the year ended June 30, 2007.

The District is involved in several long-term construction projects as part of their master plan for upgrading the district buildings. The amount of \$3,558,553 in the capital projects fund designated for subsequent years expenditures are committed for funding these projects. Interest on construction projects is not capitalized.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

Mosaic Academy:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 54,558	\$ -	\$ -	\$ 54,558
Less accumulated depreciation for:				
Buildings and improvements	<u>(455)</u>	<u>(2,728)</u>	<u>-</u>	<u>(3,183)</u>
Total capital assets being depreciated, net	<u>\$ 54,103</u>	<u>\$ (2,728)</u>	<u>\$ -</u>	<u>\$ 51,375</u>

The Charter School has determined that the capital assets serve essentially the entire School's functional activities and had decided not to allocate depreciation by function. Depreciation expense for the Charter School was \$2,728.

The State of New Mexico Public School Facilities Authority has paid portions of the Mosaic Academy's expense for the schools lease of classroom space. For the year ended June 30, 2007, these contributions amounted to \$84,000.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

D. Inter-Fund Receivables and Payables

The composition of inter-fund balances at June 30, 2007 is as follows:

Aztec Municipal Schools:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,141,113	\$ 384,647
Title I	-	426,076
Bond Building		117,000
Other governmental funds:		
IDEA-B Entitlement	-	57,000
IDEA-B Preschool	-	3,250
Title V	-	3,130
Title II	-	62,000
Title IV	-	17,420
Johnson O'Malley	-	2,480
Indian Ed	-	24,800
Technology for Education	-	6,500
Truancy Initiative		24,170
Libray GO Bond	-	7,115
Beginning Teacher Mentoring	-	5,525
Total	<u>\$ 1,141,113</u>	<u>\$1,141,113</u>

The inter-fund loans were made in order to cover cash shortfalls within the individual funds as a result of budgeted revenues not being received.

E. Inter-Fund Transfers

There was no inter-fund transfers in Aztec Municipal School District made during the year ended June 30, 2007.

**STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2**

Notes to the Financial Statements
June 30, 2007

F. Long-Term Debt

The details of the bonds and notes as of June 30, 2007 are as follows:

Aztec Municipal Schools

		Original		Balance	Amount Due
<u>General Obligations Bonds</u>		<u>Amount</u>	<u>Interest Rates</u>	<u>June 30, 2007</u>	<u>Within One Year</u>
Series	1996	\$ 4,000,000	4.50% to 7.00%	\$ 875,000	\$ 875,000
Series	1997	4,900,000	4.50% to 5.00%	675,000	675,000
Series	2000	3,000,000	5.00% to 5.75%	2,475,000	175,000
Series	2001	4,500,000	4.50% to 4.75%	3,800,000	100,000
Series	2002	13,200,000	4.00% to 5.50%	11,800,000	500,000
Total		<u>\$ 29,600,000</u>		<u>\$ 19,625,000</u>	<u>\$ 2,325,000</u>

Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>General Obligation Bonds</u>			
Year Ending			Total
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2008	\$ 2,325,000	\$ 853,281	\$ 3,178,281
2009	1,000,000	748,275	1,748,275
2010	2,100,000	651,375	2,751,375
2011	2,350,000	550,088	2,900,088
2012	2,550,000	437,950	2,987,950
2013 - 2017	9,300,000	785,250	10,085,250
Total	<u>\$ 19,625,000</u>	<u>\$ 4,026,219</u>	<u>\$ 23,651,219</u>

General Obligation Bonds – The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the School District boundaries

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt (continued)

Changes in long term debt – During the year ended June 30, 2007 the following changes occurred in liabilities reported in the general obligation bonds account group:

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2007</u>	Amount Due <u>Within One Year</u>
Compensated absences:					
Compensated vacation	\$ 82,190	\$ 86,021	\$ 75,046	\$ 93,165	\$ 93,165
Bonds payable	<u>22,775,000</u>	<u>-</u>	<u>3,150,000</u>	<u>19,625,000</u>	<u>2,325,000</u>
	<u>\$ 22,857,190</u>	<u>\$ 86,021</u>	<u>\$ 3,225,046</u>	<u>\$ 19,718,165</u>	<u>\$ 2,418,165</u>

	Balance <u>June 30, 2007</u>
Bonds payable	\$ 19,625,000
Unamortized:	
Deferred loss on bond refunding	-
Bond premiums	<u>-</u>
Total non-current liabilities	<u>\$ 19,625,000</u>

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The liquidation of bonds payable is done with resources from the debt service fund.

V. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2007.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

V. OTHER INFORMATION (continued)

B. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Employee Retirement Plan

Plan Description - Substantially all of Aztec Municipal School District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained by writing to:

ERB
P.O. Box 26129
Santa Fe, New Mexico 87502-6129
www.nmerb.org

**STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2**

Notes to the Financial Statements
June 30, 2007

V. OTHER INFORMATION (continued)

C. Employee Retirement Plan (continued)

Funding Policy - Plan members are required to contribute 7.42% of their gross salary. Aztec Municipal School District is required to contribute 10.95% of the gross covered salary. Effective July 1, 2007, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and Aztec Municipal School District are established in Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. Aztec Municipal School District's contributions to the ERB for the years ended June 30, 2007, 2006 and 2005 were \$1,554,853, \$1,387,629, and \$1,165,054 respectively, equal to the amount of the required contribution for the year. The contribution rates will increase each year as follows:

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
2007-2008	10.900%	7.825%
2008-2009	11.650%	7.900%
2009-2010	12.460%	7.900%
2010-2011	13.150%	7.900%
2011-2012	13.900%	7.900%

D. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description – Aztec Municipal School District No. 2 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are:

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

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

V. OTHER INFORMATION (continued)

D. Post-Retirement Health Care Benefits (continued)

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to:

Retiree Health Care Authority
4308 Carlisle NE, Suite 104
Albuquerque, NM 87107

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

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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

For the fiscal year ended June 30, 2007, Aztec Municipal School District No. 2's remitted \$199,034 in employer contributions and \$99,517 in employee contributions to the Retiree Health Care Authority.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes to the Financial Statements
June 30, 2007

V. OTHER INFORMATION (continued)

E. Restatement

The State of New Mexico Public School Facilities Authority and Aztec Municipal School District reviewed prior year costs paid for the District by the State of New Mexico Public School Facilities Authority, an error was found which caused a restatement of \$784,833.

The Charter schools began operations in the prior year. The prior year information was not reported. The following is a summary of that information.

Asset Additions	\$ 54,558
Deletions	<u>(455)</u>
Total Restatement	<u>\$ 54,103</u>

F. Subsequent Events

The School District sold bond on July of 2007 in the amount of \$15,000,000, and on October of 2008 in the amount of \$13,225,000.

G. Budgetary Violations

The School District exceeded its legal budget in individual funds as referenced in Finding 2007—7 and C2007-2 on pages 131 and 134 respectively. The District is aware of legal binding budgets and has implemented a system of checks that will help prevent any further violations of budgetary control.

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GENERAL FUNDS

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

GENERAL FUND
Combining Balance Sheet
June 30, 2007

	General Funds			Total General <u>Fund</u>
	<u>Operational Fund</u>	<u>Transportation Fund</u>	<u>Instructional Materials Fund</u>	
<u>ASSETS</u>				
Pooled cash and investments	\$ 158,298	\$ -	\$ 28,709	\$ 187,007
Receivables:				
Delinquent property taxes	5,752	-	-	5,752
Other receivables	341	384,715	-	385,056
Due from other governments	67,941	-	-	67,941
Due from other funds	1,141,113	-	-	1,141,113
Parts Inventory	<u>27,888</u>	<u>-</u>	<u>-</u>	<u>27,888</u>
 Total assets	 <u>\$ 1,401,333</u>	 <u>\$ 384,715</u>	 <u>\$ 28,709</u>	 <u>\$ 1,814,757</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 99,881	\$ 244	\$ 3,752	\$ 103,877
Due to other funds	-	384,647	-	384,647
Deferred revenue:				
Delinquent property taxes	<u>4,695</u>	<u>-</u>	<u>-</u>	<u>4,695</u>
 Total liabilities	 <u>104,576</u>	 <u>384,891</u>	 <u>3,752</u>	 <u>493,219</u>
Fund balance:				
Reserved:				
Inventories	27,888	-	-	27,888
Unreserved and reported in:				
Undesignated	<u>1,268,869</u>	<u>(176)</u>	<u>24,957</u>	<u>1,293,650</u>
 Total fund balance	 <u>1,296,757</u>	 <u>(176)</u>	 <u>24,957</u>	 <u>1,321,538</u>
 Total liabilities and fund balance	 <u>\$ 1,401,333</u>	 <u>\$ 384,715</u>	 <u>\$ 28,709</u>	 <u>\$ 1,814,757</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

GENERAL FUND
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	General Funds			Total General Fund
	Operational Fund	Transportation Fund	Instructional Materials Fund	
Revenues:				
Federal sources:				
Federal flowthrough grants	\$ 14,306	\$ -	\$ -	\$ 14,306
Federal direct grants	<u>1,237</u>	<u>-</u>	<u>-</u>	<u>1,237</u>
Total federal revenues	<u>15,543</u>	<u>-</u>	<u>-</u>	<u>15,543</u>
State sources:				
State equalization guarantee	19,537,248	-	-	19,537,248
State flow through grants	16,158	-	-	16,158
Transportation	-	1,516,612	-	1,516,612
State instructional material	-	-	259,201	259,201
State grant	<u>68,136</u>	<u>-</u>	<u>26,643</u>	<u>94,779</u>
Total state revenues	<u>19,621,542</u>	<u>1,516,612</u>	<u>285,844</u>	<u>21,423,998</u>
Local sources:				
District school tax levy	576,315	-	-	576,315
Fees and activities	38,577	-	-	38,577
Earnings from investments	142,086	-	-	142,086
Miscellaneous	<u>5,299</u>	<u>-</u>	<u>2,051</u>	<u>7,350</u>
Total local revenues	<u>762,277</u>	<u>-</u>	<u>2,051</u>	<u>764,328</u>
Total revenue	<u>20,399,362</u>	<u>1,516,612</u>	<u>287,895</u>	<u>22,203,869</u>
Expenditures:				
Current:				
Instruction	13,207,858	-	94,039	13,301,897
Support Services - Students	2,116,045	-	-	2,116,045
Support Services - Instruction	411,786	-	25,402	437,188
Support Services - General Administration	272,700	-	-	272,700
Support Services - School Administration	1,485,283	-	-	1,485,283
Central Services	497,403	-	-	497,403
Operations & Maintenance of Plant	2,856,656	-	-	2,856,656
Student Transportation	19,033	1,318,162	-	1,337,195
Capital outlay	<u>-</u>	<u>194,314</u>	<u>-</u>	<u>194,314</u>
Total expenditures	<u>20,866,764</u>	<u>1,512,476</u>	<u>119,441</u>	<u>22,498,681</u>
Excess of revenues over expenditures	(467,402)	4,136	168,454	(294,812)
Fund balance at beginning of the year	<u>1,764,159</u>	<u>(4,312)</u>	<u>(143,497)</u>	<u>1,616,350</u>
Fund balance at end of the year	<u>\$ 1,296,757</u>	<u>\$ (176)</u>	<u>\$ 24,957</u>	<u>\$ 1,321,538</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

OPERATIONAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ 23,000	\$ 23,000	\$ 14,306	\$ (8,694)
Federal direct grant	<u>-</u>	<u>-</u>	<u>1,237</u>	<u>1,237</u>
Total federal revenues	<u>23,000</u>	<u>23,000</u>	<u>15,543</u>	<u>(7,457)</u>
State sources:				
State equalization guarantee	19,882,540	19,882,540	19,537,248	(345,292)
State flowthrough grant	15,690	15,690	16,158	468
State grant	<u>85,000</u>	<u>85,000</u>	<u>68,136</u>	<u>(16,864)</u>
Total state revenues	<u>19,983,230</u>	<u>19,983,230</u>	<u>19,621,542</u>	<u>(361,688)</u>
Local sources:				
District school tax levy	543,911	543,911	580,662	36,751
Fees and activities	25,000	25,000	38,577	13,577
Earnings from investments	100,000	100,000	141,599	41,599
Miscellaneous	<u>-</u>	<u>-</u>	<u>5,299</u>	<u>5,299</u>
Total local revenues	<u>668,911</u>	<u>668,911</u>	<u>766,137</u>	<u>97,226</u>
Total revenues	<u>20,675,141</u>	<u>20,675,141</u>	<u>20,403,222</u>	<u>(271,919)</u>

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

OPERATIONAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Instruction	\$ 14,008,905	\$ 13,994,153	\$ 13,190,011	\$ 804,142
Support Services - Students	2,117,572	2,182,096	2,111,327	70,769
Support Services - Instruction	482,351	433,039	364,419	68,620
Support Services - General Administration	448,820	320,901	277,013	43,888
Support Services - School Administration	1,590,676	1,572,209	1,485,283	86,926
Central Services	388,390	516,309	497,403	18,906
Operation & Maintenance of Plant	3,135,120	3,135,120	2,858,529	276,591
Student Transportation	20,000	38,007	18,587	19,420
Other Support Services	<u>150,909</u>	<u>150,909</u>	<u>-</u>	<u>150,909</u>
Total expenditures	<u>22,342,743</u>	<u>22,342,743</u>	<u>20,802,572</u>	<u>1,540,171</u>
Excess (deficiency) of revenues over expenditures	(1,667,602)	(1,667,602)	(399,350)	1,268,252
Beginning cash balance budgeted	1,667,602	1,667,602	-	(1,667,602)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>1,764,159</u>	<u>1,764,159</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	1,364,809	<u>\$ 1,364,809</u>
RECONCILIATION TO GAAP BASIS:				
Change in inventory			(20,496)	
Change in receivables			486	
Change in property tax receivable			(33,821)	
Change in due from other governments			31,092	
Change in payables			(43,696)	
Change in deferred property taxes			<u>(1,617)</u>	
			<u>\$ 1,296,757</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

TRANSPORTATION FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
Transportation	\$ 1,289,177	\$ 1,516,612	\$ 1,131,897	\$ (384,715)
Expenditures:				
Current:				
Student Transportation	1,284,177	1,322,298	1,322,286	12
Capital outlay:				
Equipment	<u>5,000</u>	<u>194,314</u>	<u>194,314</u>	<u>-</u>
Total expenditures	<u>1,289,177</u>	<u>1,516,612</u>	<u>1,516,600</u>	<u>12</u>
Excess (deficiency) of revenues over expenditures	-	-	(384,703)	(384,703)
Fund balance (deficit) at beginning of the year	<u>-</u>	<u>-</u>	<u>(4,312)</u>	<u>(4,312)</u>
Fund balance (deficit) at end of the year	<u>\$ -</u>	<u>\$ -</u>	(389,015)	<u>\$ (389,015)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			384,715	
Change in payables			<u>4,124</u>	
			<u>\$ (176)</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

INSTRUCTIONAL MATERIALS FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State instructional material	\$ 259,201	\$ 321,810	\$ 259,201	\$ (62,609)
State grant	<u>26,643</u>	<u>26,643</u>	<u>26,643</u>	<u>-</u>
Total state revenues	285,844	348,453	285,844	(62,609)
Local sources:				
Miscellaneous	<u>-</u>	<u>-</u>	<u>2,051</u>	<u>2,051</u>
Total revenues	<u>285,844</u>	<u>348,453</u>	<u>287,895</u>	<u>(60,558)</u>
Expenditures:				
Current:				
Instruction	259,201	321,810	296,394	25,416
Support Services - Instruction	<u>26,643</u>	<u>26,643</u>	<u>25,401</u>	<u>1,242</u>
Total expenditures	<u>285,844</u>	<u>348,453</u>	<u>321,795</u>	<u>26,658</u>
Excess (deficiency) of revenues over expenditures	-	-	(33,900)	(33,900)
Fund balance (deficit) at beginning of the year	<u>-</u>	<u>-</u>	<u>(143,497)</u>	<u>(143,497)</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>(177,397)</u>	<u>\$ (177,397)</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>202,354</u>	
			<u>\$ 24,957</u>	

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds										
	Food Service Fund	Athletics Fund	Entitlement IDEA-B Fund	Competitive IDEA-B Fund	Preschool IDEA-B Fund	Title VI Fund	Enhancing Education Fund	Class Size Reduction Act Fund	Title V Fund	Title II Teacher Quality Fund	Title IV Drug Free Schools Fund
ASSETS											
Pooled cash and investments	\$ 55,424	\$ 99,540	\$ 139	\$ 303	\$ 1,624	\$ 43	\$ -	\$ 47	\$ 158	\$ 143	\$ 102
Receivables:											
Grant	56,701	-	56,861	-	1,730	-	-	-	2,972	61,857	17,318
Other	3,094	3,043	-	-	-	-	-	-	-	-	-
USDA commodities inventory	16,908	-	-	-	-	-	-	-	-	-	-
Food inventory	18,686	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 150,813</u>	<u>\$ 102,583</u>	<u>\$ 57,000</u>	<u>\$ 303</u>	<u>\$ 3,354</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 3,130</u>	<u>\$ 62,000</u>	<u>\$ 17,420</u>
LIABILITIES AND FUND BALANCE											
Liabilities:											
Accounts payable	\$ 300	\$ 996	\$ -	\$ -	\$ 104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	57,000	-	3,250	-	-	-	3,130	62,000	17,420
Deferred revenue:											
Federal, state, and local grants	-	-	-	303	-	43	-	47	-	-	-
Total liabilities	<u>300</u>	<u>996</u>	<u>57,000</u>	<u>303</u>	<u>3,354</u>	<u>43</u>	<u>-</u>	<u>47</u>	<u>3,130</u>	<u>62,000</u>	<u>17,420</u>
Fund balance:											
Reserved:											
Inventories	35,594	-	-	-	-	-	-	-	-	-	-
Unreserved and reported in:											
Special revenues funds	114,919	101,587	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-
Total fund balance	<u>150,513</u>	<u>101,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 150,813</u>	<u>\$ 102,583</u>	<u>\$ 57,000</u>	<u>\$ 303</u>	<u>\$ 3,354</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 3,130</u>	<u>\$ 62,000</u>	<u>\$ 17,420</u>

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007

	<u>Special Revenue Funds</u>								
	<u>Carl D Perkins Fund</u>	<u>Johnson O'Malley Fund</u>	<u>Indian Ed Formula Grant Fund</u>	<u>Wallace Foundation Fund</u>	<u>Technology for Education Fund</u>	<u>Incentives for School Improvement Fund</u>	<u>Truancy Initiative Fund</u>	<u>Libraries GO Bond Fund</u>	<u>Reading Improvement Initiatives Fund</u>
ASSETS									
Pooled cash and investments	\$ 248	\$ 41	\$ 65	\$ 311	\$ 44	\$ 8,550	\$ 58	\$ 3	\$ 49
Receivables:									
Grant	-	2,439	24,735	-	6,456	-	24,112	7,112	-
Other	-	-	-	-	-	-	-	-	-
USDA commodities inventory	-	-	-	-	-	-	-	-	-
Food inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 248</u>	<u>\$ 2,480</u>	<u>\$ 24,800</u>	<u>\$ 311</u>	<u>\$ 6,500</u>	<u>\$ 8,550</u>	<u>\$ 24,170</u>	<u>\$ 7,115</u>	<u>\$ 49</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	2,480	24,800	-	6,500	-	24,170	7,115	-
Deferred revenue:									
Federal, state, and local grants	248	-	-	311	-	8,550	-	-	49
Total liabilities	<u>248</u>	<u>2,480</u>	<u>24,800</u>	<u>311</u>	<u>6,500</u>	<u>8,550</u>	<u>24,170</u>	<u>7,115</u>	<u>49</u>
Fund balance:									
Reserved:									
Inventories	-	-	-	-	-	-	-	-	-
Unreserved and reported in:									
Special revenues funds	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 248</u>	<u>\$ 2,480</u>	<u>\$ 24,800</u>	<u>\$ 311</u>	<u>\$ 6,500</u>	<u>\$ 8,550</u>	<u>\$ 24,170</u>	<u>\$ 7,115</u>	<u>\$ 49</u>

