

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.  
COMPONENT OF  
MORENO VALLEY HIGH SCHOOL

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COMPREHENSIVE FINANCIAL ANNUAL REPORT  
AND  
SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2010  
WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

 KEYSTONE ACCOUNTING, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

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## INTRODUCTORY SECTION

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STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

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STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

OFFICIAL ROSTER  
June 30, 2010

Board of Directors

|                  |                |
|------------------|----------------|
| Linda Perry      | President      |
| Kelly Haukebo    | Vice President |
| Carrie Belichick | Treasurer      |
| Shaylee Tiblias  | Secretary      |

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**FINANCIAL SECTION**

**FISCAL YEAR 2010**

**JULY 1, 2009 THROUGH JUNE 30, 2010**

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# KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Farmington, NM 87401

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## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor  
And the Board of Directors of  
Moreno Valley Education Foundation, Inc.

We have audited the accompanying statement of financial position of the Moreno Valley Education Foundation, Inc. (a non-profit organization)(a component of Moreno Valley High School), as of and for the year ended June 30, 2010, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the agency'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 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 business-type activities of Moreno Valley Education Foundation, Inc. as of June 30, 2010, and the respective changes in financial position and cash flows of the Foundation 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 statement referred to above presents fairly, in all material respects the budgetary comparison of the District for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010, on our consideration of the Moreno Valley Education Foundation, Inc.'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 conjunction with this report in assessing the results of our audit.

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Hector H. Balderas, State Auditor  
And the Board of Directors of  
Moreno Valley Education Foundation, Inc.

The Foundation 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. 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 22, 2010

## **BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION

STATEMENT OF NET ASSETS  
June 30, 2010

ASSETS

Current assets:

|                           |           |
|---------------------------|-----------|
| Cash and cash equivalents | \$ 90,324 |
|---------------------------|-----------|

Noncurrent assets:

Capital assets:

|                                |                  |
|--------------------------------|------------------|
| Land                           | 284,843          |
| Buildings                      | 335,244          |
| Equipment                      | 105,579          |
| Construction in progress       | 181,851          |
| Less: accumulated depreciation | <u>(254,864)</u> |

|                         |                |
|-------------------------|----------------|
| Total noncurrent assets | <u>652,653</u> |
|-------------------------|----------------|

|              |                   |
|--------------|-------------------|
| Total assets | \$ <u>742,977</u> |
|--------------|-------------------|

LIABILITIES

Current liabilities:

|                           |               |
|---------------------------|---------------|
| Accrued interest payable  | \$ 621        |
| Loans payable             | <u>43,685</u> |
| Total current liabilities | 44,306        |

Noncurrent liabilities:

|                                      |                |
|--------------------------------------|----------------|
| Loans payable (less current portion) | <u>124,087</u> |
| Total liabilities                    | <u>168,393</u> |

NET ASSETS

|   |         |
|---|---------|
| Invested in capital assets, net of related debt | 484,881 |
|---|---------|

|              |               |
|--------------|---------------|
| Unrestricted | <u>89,703</u> |
|--------------|---------------|

|                  |                |
|------------------|----------------|
| Total net assets | <u>574,584</u> |
|------------------|----------------|

|                                  |                   |
|----------------------------------|-------------------|
| Total liabilities and net assets | \$ <u>742,977</u> |
|----------------------------------|-------------------|

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
Year ended June 30, 2010

|  |    |                       |
|--|----|-----------------------|
| Operating revenue:                     |    |                       |
| Fundraising                            | \$ | 6,421                 |
| Donations                              |    | 17,911                |
| Rental                                 |    | 60,550                |
| Grant                                  |    | 45,000                |
| Other                                  |    | <u>1,078</u>          |
| Total operating revenue                |    | <u>130,960</u>        |
| Operating expenses:                    |    |                       |
| Office expense                         |    | 40                    |
| Insurance                              |    | 930                   |
| Legal and professional                 |    | 6,465                 |
| Miscellaneous                          |    | 42,935                |
| Depreciation                           |    | <u>126,552</u>        |
| Total operating expenses               |    | <u>176,922</u>        |
| Operating income (loss)                |    | <u>(45,962)</u>       |
| Non-Operating income (expenses):       |    |                       |
| Gain or loss on sale of asset          |    | (1,641)               |
| Interest expense                       |    | <u>(9,213)</u>        |
| Total nonoperating revenues (expenses) |    | <u>(10,854)</u>       |
| Change in net assets                   |    | (56,816)              |
| Net assets beginning of year           |    | <u>631,400</u>        |
| Net assets end of year                 | \$ | <u><u>574,584</u></u> |