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds			Total Nonmajor Special Revenue <u>Funds</u>	Capital Projects Funds	
	Beginning Teacher Mentoring <u>Fund</u>	NM Arts <u>Fund</u>	Resources for School Health <u>Fund</u>		Public School Capital Outlay <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
<u>ASSETS</u>						
Pooled cash and investments	\$ 11	\$ 156	\$ 3,225	\$ 170,284	\$ 54	\$ 170,338
Receivables:						
Grant	5,514	-	-	267,807	-	267,807
Other	-	-	-	6,137	-	6,137
USDA commodities inventory	-	-	-	16,908	-	16,908
Food inventory	-	-	-	18,686	-	18,686
	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,686</u>	<u>-</u>	<u>18,686</u>
Total assets	<u>\$ 5,525</u>	<u>\$ 156</u>	<u>\$ 3,225</u>	<u>\$ 479,822</u>	<u>\$ 54</u>	<u>\$ 479,876</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,400	\$ -	\$ 1,400
Due to other funds	5,525	-	-	213,390	-	213,390
Deferred revenue:						
Federal, state, and local grants	-	156	3,225	12,932	-	12,932
	<u>-</u>	<u>156</u>	<u>3,225</u>	<u>12,932</u>	<u>-</u>	<u>12,932</u>
Total liabilities	<u>5,525</u>	<u>156</u>	<u>3,225</u>	<u>227,722</u>	<u>-</u>	<u>227,722</u>
Fund balance:						
Reserved:						
Inventories	-	-	-	35,594	-	35,594
Unreserved and reported in:						
Special revenues funds	-	-	-	216,506	-	216,506
Capital projects funds	-	-	-	-	54	54
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54</u>	<u>54</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,100</u>	<u>54</u>	<u>252,154</u>
Total liabilities and fund balance	<u>\$ 5,525</u>	<u>\$ 156</u>	<u>\$ 3,225</u>	<u>\$ 479,822</u>	<u>\$ 54</u>	<u>\$ 479,876</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	Special Revenue Funds				
	Food Service Fund	Athletics Fund	Entitlement IDEA-B Fund	Competitive IDEA-B Fund	Preschool IDEA-B Fund
Revenues:					
Federal sources:					
Federal flowthrough grants	\$ -	\$ -	\$ 699,566	\$ -	\$ 16,891
Federal direct grants	-	-	-	-	-
Food and milk reimbursements	541,839	-	-	-	-
USDA Commodities	<u>57,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total federal revenues	<u>598,891</u>	<u>-</u>	<u>699,566</u>	<u>-</u>	<u>16,891</u>
State sources:					
State grant	<u>22,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Local sources:					
Grant	-	-	-	-	-
Fees and activities	545,461	84,310	-	-	-
Earnings from investments	<u>-</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total local revenues	<u>545,461</u>	<u>84,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,166,775</u>	<u>84,435</u>	<u>699,566</u>	<u>-</u>	<u>16,891</u>
Expenditures:					
Current:					
Instruction	-	-	436,019	-	6,152
Support Services - Students	-	-	200,566	-	10,180
Support Services - Instruction	-	50,800	-	-	-
Support Services - General Administration	-	-	7,820	-	189
Support Services - School Administration	-	-	33,612	-	-
Student Transportation	-	-	15,786	-	370
Other Support Services	-	-	-	-	-
Food Services	1,100,921	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>5,763</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,100,921</u>	<u>50,800</u>	<u>699,566</u>	<u>-</u>	<u>16,891</u>
Excess of revenues over expenditures	65,854	33,635	-	-	-
Fund balance at beginning of the year	<u>84,659</u>	<u>67,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ 150,513</u>	<u>\$ 101,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	Special Revenue Funds				
	Title VI Fund	Enhancing Education Fund	Class Size Reduction Act Fund	Title V Fund	Title II Teacher Quality Fund
Revenues:					
Federal sources:					
Federal flowthrough grants	\$ -	\$ -	\$ -	\$ 3,915	\$ 140,592
Federal direct grants	-	-	-	-	-
Food and milk reimbursements	-	-	-	-	-
USDA Commodities	-	-	-	-	-
Total federal revenues	-	-	-	3,915	140,592
State sources:					
State grant	-	-	-	-	-
Local sources:					
Grant	-	-	-	-	-
Fees and activities	-	-	-	-	-
Earnings from investments	-	-	-	-	-
Total local revenues	-	-	-	-	-
Total revenue	-	-	-	3,915	140,592
Expenditures:					
Current:					
Instruction	-	-	-	838	140,592
Support Services - Students	-	-	-	-	-
Support Services - Instruction	-	-	-	1,538	-
Support Services - General Administration	-	-	-	44	-
Support Services - School Administration	-	-	-	1,495	-
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Food Services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	3,915	140,592
Excess of revenues over expenditures	-	-	-	-	-
Fund balance at beginning of the year	-	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	\$ -	\$ -	\$ -

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	Special Revenue Funds				
	Title IV Drug Free Schools Fund	Carl D Perkins Fund	Johnson O'Malley Fund	Indian Ed Formula Grant Fund	Wallace Foundation Fund
	Fund	Fund	Fund	Fund	Fund
Revenues:					
Federal sources:					
Federal flowthrough grants	\$ 17,475	\$ -	\$ -	\$ -	\$ -
Federal direct grants	-	-	25,687	84,067	-
Food and milk reimbursements	-	-	-	-	-
USDA Commodities	-	-	-	-	-
Total federal revenues	17,475	-	25,687	84,067	-
State sources:					
State grant	-	-	-	-	-
Local sources:					
Grant	-	-	-	-	21,622
Fees and activities	-	-	-	-	-
Earnings from investments	-	-	-	-	-
Total local revenues	-	-	-	-	21,622
Total revenue	17,475	-	25,687	84,067	21,622
Expenditures:					
Current:					
Instruction	16,781	-	11,105	53,873	11,769
Support Services - Students	-	-	13,525	18,363	2,926
Support Services - Instruction	-	-	-	-	-
Support Services - General Administration	-	-	289	948	2,982
Support Services - School Administration	694	-	768	10,883	3,945
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Food Services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	17,475	-	25,687	84,067	21,622
Excess of revenues over expenditures	-	-	-	-	-
Fund balance at beginning of the year	-	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	\$ -	\$ -	\$ -

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	Special Revenue Funds					
	Technology for Education Fund	Incentives for School Improvement Fund	Truancy Initiative Fund	Libraries GO Bond Fund	Reading Improvement Initiatives Fund	Beginning Teacher Mentoring Fund
Revenues:						
Federal sources:						
Federal flowthrough grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal direct grants	-	-	-	-	-	-
Food and milk reimbursements	-	-	-	-	-	-
USDA Commodities	-	-	-	-	-	-
Total federal revenues	-	-	-	-	-	-
State sources:						
State grant	14,413	-	24,179	30,675	-	5,514
Local sources:						
Grant	-	-	-	-	-	-
Fees and activities	-	-	-	-	-	-
Earnings from investments	-	-	-	-	-	-
Total local revenues	-	-	-	-	-	-
Total revenue	14,413	-	24,179	30,675	-	5,514
Expenditures:						
Current:						
Instruction	-	-	-	-	-	5,514
Support Services - Students	10,705	-	24,179	-	-	-
Support Services - Instruction	-	-	-	30,675	-	-
Support Services - General Administration	-	-	-	-	-	-
Support Services - School Administration	102	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Other Support Services	3,606	-	-	-	-	-
Food Services	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	14,413	-	24,179	30,675	-	5,514
Excess of revenues over expenditures	-	-	-	-	-	-
Fund balance at beginning of the year	-	-	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	Special Revenue Funds			Capital Projects Fund	
	NM Arts Fund	Resources for School Health Fund	Total Nonmajor Special Revenue Funds	Public School Capital Outlay Fund	Total Nonmajor Governmental Funds
Revenues:					
Federal sources:					
Federal flowthrough grants	\$ -	\$ -	\$ 878,439	\$ -	\$ 878,439
Federal direct grants	-	-	109,754	-	109,754
Food and milk reimbursements	-	-	541,839	-	541,839
USDA Commodities	-	-	57,052	-	57,052
	-----	-----	-----	-----	-----
Total federal revenues	-	-	1,587,084	-	1,587,084
State sources:					
State grant	-	-	97,204	-	97,204
	-----	-----	-----	-----	-----
Local sources:					
Grant	-	-	21,622	-	21,622
Fees and activities	-	-	629,771	-	629,771
Earnings from investments	-	-	125	-	125
	-----	-----	-----	-----	-----
Total local revenues	-	-	651,518	-	651,518
	-----	-----	-----	-----	-----
Total revenue	-	-	2,335,806	-	2,335,806
	-----	-----	-----	-----	-----
Expenditures:					
Current:					
Instruction	-	-	682,643	-	682,643
Support Services - Students	-	-	280,444	-	280,444
Support Services - Instruction	-	-	83,013	-	83,013
Support Services - General Administration	-	-	12,272	-	12,272
Support Services - School Administration	-	-	51,499	-	51,499
Student Transportation	-	-	16,156	-	16,156
Other Support Services	-	-	3,606	-	3,606
Food Services	-	-	1,100,921	-	1,100,921
Capital outlay	-	-	5,763	-	5,763
	-----	-----	-----	-----	-----
Total expenditures	-	-	2,236,317	-	2,236,317
	-----	-----	-----	-----	-----
Excess of revenues over expenditures	-	-	99,489	-	99,489
	-----	-----	-----	-----	-----
Fund balance at beginning of the year	-	-	152,611	54	152,665
	-----	-----	-----	-----	-----
Fund balance at end of the year	\$ -	\$ -	\$ 252,100	\$ 54	\$ 252,154
	-----	-----	-----	-----	-----

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BUDGETARY PRESENTATION

NONMAJOR SPECIAL REVENUE FUNDS

FOOD SERVICES

This program provides financing for the school breakfast and 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 sat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

ATHLETICS

This fund provides financing for school athletic activities. Funding is provided by fees from patrons.

ENTITLEMENT/COMPETITIVE IDEA-B

The Entitlement/Competitive IDEA-B program is to provide grants to states, that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

PRESCHOOL IDEA-B

The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

TITLE VI

The Title VI project provides funds for the acquisition of audio-visual and computer materials use for the instruction of students in the School District. This project is funded by the Federal government through the State of New Mexico Department of Education, under the Elementary and Secondary Education Act of 1965, as amended, Title I, Chapter 2, Part A; Augustus F. Hawkins-Robert T. Stofford Elementary and Secondary School Improvements Amendments of 1988, Public Las 100-297, 20 U.S.C. 2911-2952, 2971-2976.

ENHANCING EDUCATION

The technology fund provides financing to purchase computers and software for a District-wide student information system and software licensing for computer labs within the District. The program is funded through the Office of Technology for the State of New Mexico. Authorized by the IASA Improving America School Act PL 103-382.

CLASS SIZE REDUCTION

To provide three targeted low income schools with enough teachers, enabling them to keep grades 1-3 enrollment to 18 students. The funding is provided by the Federal Government through the New Mexico State Department of Education under the Department of Education Appropriation Act of 1999, Public Law 105-277.

NONMAJOR SPECIAL REVENUE FUNDS (continued)

TITLE V

To assist State and Local educational agencies in the reform of elementary and secondary education. Authorized by the Elementary and Secondary Education Act of 1965, Title VI, as amended, 20 U.S.C. 7301-7373.

TITLE II TEACHER QUALITY

To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in the academic achievement. Authorization is granted through the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A, Public Law 107-110.

TITLE IV DRUG FREE SCHOOLS

To offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents, and coordinated with related Federal, State, and community efforts and resources. Authorized by Elementary and Secondary Education Act, Title IV, Part A, Subpart 1, as amended. 20 U.S.C. 7111-7118.

CARL D. PERKINS

Basic grants assist State and outlying areas to expand and improve their programs of vocational education and provide equal access in vocational education to special need populations. Authorized by Carl D. Perkins Vocational and Applied Technology Education Amendments of 1998, Title I, Public Law 105-332, 20 U.S.C. 2301, et seq.

JOHNSON O'MALLEY

The Johnson O'Malley project provides supplemental programs in special education and other special needs for New Mexico public schools where eligible Indian children are enrolled. Funding is provided by the Department of the Interior, Bureau of Indian Affairs, through the Navajo Tribe, under the Johnson O'Malley Act of April 16, 1934; as amended 25 U.S.C. 452, Public Law 93-638; 25 U.S.C. 455-457.

INDIAN ED FORMULA GRANT

The purpose of this program is to support projects which improve educational opportunities and achievement of Native American children. Funding is provided by the Federal Government, under the Elementary and Secondary Education Act of 1965, Title IX, Part A, Subpart 1, as amended, Public Law 103-382, 20 U.S.C. 7811-7818; 25 U.S.C. 2002.

WALLACE FOUNDATION

To help educational leaders use accountability data to support student success

NONMAJOR SPECIAL REVENUE FUNDS (continued)

TECHNOLOGY FOR EDUCATION

State funding to provide financial assistance to school districts to improve educational opportunities for all students to close the technology gap between schools and the workplace through enhancement of computer education. The funding is provided by state resources and supplements the federal funding for the Technology Literacy Challenge grant. The creation of the fund is authorized by NMSA 1978 22-15A-1 TO 22-15A-10.

INCENTIVE FOR SCHOOL IMPROVEMENTS

These funds are used for school improvements, from lighting to encyclopedias. Funding is provided by the State of New Mexico. The creation of the fund is authorized by NMSA 1978 22-13A-5.

TRUANCY INITIATIVE

To implement and strengthen programs and strategies for the purpose of identifying best practices for truancy prevention that are unique to New Mexico populations and cultures; establish collaborative partnerships and agreements with New Mexico's communities, including public schools, correction entities, community based organizations, youth advocates and others for the purpose of implementing effective truancy prevention programs and strategies at the local level; and establish collaborative partnerships and agreements with New Mexico's Native America tribes and pueblos for the purpose of implementing effective truancy prevention programs and strategies.

LIBRARIES GO BOND

Funding made available to update and expand library collections.

READING IMPROVEMENT INITIATIVES

Funds to provide tutoring for students needing specialized help at the mid-school level. Funds are provided through the New Mexico Public Education Department

BEGINNING TEACHER MENTORING PROGRAM

Funds to assist school districts in the design, implementation, and evaluation of beginning teacher mentoring programs. Funding is provided through the 2000 legislative session, with appropriated funds from the General Appropriations Act.

NM ARTS DIV.

To account for the grants reserved from the NM Arts.

RESOURCES FOR SHOOOL HEALTH

To account for the activities of a program to provide for healthier schools by providing a health center at the schools. Funding is from the New Mexico Department of Health. The authority for creation of this fund was approved by the budget by the Aztec Board of Education.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

FOOD SERVICE SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Food and milk reimbursements	\$ 525,000	\$ 560,545	\$ 485,138	\$ (75,407)
USDA Commodities	-	57,052	57,052	-
	<u>525,000</u>	<u>617,597</u>	<u>542,190</u>	<u>(75,407)</u>
Total federal revenues				
	<u>525,000</u>	<u>617,597</u>	<u>542,190</u>	<u>(75,407)</u>
State sources:				
State grant	-	20,000	22,423	2,423
	<u>-</u>	<u>20,000</u>	<u>22,423</u>	<u>2,423</u>
Local sources:				
Fees and activities	450,000	450,000	545,461	95,461
Earnings from investments	500	500	-	(500)
	<u>450,500</u>	<u>450,500</u>	<u>545,461</u>	<u>94,961</u>
Total local revenues				
	<u>450,500</u>	<u>450,500</u>	<u>545,461</u>	<u>94,961</u>
Total revenues				
	975,500	1,088,097	1,110,074	21,977
Expenditures:				
Current:				
Food Services Operations	<u>1,057,386</u>	<u>1,169,983</u>	<u>1,102,143</u>	<u>67,840</u>
Excess (deficiency) of revenues				
over expenditures	(81,886)	(81,886)	7,931	89,817
Beginning cash balance budgeted				
	81,886	81,886	-	(81,886)
Fund balance at beginning of the year				
	<u>-</u>	<u>-</u>	<u>84,659</u>	<u>84,659</u>
Fund balance at end of the year				
	<u>\$ -</u>	<u>\$ -</u>	92,590	<u>\$ 92,590</u>
RECONCILIATION TO GAAP BASIS:				
Change in inventory			1,522	
Change in grant receivable			56,701	
Change in payables			<u>(300)</u>	
			<u>\$ 150,513</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

ATHLETICS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Local sources:				
Fees and activities	\$ 136,951	\$ 136,951	\$ 84,310	\$ (52,641)
Earnings from investments	-	-	125	125
	136,951	136,951	84,435	(52,516)
Total revenues				
Expenditures:				
Current:				
Support Services - Instruction	136,951	136,951	48,719	88,232
	-	-	35,716	35,716
Excess of revenues over expenditures				
	-	-	67,952	67,952
Fund balance at beginning of the year				
	-	-	103,668	103,668
Fund balance at end of the year				
	-	-	103,668	103,668
RECONCILIATION TO GAAP BASIS:				
Change in payables			(996)	
Change in transfers			(1,085)	
			101,587	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

ENTITLEMENT IDEA-B SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Federal grant	\$ 720,884	\$ 820,776	\$ 760,716	\$ (60,060)
Expenditures:				
Current:				
Instruction	720,884	532,177	436,019	96,158
Support Services - Students	-	217,629	200,566	17,063
Support Services - General Administration	-	13,656	7,820	5,836
Support Services - School Administration	-	35,449	33,613	1,836
Student Transportation	-	16,100	15,785	315
Total current expenses	720,884	815,011	693,803	121,208
Capital outlay:				
Equipment	-	5,765	5,763	2
Total expenditures	720,884	820,776	699,566	121,210
Excess of revenues over expenditures	-	-	61,150	61,150
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	61,150	\$ 61,150
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(61,150)	
			\$ -	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

PRESCHOOL IDEA-B SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ 24,260	\$ 30,936	\$ 18,409	\$ (12,527)
Expenditures:				
Current:				
Instruction	24,260	18,766	6,048	12,718
Support Services - Students	-	11,281	10,180	1,101
Support Services - General Administration	-	527	189	338
Student Transportation	-	362	370	(8)
	<u>24,260</u>	<u>30,936</u>	<u>16,787</u>	<u>14,149</u>
 Total expenditures				
	<u>24,260</u>	<u>30,936</u>	<u>16,787</u>	<u>14,149</u>
 Excess of revenues over expenditures	-	-	1,622	1,622
 Fund balance at beginning of the year	-	-	-	-
 Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	1,622	<u>\$ 1,622</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(1,518)	
Change in payables			<u>(104)</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

ENHANCING EDUCATION SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ 5,531	\$ -	\$ (5,531)
Expenditures:				
Current:				
Instruction	<u>-</u>	<u>5,531</u>	<u>-</u>	<u>5,531</u>
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>-</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

TITLE V SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Federal grant	\$ 4,047	\$ 4,712	\$ 2,565	\$ (2,147)
Expenditures:				
Current:				
Instruction	4,047	1,014	838	176
Support Services - Instruction	-	2,098	1,538	560
Support Services - General Administration	-	105	44	61
Support Services - School Administration	-	1,495	1,495	-
Total expenditures	4,047	4,712	3,915	797
Excess (deficiency) of revenues over expenditures	-	-	(1,350)	(1,350)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(1,350)	\$ (1,350)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			1,350	
			\$ -	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

TITLE II TEACHER QUALITY SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ 145,312	\$ 145,724	\$ 78,324	\$ (67,400)
 Expenditures:				
Current:				
Instruction	<u>145,312</u>	<u>145,724</u>	<u>140,592</u>	<u>5,132</u>
Excess (deficiency) of revenues over expenditures	-	-	(62,268)	(62,268)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(62,268)	<u>\$ (62,268)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			61,857	
Change in deferred revenue			<u>411</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

TITLE IV DRUG FREE SCHOOLS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Federal grant	\$ 13,376	\$ 17,727	\$ 576	\$ (17,151)
Expenditures:				
Current:				
Instruction	13,376	12,404	16,781	(4,377)
Support Services - Instruction	-	4,351	-	4,351
Support Services - General Administration	-	297	-	297
Support Services - School Administration	-	675	694	(19)
Total expenditures	<u>13,376</u>	<u>17,727</u>	<u>17,475</u>	<u>252</u>
Excess (deficiency) of revenues over expenditures	-	-	(16,899)	(16,899)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(16,899)	<u>\$ (16,899)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>16,899</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

JOHNSON O'MALLEY SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal direct grant	\$ -	\$ 27,496	\$ 25,146	\$ (2,350)
Expenditures:				
Current:				
Instruction	-	11,896	11,105	791
Support Services - Students	-	13,693	13,525	168
Support Services - General Administration	-	281	289	(8)
Support Services - School Administration	-	1,626	768	858
Total expenditures	-	27,496	25,687	1,809
Excess (deficiency) of revenues over expenditures	-	-	(541)	(541)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(541)	\$ (541)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			541	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

INDIAN ED FORMULA GRANT SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget
				Positive
				(Negative)
Revenues:				
Federal sources:				
Federal direct grant	\$ -	\$ 84,280	\$ 59,332	\$ (24,948)
Expenditures:				
Current:				
Instruction	-	53,960	53,873	87
Support Services - Students	-	17,562	18,364	(802)
Support Services - General Administration	-	1,538	947	591
Support Services - School Administration	-	11,220	10,883	337
Total expenditures	-	84,280	84,067	213
Excess (deficiency) of revenues				
over expenditures	-	-	(24,735)	(24,735)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(24,735)	\$ (24,735)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			24,735	
			\$ -	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

WALLACE FOUNDATION SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources:				
Grant	\$ -	\$ 94,800	\$ 23,834	\$ (70,966)
Expenditures:				
Current:				
Instruction	-	33,740	11,769	21,971
Support Services - Students	-	19,800	2,926	16,874
Support Services - Instruction	-	3,574	-	3,574
Support Services - General Administration	-	4,502	2,982	1,520
Support Services - School Administration	-	33,184	3,945	29,239
Total expenditures	-	94,800	21,622	73,178
Excess of revenues over expenditures	-	-	2,212	2,212
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	2,212	\$ 2,212
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(1,901)	
Change in deferred revenue			(311)	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

TECHNOLOGY FOR EDUCATION SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State sources:				
State grant	\$ -	\$ 50,511	\$ -	\$ (50,511)
Expenditures:				
Current:				
Support Services - Students	-	11,208	10,705	503
Support Services - School Administration	-	31,067	102	30,965
Other Support Services	-	8,236	3,606	4,630
	<u>-</u>	<u>50,511</u>	<u>14,413</u>	<u>36,098</u>
Excess (deficiency) of revenues over expenditures	-	-	(14,413)	(14,413)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(14,413)	<u>\$ (14,413)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			6,456	
Change in deferred revenue			<u>7,957</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

INCENTIVES FOR SCHOOL IMPROVEMENT SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State grant	\$ -	\$ 3,500	\$ 7,403	\$ 3,903
 Expenditures:				
Current:				
Instruction	<u>-</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Excess of revenues over expenditures	-	-	7,403	7,403
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	7,403	<u>\$ 7,403</u>
 RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>(7,403)</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

TRUANCY INITIATIVE SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State sources:				
State grant	\$ -	\$ 30,000	\$ 8,532	\$ (21,468)
 Expenditures:				
Current:				
Support Services - Students	<u>-</u>	<u>30,000</u>	<u>24,179</u>	<u>5,821</u>
Excess (deficiency) of revenues over expenditures	-	-	(15,647)	(15,647)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(15,647)	<u>\$ (15,647)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>15,647</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

LIBRARIES GO BOND SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State sources:				
State grant	\$ -	\$ 33,217	\$ 46,081	\$ 12,864
Expenditures:				
Current:				
Support Services - Instruction	<u>-</u>	<u>33,217</u>	<u>31,582</u>	<u>1,635</u>
Excess of revenues over expenditures	-	-	14,499	14,499
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	14,499	<u>\$ 14,499</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(15,406)	
Change in payables			<u>907</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

BEGINNING TEACHER MENTORING SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State sources:				
State grant	\$ 5,520	\$ 5,520	\$ -	\$ (5,520)
Expenditures:				
Current:				
Instruction	<u>5,520</u>	<u>5,520</u>	<u>5,514</u>	<u>6</u>
Excess (deficiency) of revenues over expenditures	-	-	(5,514)	(5,514)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(5,514)	<u>\$ (5,514)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>5,514</u>	
			<u>\$ -</u>	

DEBT SERVICE FUNDS

DEBT SERVICE FUND

Used to account for the accumulation of resources for and the payment of, general long-term debt principal, interest, and related costs associated with general obligation bonds.

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STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

DEBT SERVICES FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget
				Positive
				<u>(Negative)</u>
Revenues:				
Local sources:				
District school tax levy	\$ 3,112,738	\$ 3,112,738	\$ 2,939,856	\$ (172,882)
Earnings from investments	<u>30,000</u>	<u>30,000</u>	<u>44,078</u>	<u>14,078</u>
Total revenues	<u>3,142,738</u>	<u>3,142,738</u>	<u>2,983,934</u>	<u>(158,804)</u>
Expenditures:				
Current:				
Support Services - General Administration	<u>6,274</u>	<u>7,041</u>	<u>7,041</u>	<u>-</u>
Debt service:				
Principal retirement	2,150,000	3,150,000	3,150,000	-
Bond interest paid	<u>962,738</u>	<u>962,738</u>	<u>962,737</u>	<u>1</u>
Total debt service	<u>3,112,738</u>	<u>4,112,738</u>	<u>4,112,737</u>	<u>1</u>
Total expenditures	<u>3,119,012</u>	<u>4,119,779</u>	<u>4,119,778</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	23,726	(977,041)	(1,135,844)	(158,803)
Beginning cash balance budgeted	4,907,811	4,907,811	-	(4,907,811)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>5,396,066</u>	<u>5,396,066</u>
Fund balance at end of the year	<u>\$ 4,931,537</u>	<u>\$ 3,930,770</u>	4,260,222	<u>\$ 329,452</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(184,108)	
Change in due from other governments			141,330	
Change in deferred property taxes			<u>15,222</u>	
			<u>\$ 4,232,666</u>	

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CAPITAL PROJECTS FUNDS

BOND BUILDING FUND

This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

CAPITAL IMPROVEMENTS SB – 9

This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

BOND BUILDING CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources:				
Miscellaneous	\$ -	\$ 70,489	\$ 55,267	\$ (15,222)
Expenditures:				
Current:				
Operation & Maintenance of Plant	-	10,677	7,642	3,035
Capital outlay:				
Construction in progress	<u>194,394</u>	<u>254,206</u>	<u>250,000</u>	<u>4,206</u>
Total expenditures	<u>194,394</u>	<u>264,883</u>	<u>257,642</u>	<u>7,241</u>
Excess (deficiency) of revenues over expenditures	(194,394)	(194,394)	(202,375)	(7,981)
Beginning cash balance budgeted	194,394	194,394	-	(194,394)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>120,240</u>	<u>120,240</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(82,135)	<u>\$ (82,135)</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>(10,264)</u>	
			<u>\$ (92,399)</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

CAPITAL IMPROVEMENTS SB-9 CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive <u>(Negative)</u>
Revenues:				
Local sources:				
District school tax levy	\$ 2,291,285	\$ 2,356,219	\$ 2,444,008	\$ 87,789
Earnings from investments	<u>150,000</u>	<u>150,000</u>	<u>346,356</u>	<u>196,356</u>
Total revenues	<u>2,441,285</u>	<u>2,506,219</u>	<u>2,790,364</u>	<u>284,145</u>
Expenditures:				
Current:				
Support Services - General Administration	<u>3,233,292</u>	<u>3,198,740</u>	<u>2,386,979</u>	<u>811,761</u>
Capital outlay:				
Land and improvements	915,000	215,000	-	215,000
Equipment	916,676	1,161,610	718,735	442,875
Construction in progress	<u>2,192,161</u>	<u>2,737,161</u>	<u>1,432,983</u>	<u>1,304,178</u>
Total capital outlay	<u>4,023,837</u>	<u>4,113,771</u>	<u>2,151,718</u>	<u>1,962,053</u>
Total expenditures	<u>7,257,129</u>	<u>7,312,511</u>	<u>4,538,697</u>	<u>2,773,814</u>
Excess (deficiency) of revenues over expenditures	(4,815,844)	(4,806,292)	(1,748,333)	3,057,959
Beginning cash balance budgeted	4,815,844	4,815,844	-	(4,815,844)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>5,259,238</u>	<u>5,259,238</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ 9,552</u>	3,510,905	<u>\$ 3,501,353</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(161,449)	
Change in due from other governments			123,623	
Change in payables			157,610	
Change in deferred property taxes			<u>20,209</u>	
			<u>\$ 3,650,898</u>	

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COMPONENT UNIT

MOSAIC ACADEMY

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
GOVERNMENTAL FUNDS

Balance Sheet
June 30, 2007

	General Funds							
	Operational	Instructional	Total	Title I	Federal	State	Public School	Total
	<u>Fund</u>	<u>Materials</u>	<u>General</u>	<u>Fund</u>	<u>Stimulus</u>	<u>Stimulus</u>	<u>Capital Outlay</u>	<u>Funds</u>
<u>ASSETS</u>								
Pooled cash and investments	\$ 124,295	\$ 13,076	\$ 137,371	\$ (6,119)	\$ 313	\$ (1)	\$ (8,773)	\$ 122,791
Receivables:								
Grant	-	-	-	6,119	-	1	-	6,120
Total assets	<u>\$ 124,295</u>	<u>\$ 13,076</u>	<u>\$ 137,371</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ (8,773)</u>	<u>\$ 128,911</u>
<u>LIABILITIES AND FUND BALANCE</u>								
Liabilities:								
Accounts payable	\$ 2,422	\$ -	\$ 2,422	\$ -	\$ -	\$ -	\$ -	\$ 2,422
Deferred revenue:								
Federal, state, and local grants	-	-	-	-	313	-	-	313
Total liabilities	<u>2,422</u>	<u>-</u>	<u>2,422</u>	<u>-</u>	<u>313</u>	<u>-</u>	<u>-</u>	<u>2,735</u>
Fund balance:								
Unreserved reported in:								
General fund	121,873	13,076	134,949	-	-	-	-	134,949
Capital projects funds	-	-	-	-	-	-	(8,773)	(8,773)
Total fund balance	<u>121,873</u>	<u>13,076</u>	<u>134,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,773)</u>	<u>126,176</u>
Total liabilities and fund balance	<u>\$ 124,295</u>	<u>\$ 13,076</u>	<u>\$ 137,371</u>	<u>\$ -</u>	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ (8,773)</u>	<u>\$ 128,911</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	<u>General Funds</u>							
	<u>Operational</u>	<u>Instructional</u>	<u>Total</u>	<u>Title I</u>	<u>Federal</u>	<u>State</u>	<u>Public School</u>	<u>Total</u>
	<u>Fund</u>	<u>Materials</u>	<u>General</u>	<u>Fund</u>	<u>Stimulus</u>	<u>Stimulus</u>	<u>Capital Outlay</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Fund</u>		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Revenues:								
Federal sources:								
Federal flowthrough grants	\$ -	\$ -	\$ -	\$ 6,119	\$ 149,687	\$ -	\$ -	\$ 155,806
State sources:								
State equalization guarantee	791,734	-	791,734	-	-	-	-	791,734
State instructional material	-	40,533	40,533	-	-	-	-	40,533
State grant	-	-	-	-	-	27,609	63,000	90,609
Total state revenues	<u>791,734</u>	<u>40,533</u>	<u>832,267</u>	<u>-</u>	<u>-</u>	<u>27,609</u>	<u>63,000</u>	<u>922,876</u>
Total revenue	<u>791,734</u>	<u>40,533</u>	<u>832,267</u>	<u>6,119</u>	<u>149,687</u>	<u>27,609</u>	<u>63,000</u>	<u>1,078,682</u>
Expenditures:								
Current:								
Instruction	385,798	27,282	413,080	6,119	66,762	-	-	485,961
Support Services - Students	2,351	175	2,526	-	-	-	-	2,526
Support Services - Instruction	520	-	520	-	9,576	-	-	10,096
Support Services - General Administration	1,216	-	1,216	-	738	-	-	1,954
Support Services - School Administration	150,715	-	150,715	-	1,991	-	-	152,706
Central Services	27,705	-	27,705	-	70,620	27,609	71,773	197,707
Operations & Maintenance of Plant	101,556	-	101,556	-	-	-	-	101,556
Total expenditures	<u>669,861</u>	<u>27,457</u>	<u>697,318</u>	<u>6,119</u>	<u>149,687</u>	<u>27,609</u>	<u>71,773</u>	<u>952,506</u>
Excess of revenues over expenditures	121,873	13,076	134,949	-	-	-	(8,773)	126,176
Fund balance at beginning of the year	-	-	-	-	-	-	-	-
Fund balance (deficit) at end of the year	<u>\$ 121,873</u>	<u>\$ 13,076</u>	<u>\$ 134,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,773)</u>	<u>\$ 126,176</u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
GENERAL FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State equalization guarantee	\$ 794,851	\$ 794,851	\$ 791,734	\$ (3,117)
State instructional material	<u>40,533</u>	<u>40,533</u>	<u>40,533</u>	<u>-</u>
Total revenues	<u>835,384</u>	<u>835,384</u>	<u>832,267</u>	<u>(3,117)</u>
Expenditures:				
Current:				
Instruction	\$ 508,872	\$ 508,872	\$ 442,666	\$ 66,206
Support Services - Students	326,512	4,699	2,526	2,173
Support Services - General Administration	-	9,000	-	9,000
Support Services - School Administration	-	157,412	150,715	6,697
Central Services	-	31,142	27,704	3,438
Operation & Maintenance of Plant	-	114,414	101,556	12,858
Student Transportation	-	2,000	-	2,000
Other Support Services	<u>-</u>	<u>7,845</u>	<u>-</u>	<u>7,845</u>
Total current expenses	<u>835,384</u>	<u>835,384</u>	<u>725,167</u>	<u>110,217</u>
Excess of revenues over expenditures	-	-	107,100	107,100
Beginning cash balance budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	107,100	<u>\$ 107,100</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			(2,422)	
Change in transfers			<u>30,271</u>	
			<u>\$ 134,949</u>	

See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
AGENCY FUNDS

Statement of Fiduciary Assets and Liabilities
June 30, 2007

ASSETS

Pooled cash and investments	\$ <u>9,272</u>
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LIABILITIES

Deposits held for others	\$ <u>9,272</u>
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See accompanying notes.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
OPERATIONAL FUND

Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
State sources:				
State equalization guarantee	\$ 794,851	\$ 794,851	\$ 791,734	\$ (3,117)
Expenditures:				
Current:				
Instruction	469,495	469,495	415,384	54,111
Support Services - Students	325,356	3,543	2,351	1,192
Support Services - General Administration	-	9,000	-	9,000
Support Services - School Administration	-	157,412	150,715	6,697
Central Services	-	31,142	27,704	3,438
Operation & Maintenance of Plant	-	114,414	101,556	12,858
Student Transportation	-	2,000	-	2,000
Other Support Services	-	7,845	-	7,845
	794,851	794,851	697,710	97,141
Excess of revenues over expenditures	-	-	94,024	94,024
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	94,024	\$ 94,024
RECONCILIATION TO GAAP BASIS:				
Change in payables			(2,422)	
Change in transfers			30,271	
			\$ 121,873	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
INSTRUCTIONAL MATERIALS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State instructional material	\$ 40,533	\$ 40,533	\$ 40,533	\$ -
Expenditures:				
Current:				
Instruction	39,377	39,377	27,282	12,095
Support Services - Students	<u>1,156</u>	<u>1,156</u>	<u>175</u>	<u>981</u>
Total expenditures	<u>40,533</u>	<u>40,533</u>	<u>27,457</u>	<u>13,076</u>
Excess of revenues over expenditures	-	-	13,076	13,076
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	13,076	<u>\$ 13,076</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u>\$ 13,076</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
TITLE I SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	6,119	(6,119)
Excess (deficiency) of revenues over expenditures	-	-	(6,119)	(6,119)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(6,119)	<u>\$ (6,119)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			6,119	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
FEDERAL STIMULUS SPECIAL REVENUE FUND

Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Federal grant	\$ 125,000	\$ 150,000	\$ -	\$ (150,000)
Expenditures:				
Current:				
Instruction	125,000	66,935	66,762	173
Support Services - Instruction	-	9,576	9,576	-
Support Services - General Administration	-	738	738	-
Support Services - School Administration	-	1,991	1,991	-
Central Services	-	70,760	70,620	140
Total expenditures	125,000	150,000	149,687	313
Excess (deficiency) of revenues				
over expenditures	-	-	(149,687)	(149,687)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(149,687)	\$ (149,687)
RECONCILIATION TO GAAP BASIS:				
Change in restatement			150,000	
Change in deferred revenue			(313)	
			\$ -	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
STATE STIMULUS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State sources:				
State grant	\$ -	\$ 27,609	\$ 8,567	\$ (19,042)
 Expenditures:				
Current:				
Support Services - School Administration	-	27,609	27,609	-
 Excess (deficiency) of revenues over expenditures	-	-	(19,042)	(19,042)
 Fund balance at beginning of the year	-	-	-	-
 Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(19,042)	<u>\$ (19,042)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			1	
Change in restatement			<u>19,041</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
PUBLIC SCHOOL CAPITAL OUTLAY CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
State sources:				
State grant	\$ -	\$ 84,000	\$ 63,000	\$ (21,000)
 Expenditures:				
Current:				
Central Services	-	84,000	71,773	12,227
 Excess (deficiency) of revenues over expenditures	-	-	(8,773)	(8,773)
 Fund balance at beginning of the year	-	-	-	-
 Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(8,773)	<u>\$ (8,773)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in payables			-	
			<u>\$ (8,773)</u>	

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OTHER SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2**

SCHEDULE OF CAPITAL ASSETS - BY SOURCE

June 30, 2007

Capital assets:

Land and improvements	\$ 5,918,163
Buildings and improvements	69,194,590
Equipment (software)	6,888,880
Construction in progress	<u>1,464,877</u>
 Total Capital assets	 <u><u>\$ 83,466,510</u></u>

Investment in Capital assets from:

General Fund	\$ 2,461,170
Special revenue funds:	
Federal Projects	174,082
State Projects	5,998
Capital projects funds:	
Bond Building Fund	69,531,623
SB-9 Capital Improvements	2,161,983
Capital Outlay 20%	4,399,348
Energy Efficiency	44,991
State Grants Capital Outlay	4,672,315
Activities	<u>15,000</u>
 Total investment in Capital assets	 <u><u>\$ 83,466,510</u></u>

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

FIDUCIARY FUNDS
Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2007

Activity	Balance			Balance
<u>Fund</u> <u>ASSETS</u>	<u>June 30, 2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2007</u>
23050 Woodshop	\$ 610	\$ 57	\$ 122	\$ 545
23052 Welding	509	-	52	457
23054 FACS	1,618	1,305	1,459	1,464
23056 Art	227	114	88	253
23057 ROTC	6,711	6,607	6,669	6,649
23058 Spanish	217	-	-	217
23059 Math	181	-	-	181
23080 Interest	-	14,567	-	14,567
23081 AGH Grant	139	-	58	81
23086 Nurses	62	-	-	62
23087 School Board	4,421	3,720	750	7,391
23090 Slidell HS Fundraiser	490	-	-	490
23091 Sam's Club Scholarships	600	-	300	300
23105 Football	3,097	1,213	4,310	-
23106 Trainer Donation	3,983	8,000	6,126	5,857
23110 Boys Basketball	4,505	350	2,389	2,466
23115 Girls Basketball	3,354	3,032	5,313	1,073
23120 Volleyball	252	213	-	465
23125 Wrestling	235	100	115	220
23130 Track	64	105	168	1
23135 Softball	10	-	-	10
23140 Baseball	-	4,000	3,800	200
23145 Boys Soccer	67	780	26	821
23150 Cross Country	231	1,085	1,272	44
23151 Miscellaneous	129,902	161,062	160,975	129,989
23152 Coke Exclusivity	2,142	-	586	1,556
23153 Activity Interest	2,886	-	-	2,886
23154 SQS Category V	9,601	-	-	9,601
23155 Golf	206	26	152	80
23156 Bayless Surface Damage	12,467	-	2,000	10,467
23157 Rebates	2,316	21,430	14,440	9,306
23158 Wellness Fair	-	275	268	7
23160 Cheerleaders	125	45	72	98
23161 Teachers	2,545	-	-	2,545
23162 Instructional Technology	500	-	-	500
23165 Drill Team	2,410	7,049	6,217	3,242
23170 Girls Soccer	669	1	84	586
23200 Director	1,062	501	-	1,563
23202 Scholarships	10,000	-	-	10,000

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

FIDUCIARY FUNDS
Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2007

Activity	Balance			Balance
Fund ASSETS	June 30, 2006	Receipts	Disbursements	June 30, 2007
23205 Band	\$ 4,247	7,430	10,269	1,408
23206 Instrument Rentals	1,511	810	1,090	1,231
23210 Choir	2,008	4,708	-	6,716
23211 Tri-M	49	-	-	49
23215 Foreign Language	11	-	-	11
23220 Student Government	4,382	17,928	18,840	3,470
23225 Parking	2,286	1,370	2,579	1,077
23227 FCA	3	680	657	26
23230 Physics	350	-	-	350
23231 Library	1,492	2,440	1,373	2,559
23235 FFA	3,997	30,585	20,333	14,249
23237 FFA Barn	722	440	221	941
23241 Social Studies	18	-	-	18
23242 PNM Grant	639	-	-	639
23245 Yearbook	3,614	25,637	26,529	2,722
23250 BPOA	745	5,507	4,656	1,596
23255 Newspaper	3,593	2,880	5,346	1,127
23261 Close-up	2	-	-	2
23262 Hope	2,823	3,684	3,374	3,133
23263 Destination Imagination	1,157	-	62	1,095
23264 PE	746	1,395	1,541	600
23265 AHS School Store	2,900	1,744	4,116	528
23266 KMS Positive Behavior	1,402	-	257	1,145
23280 Drama	6,174	7,137	7,358	5,953
23281 River Watch	423	-	-	423
23284 Key Club	2,670	2,858	2,670	2,858
23285 NHS	1,686	510	1,013	1,183
23286 Risk Intervention	6,726	-	-	6,726
23287 Gentle Especial	80	-	-	80
23288 Chess Club	330	673	901	102
23289 English	509	41	-	550
23292 Cheerleader Uniforms	25	-	-	25
23294 Supercomputing	26	-	-	26
23326 Native American	58	350	350	58
	<u>265,818</u>	<u>354,444</u>	<u>331,346</u>	<u>288,916</u>
Pooled cash and investments	\$ 265,818	\$ 354,444	\$ 331,346	\$ 288,916
 LIABILITIES				
Deposits held for others	\$ 265,818	\$ 354,444	\$ 331,346	\$ 288,916

**STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2**

**SCHEDULE OF PLEDGED COLLATERAL
June 30, 2007**

	<u>Citizens Bank</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Cash on deposit at June 30, 2007	\$ 5,142,408	\$ 4,245,797	\$ 9,388,205
Less FDIC coverage	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Uninsured funds	<u>\$ 5,042,408</u>	<u>\$ 4,145,797</u>	<u>\$ 9,188,205</u>
50% collateral requirement	\$ 2,521,204	\$ 2,072,899	\$ 4,594,103
Pledged collateral	<u>4,159,953</u>	<u>2,767,503</u>	<u>6,927,456</u>
Excess of pledged collateral	<u>\$ 1,638,749</u>	<u>\$ 694,604</u>	<u>\$ 2,333,353</u>

Pledged collateral of financial institutions consists of the following at June 30, 2007

	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
Citizens Bank:			
FHLB	5/1/2012	31283 KPA0	\$ 406,076
FHLB	2/25/2030	31392 JFC8	390,071
FHLB	11/15/2032	31392 XXQ6	780,768
FHLB	12/1/2034	31394 BW26	2,026,833
FHLB	5/1/2015	38824 0DK6	489,220
FHLB	1/15/2022	36223 SBZ5	66,985
			<u>\$ 4,159,953</u>

The above securities are held at Federal Home Loan Bank in Dallas, TX.

Wells Fargo Bank:			
FN	12/1/2035	31371 MNG8	\$ 799,886
FNCL	12/1/2029	31384 VL75	28,189
FNCL	1/1/2036	31408 EJB9	80,793
FNCL	5/1/2036	31408 H2Z7	1,371,545
GNSF	1/15/2029	36210 AZF7	92,674
GNSF	9/15/2029	36225 BKX5	30,379
GNSF	2/15/2031	36225 BL30	144,306
GNSF	4/15/2031	36225 BM54	219,731
			<u>\$ 2,767,503</u>

The above securities are held in Wells Fargo Bank at Minneapolis, Minnesota.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
SCHEDULE OF PLEDGED COLLATERAL
June 30, 2007

	<u>Citizens Bank</u>
Cash on deposit at June 30, 2007	\$ 132,631
Less FDIC coverage	<u>100,000</u>
Uninsured funds	<u>\$ 32,631</u>
50% collateral requirement	\$ 16,316
Pledged collateral	<u>100,031</u>
Excess of pledged collateral	<u>\$ 83,715</u>

Pledged collateral of financial institutions consists of the following at June 30, 2007

	<u>Maturity</u>	<u>CUSIP #</u>	<u>Market Value</u>
Citizens Bank:			
FHLB	11/22/2016	31331 V2X7	<u>\$ 100,031</u>

The above securities are held at Federal Home Loan Bank in Dallas, TX.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

CASH RECONCILIATION
June 30, 2007

	Beginning Cash	Receipts	Distributions	Other	Net Cash End of Period	Adjustments to the report	Total Cash on Report
Operations	\$ 1,398,157	\$ 20,403,221	\$ (21,704,250)	\$ -	\$ 97,128	\$ 61,170	\$ 158,298
Transportation	56	1,131,897	(1,131,953)	-	-	-	-
Instructional Materials	62,609	287,895	(321,795)	-	28,709	-	28,709
Food Services	48,869	1,053,022	(1,046,467)	-	55,424	-	55,424
Athletics	61,330	84,435	(48,919)	-	96,846	2,694	99,540
Federal Flowthrough Funds	13,106	1,116,852	(1,066,616)	-	63,342	(60,535)	2,807
Federal Direct Funds	3,092	84,478	(87,464)	-	106	-	106
Local Grants	4	23,834	(23,527)	-	311	-	311
State Flowthrough Funds	9,161	62,017	(62,463)	-	8,715	-	8,715
State Direct Funds	3,381	-	-	-	3,381	-	3,381
Bond Building	209,615	55,267	(140,642)	-	124,240	-	124,240
Capital Outlay - Public	54	-	-	-	54	-	54
Capital Improvement SB - 9	5,260,362	2,790,364	(4,538,699)	-	3,512,027	-	3,512,027
Debt Service	5,039,894	2,983,934	(4,119,778)	-	3,904,050	-	3,904,050
Agency Funds	-	-	-	-	-	288,916	288,916
Total	\$ 12,109,690	\$ 30,077,216	\$ (34,292,573)	\$ -	\$ 7,894,333	\$ 292,245	\$ 8,186,578

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>		
				Adjustments to report:	
				Clearing accounts	\$ 635
				Unallocated loans from Operating	60,535
				Cash on hand	200
				Referee cash	2,494
				Unallocated loans from Operating	(60,535)
				Agency funds	288,916
				Total adjustment to the report	\$ 292,245
				Adjustments to cash:	
				Bank Balance	\$ 9,388,205
				Cash on hand	200
				Reconciling items	(1,201,827)
				Total adjustment to cash	\$ 8,186,578

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

COMPONENT UNIT
MOSAIC ACADEMY CHARTER SCHOOL
CASH RECONCILIATION
June 30, 2007

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>	<u>Net Cash End of Period</u>	<u>Adjustments to the report</u>	<u>Total Cash on Report</u>
Operations	\$ -	\$ 791,734	\$ (697,710)	\$ -	\$ 94,024	\$ 30,271	\$ 124,295
Instructional Materials	-	40,533	(27,457)	-	13,076	-	13,076
Federal Flowthrough Funds	150,000	-	(155,806)	-	(5,806)	-	(5,806)
State Flowthrough Funds	19,042	8,566	(27,609)	-	(1)	-	(1)
Capital Outlay - Public	-	63,000	(71,773)	-	(8,773)	-	(8,773)
Agency Funds	-	-	-	-	-	9,272	9,272
Total	<u>\$ 169,042</u>	<u>\$ 903,833</u>	<u>\$ (980,355)</u>	<u>\$ -</u>	<u>\$ 92,520</u>	<u>\$ 39,543</u>	<u>\$ 132,063</u>
					Adjustments to report:		
<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>				
Operational	Checking	Citizens Bank	\$ 102,360		Payroll clearing account		\$ 24,990
Payable clearing	Checking	Citizens Bank	5,281		AP clearing account		5,281
Payroll clearing	Checking	Citizens Bank	24,990		Agency funds		9,272
Total			<u>\$ 132,631</u>				<u>\$ 39,543</u>
					Adjustments to cash:		
					Bank Balance		\$ 132,631
					Reconciling items		(568)
					Total adjustment to cash		<u>\$ 132,063</u>

SINGLE AUDIT SECTION

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

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

Hector H. Balderas, State Auditor
and the Board of Education
Aztec Municipal School District No. 2

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of Aztec Municipal School District No. 2 as of and for the year ended June 30, 2007, and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aztec Municipal School District No. 2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Aztec Municipal School District No. 2's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Aztec Municipal School District No. 2's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Aztec Municipal School District No. 2's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Findings 2007 - 1, 2007 - 2, 2007 - 5, 2007 - 6, and C2007 - 1 and C2007-2.

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Hector H. Balderas, State Auditor
and the Board of Education
Aztec Municipal School District No. 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Aztec Municipal School District No. 2's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items findings 2007 – 2, and 2007 – 5, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aztec Municipal School District No. 2'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 findings 2007 – 3, 2007 – 4, 2007 – 6, 2007 – 7, 2007-8, C2007-2, and C2007 – 3.

Aztec Municipal School District No. 2's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Aztec Municipal School District No. 2's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within Aztec Municipal School District No. 2, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



October 29, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas, State Auditor
And the Board of Education
Aztec Municipal School District No. 2

Compliance

We have audited the compliance of Aztec Municipal School District No. 2 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* (Revised May, 2007) that are applicable to each of its major federal programs for the year ended June 30, 2007. Aztec Municipal School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Aztec Municipal School's management. Our responsibility is to express an opinion on Aztec Municipal School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aztec Municipal School District No. 2's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Aztec Municipal School District No. 2's compliance with those requirements.

In our opinion, Aztec Municipal School District No. 2, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as finding 2007-4.

Internal Control Over Compliance

The management of Aztec Municipal School District No. 2 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Aztec Municipal School District No. 2's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Aztec Municipal School District No. 2's internal control over compliance.

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Hector H. Balderas, State Auditor
And the Board of Education
Aztec Municipal School District No. 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Aztec Municipal School District No.2's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Aztec Municipal School District No.2's response and accordingly, we express no opinion on it.

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



October 29, 2008

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2007

A. PRIOR YEAR AUDIT FINDINGS

No audit findings reported

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Aztec Municipal School District No. 2.
2. There were six significant deficiencies disclosed during the audit of the financial statements in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Two instances of noncompliance material to the financial statements of Aztec Municipal School District No. 2 were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal awards program in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Aztec Municipal School District No. 2 expresses an unqualified opinion.
6. There was one audit findings relative to the major federal award programs for Aztec Municipal School District No. 2 that is required to be reported in accordance with OMB Circular A-133.510(a).
7. The programs treated as major programs include: Title I CFDA 84.010, and Child Nutrition Cluster CFDA 10.555 and 10.553.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. Aztec Municipal School District No. 2 was not determined to be a high risk auditee.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

AZTEC MUNICIPAL SCHOOLS

2007 – 1 PREPARATION OF FINANCIAL STATEMENTS

Condition: The financial statements were prepared by the auditor.

Criteria: Management is required to have an internal control system of financial reporting including the preparation of the financial statements.

Effect of condition: Management's ability to ascertain the accuracy and completeness of the financial statements has been diminished.

Cause of condition: Management does not have internal controls in place that are necessary for the preparation of the financial statements.

Recommendation: Management should develop a plan and system of controls that enable them to review the accuracy and completeness of the financial statements.

Management Response: A system of controls will be developed and implemented that will allow management to determine the accuracy and fair presentation of the financial statements.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

AZTEC MUNICIPAL SCHOOLS (continued)

2007 – 2 DEPRECIATION NOT CALCULATED CORRECTLY

Condition: The PSFA capital additions totaling \$4,821,323 is entered as a capital asset, but no depreciation for either current or prior years has been recorded. This item was corrected before the audit was submitted

Criteria: The District is required to maintain and reconcile its capital assets and depreciation in accordance with GASB 34. Then reliable information is generated for financial reporting purposes.

Effect of condition: Depreciation for financial reporting was not calculated correctly and would have made the financial statements materially misstated.

Cause: The system software did not have all the depreciation settings in place.

Recommendation: The District should enter all required settings and information in the program software to calculate the correct depreciation amount. If further information is required the proprietor of the accounting software should be consulted.

Management's Response: The items that are not depreciated are the contributions of PSFA to the District's construction projects. The depreciation levels have been corrected. A system of verifying that all assets added have a depreciation cycle and a life value will ensure that all assets entered will be depreciated accordingly.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

AZTEC MUNICIPAL SCHOOLS (continued)

2007 – 3 LATE AUDIT REPORT

Condition: The June 30, 2007 audit report was not submitted to the New Mexico State Auditor's Office by the due date of November 15, 2007. The Audit was submitted to the New Mexico State Auditor's Office on November 19, 2008.

Criteria: The New Mexico State Auditor has issued NMAC 2.2.2, Requirements for Contracting and Conducting Audits of Agencies, setting due dates for school audits to be in his office by November 15, 2007.

Effect of condition: The report was not available for the New Mexico Department of Education and other state agencies to review on a timely basis.

Cause: The district was not ready for audit until after the due date, and the capital assets were not reconciled to prior year additions, deletions and restatements to current year balances.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Response: The District recognizes its failure to provide financial records to the auditor on a timely basis causing the FY07 audit and the Federal Clearing House reports to be filed late. Review of the last ten years of audits is an indication that the FY07 audit is atypical. The FY08 financial information is current and available for the auditors.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

AZTEC MUNICIPAL SCHOOLS (continued)

2007 – 4 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

Condition: The June 30, 2007 audit report and data collection form were sent to the Federal Clearing House after the due date of either 30 days after the date of the audit report or nine months after the year end.

Criteria: The Federal Clearing House requires that the audit report be filed either one month after the date of the audit report release, or nine months after the year end.

Effect of condition: The report was not available for the filing of the Federal Clearing House report on a timely basis.

Cause: Information required to complete the audit was not available from the School District.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Response: The District recognizes its failure to provide financial records to the auditor on a timely basis causing the FY07 audit and the Federal Clearing House reports to be filed late. Review of the last ten years of audits is an indication that the FY07 audit is atypical. The FY08 financial information is current and available for the auditors.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

AZTEC MUNICIPAL SCHOOLS (continued)

2007 – 5 INTERNAL CONTROLS OVER CAPITAL ASSETS

Condition: The District has not implemented proper controls over capital assets to reconcile capital asset records to beginning and ending balances..

Criteria: The District is required to maintain and reconcile its capital assets and depreciation for financial reporting purposes according to GASB 34.

Effect of condition: The District is not in compliance with GASB 34 which requires the District to maintain and reconcile its capital assets and depreciation. The Districts capital assets were restated two years in a row to account for changes in capital assets.

Cause of condition: Management did not review the PSFA capital asset additions resulting in a restatement of capital assets.

Recommendation: Management should develop a plan and system of controls that enable them to review the capital asset additions each year, and reconcile them with the beginning and ending balances to insure that the capital assets are properly recorded.

Management Response: The District recognizes its failure to verify the accuracy of the dollar value of contributions PSFA provided directly to the auditors for FY06. However, the District worked closely with PSFA to verify the accuracy of those contributions for the FY07 audit. It is because the District maintains a high level of control of all construction projects that it was able to bring PSFA records and the District's records into balance; resulting in a higher value of its assets..

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

AZTEC MUNICIPAL SCHOOLS (continued)

2007 – 6 DEFICIT CASH BALANCES EXISTED AT YEAR END

Condition: At fiscal year end, there were cash deficit balances in Bond Building Fund in the amount of \$92,399.

Criteria: Maintaining positive bank account balances is part of the fiscal responsibility of management. In accordance with NMSA 1978 6.10.2, it is the duty of an Aztec Municipal School District No. 2 that receives or disburses public money to maintain a cash record and to balance that record daily so as to show the balance of public money on hand at the close of each day's business.

Effect of the condition: The district is not in compliance with NMSA 1978 6.10.2, and has over expended the Bond Building Fund.

Cause: Lack of adequate monitoring of disbursements, and timely requests for reimbursement of funds, resulting in a temporary loan from the general fund.

Recommendation: The district needs to monitor their reimbursement of funds and, when they are unable to receive reimbursements in a timely manner, to cover the deficit balances with the operating funds with either a temporary loan or a permanent transfer.

Response: The District has a long-standing system for obtaining Board approval for budget transfers within function through the close of the fiscal year. For those transfers outside of function, the Public Education Department has a cutoff date of June 15th that must be adhered to. This does not allow for budgetary corrections needed as a result of closing journal entries made after that date. Additionally, the district has an established system – which is practiced – whereby we monitor budgets on a monthly basis and more closely in the last quarter of the fiscal year to ensure that budgets are not over expended at year end. The District has identified a flaw in that system which will be adjusted to ensure further errors will not occur.

STATE OF NEW MEXICO
 AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

AZTEC MUNICIPAL SCHOOLS (continued)

2007 – 7 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Condition: There were unfavorable variances between actual and budgeted line item expenditures. The following funds had unfavorable variances between budgeted amounts at fiscal year end:

Title I	Instruction	\$ 2,140
Title I	Support Services - Students	373
Title I	Support Services - Instruction	250
Title I	Student Transportation	120
IDEA-B Preschool Fund	Business Support Services	8
Title IV Drug Free School Fund	Instruction	4,377
Title IV Drug Free School Fund	Support Services - School Administration	19
Johnson O'Malley Fund	Support Services - School Administration	8
Indian Ed Formula	Support Services - Students	802

Criteria: According to 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.

Effect of Condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. Improper monitoring could lead to expenditures being paid in excess of total budgeted amounts.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Board of Education and State Department of Education (when required) to receive approval to make necessary changes to the records prior to being presented for audit.

Response: The District has a long-standing system for obtaining Board approval for budget transfers within function through the close of the fiscal year. For those transfers outside of function, the Public Education Department has a cutoff date of June 15th that must be adhered to. This does not allow for budgetary corrections needed as a result of closing journal entries made after that date. Additionally, the district has an established system – which is practiced – whereby we monitor budgets on a monthly basis and more closely in the last quarter of the fiscal year to ensure that budgets are not over expended at year end. The District has identified a flaw in that system which will be adjusted to ensure further errors will not occur.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

AZTEC MUNICIPAL SCHOOLS (continued)

2007 – 8 REPORTING DELETIONS TO THE STATE AUDITORS OFFICE

Condition: The district has \$83,867 of asset deletions, the state auditor's office was informed of \$48,845 of those assets leaving \$35,022 of unreported assets.

Criteria: The District is required to report capital assets deletions to the state auditor's office according to SAR 2.2.2.10 V.

Effect of condition: The state auditor's office was not properly notified of all the asset deletions.

Cause: The District did not notify the state auditor of all deleted asset.

Recommendation: The District should report all deletions to the state auditor's office.

Management's Response:

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MOSAIC ACADEMY

C2007 – 1 INADAQUATE CONTROLS OVER ACCOUNTING SYSTEM

Condition:: The charter school received cash in the prior year a financial audit was not performed in accordance with state law.

Criteria: The charter school is required to have a financial audit in accordance with State Audit Act Section 12-6-12 NMSA 1978.

Effect of the Condition: The Charter school has a restatement to report the prior year's cash activities, and has violated the State Audit Act Section 12-6-12 NMSA 1978 by not having an audit performed for the year ended June 30, 2006.

Cause: The Charter School did not report the income and expenditures in the year of activity and have a financial audit performed.

Recommendation: The Charter School needs to report all revenue and expenses during the correct time and have financial audits performed in accordance with State Law.

Management's Response: This is in reference to the fact that we received funds in the year prior to our opening. We did not have a system in place and had no employees. We failed to realize that an audit was required. This will not happen again.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MOSAIC ACADEMY (continued)

C2007 – 2 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Condition: There were unfavorable variances between actual and budgeted line item expenditures. The following funds had unfavorable variances between budgeted amounts at fiscal yearend:

Title I	Instruction	\$	6,119
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Criteria: According to 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.

Effect of Condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. Improper monitoring could lead to expenditures being paid in excess of total budgeted amounts.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Charter Council and State Department of Education (when required) to receive approval to make necessary changes to the records prior to being presented for audit.

Management Response: Procedures will be developed to ensure that all expenditures are in alignment with budgeted allocations. The procedure will be monitored to ensure that they are practiced.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MOSAIC ACADEMY (continued)

C2007 – 3 DEFICIT CASH BALANCES EXISTED AT YEAR END

Condition: At fiscal year end, there were cash deficit balances in Public School Capital Outlay Fund in the amount of \$8,733.

Criteria: Maintaining positive bank account balances is part of the fiscal responsibility of management. In accordance with NMSA 1978 6.10.2, it is the duty of an Mosaic Academy that receives or disburses public money to maintain a cash record and to balance that record daily so as to show the balance of public money on hand at the close of each day's business.

Effect of the condition: The district is not in compliance with NMSA 1978 6.10.2, and has over expended the Public School Capital Outlay Fund.

Cause: Lack of adequate monitoring of disbursements, and timely requests for reimbursement of funds.

Recommendation: The Charter School needs to monitor their reimbursement of funds and, when they are unable to receive reimbursements in a timely manner, to cover the deficit balances with the operating funds with either a temporary loan or a permanent transfer.

Management's response: Mosaic Academy currently has a policy in place whereby approval is obtained from its Governing Council to make loans to cover cash deficits as a result of the reimbursement process with the Public Education Department (PED). The school has recently established a cash book that will enable us to monitor cash on a monthly basis and will also establish a procedure to ensure that the highest level of reimbursement received from the DED by the close of the fiscal year.

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

C. AUDIT FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2007 – 4 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

Condition: The June 30, 2007 audit report and data collection form were sent to the Federal Clearing House after the due date of either 30 days after the date of the audit report or nine months after the year end.

Criteria: The Federal Clearing House requires that the audit report be filed either one month after the date of the audit report release, or nine months after the year end.

Effect of condition: The report was not available for the filing of the Federal Clearing House report on a timely basis.

Cause: Information required to complete the audit was not available from the District.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Response: The District recognizes its failure to provide financial records to the auditor on a timely basis causing the FY07 audit and the Federal Clearing House reports to be filed late. Review of the last ten years of audits is an indication that the FY07 audit is atypical. The FY08 financial information is current and available for the auditors.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Pass-Through Program From:			
New Mexico Department of Education:			
<u>Child Nutrition -- Cluster:</u>			
USDA National School Lunch Program	10.555	21000	\$ 310,628
USDA School Breakfast Program	10.553	21000	<u>231,211</u>
Total Child Nutrition Cluster			541,839
Direct Program:			
Forest Reserve	10.670	11000	14,306
Pass-Through Program From:			
New Mexico Human Service Department:			
USDA Commodities Program	10.550	21000	<u>57,052</u>
Total U.S. Department of Agriculture			<u>613,197</u>
<u>U.S. Department of Interior</u>			
Pass-Through Programs From:			
Office of the Navajo Nation:			
Johnson O'Malley	15.130	24231	<u>25,687</u>
<u>National Foundation For The Arts</u>			
Direct Program			
Promotion of the Arts	45.027	24231	<u>\$ 1,237</u>

(continued)

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Special Education -- Cluster:</u>			
<u>U.S. Department of Education:</u>			
Pass-Through Programs From:			
New Mexico Department of Education:			
IDEA-B Entitlement	84.027	24106	\$ 699,566
IDEA-B Preschool	84.173	24109	<u>16,891</u>
Total U.S. Department of Education - Special Education (IDEA-B) Cluster			<u>716,457</u>
Direct Programs:			
Indian Education Formula	84.060	25184	<u>84,067</u>
Pass-Through Programs From:			
New Mexico Department of Education:			
Title I Basic Education Grant	84.010	24101	560,791
Title V Inovative Education	84.298	24150	3,915
Federal Stimulus Charter School	84.282A	24146	149,687
Title II Improving Teacher Quality	84.367	24154	140,592
Title IV - Safe and Drug-Free Schools	84.186	24157	<u>17,475</u>
Subtotal Pass-Through Programs			<u>872,460</u>
Total U.S. Department of Education			<u>1,672,984</u>
Total Expenditures of Federal Awards			<u>\$ 2,313,105</u>

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

STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

Notes To The Schedule Of Expenditures Of Federal Awards
Year Ended June 30, 2007

1. Scope of audit pursuant to OMB Circular A-133

All federal grant operations of Aztec Municipal School District No. 2 (the “School District”) are included in the scope of the Office of management and Budget (“OMB”) Circular A-133 audit (the “Single Audit”). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised May 2007 the “Compliance Supplement”). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal 2007 cash and non-cash expenditures to ensure coverage of at least 25% (low risk auditee) of federally granted funds. Actual coverage is approximately 47% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$2,256,053 and all non-cash expenditures amounted to \$57,052.

Major Federal Award Program Description	Fiscal 2007 <u>Expenditure</u>
Cash assistance:	
USDA	\$ 541,839
Title I	<u>560,791</u>
Total	<u>\$ 1,102,630</u>

The School District’s federal programs Title I and USDA Food Service were considered high risk Type A programs for the 2007 audit.

The U.S. Department of Education is the School District’s oversight Aztec Municipal School District No. 2 for single audit.

2. Summary of significant accounting policies

Basis of presentation

The accompanying Schedule of Expenditure of Federal Awards includes all federal grants to the School District that had activity during the fiscal year ended June 30, 2007. This Statement has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the School District has met the qualifications for the respective grant.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the School District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

3. Audits performed by other entities

There were no other audits performed by other organizations on the School Districts federal grant programs in 2007.

REQUIRED DISCLOSURE

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STATE OF NEW MEXICO
AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2

REQUIRED DISCLOSURES
Year Ended June 30, 2007

REQUIRED DISCLOSURE

The financial statements were prepared by the independent public accountants.

An exit conference was held November 6, 2008, during which the audit findings were discussed. The exit conference was attended by the following individuals:

AZTEC MUNICIPAL SCHOOL DISTRICT NO. 2 **Exit Date November 6, 2008**

Roger R. Collins	Board President
Dr. Linda Paul	Superintendent
Nancy Ross	Business Manager

MOSAIC ACADEMY **Exit Date November 12, 2008**

Barbara Galvic	Board President
Bonnie Braden	Principal
Diane Mittler	Visitor

KEYSTONE ACCOUNTING, LLC

Phil Rasband	Partner
Terry Ogle, CPA	Partner