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION

STATEMENT OF CASH FLOWS  
Year ended June 30, 2010

CASH FLOWS FROM OPERATING  
ACTIVITIES

|  |                 |
|--|-----------------|
| Cash received from customers               | \$ 130,960      |
| Cash payments for supplies and maintenance | <u>(50,370)</u> |
| Net cash provided by operating activities  | <u>80,590</u>   |

CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES

|  |                 |
|--|-----------------|
| Principal paid on capital debt                               | (41,807)        |
| Interest paid on capital debt                                | <u>(8,592)</u>  |
| Net cash used in capital and related<br>financing activities | <u>(50,399)</u> |

|  |                         |
|--|-------------------------|
| Net increase (decrease) in cash and cash equivalents | 30,191                  |
| Cash and cash equivalents at beginning of year       | <u>60,133</u>           |
| Cash and cash equivalents at end of year             | <u><u>\$ 90,324</u></u> |

RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED (USED) BY  
OPERATING ACTIVITIES

|   |                         |
|---|-------------------------|
| Operating income  | \$ (45,962)             |
| Adjustments to reconcile operating income to net<br>cash provided (used) by operating activities: |                         |
| Depreciation expense  | <u>126,552</u>          |
| Net cash provided by operating activities   | <u><u>\$ 80,590</u></u> |



STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2010

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I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Moreno Valley Education Foundation, Inc. (Foundation) is a legally separate, tax exempt component of Moreno Valley High School (School). The Foundation and is governed by an elected four-member board. The Council is the basic level of government, which has oversight responsibility and control over all activities related to the Foundation. The Foundation operates for the purpose of providing supporting funds to the Moreno Valley High School. The Foundation received funds from renting facilities to the School, and donations and fund raising.

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statement.

The Foundation's financial statements include all entities over which the Board exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component unit and no fiduciary units were included in the financial statements.

The Foundation is reported as discretely presented component unit of Moreno Valley High School as required in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14* Moreno Valley High School's report can be obtained at:

Moreno Valley High School  
P.O. Box 1037  
Angel Fire, NM 87710

The Moreno Valley Education Foundation, Inc., New Mexico (Foundation) was incorporated, and it is administered by a manager, who is overseen by a local advisory board for the purpose of providing supporting funds to the Moreno Valley High School. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary governments is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Foundation's financial statements to be misleading or incomplete. The Foundation provides the usual municipal services with the exception of education, which administered by other governmental agencies.

As required by GAAP, these financial statements present the Foundation (primary government).

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2010

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I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Depending upon the significance of the financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units.

1. Blended Component Units.

Legally separate component units for which the Foundation is financially accountable are blended with the primary government because they are, in substance, part of the government's operations. Blended means the data from these units are combined with data of the primary government. The Foundation had no blended component units during the fiscal year ended June 30, 2010.

2. Discretely Presented Component Units.

The financial data of component units are reported in separate columns to emphasize that they are legally separate from the Foundation. The Foundation had no discrete component units during the fiscal year ended June 30, 2010.

3. Related Organizations.

The Foundation appoints members to the boards, but the Foundation's accountability for the organizations does not extend beyond making these appointments and there is no fiscal dependency of these organizations on the Foundation.

B. Financial statement presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

C. Cash and equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. Use of Estimates

The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2010

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I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property and equipment

Property and equipment is recorded at cost. Donations of property and equipment are recorded as unrestricted support at their estimated value. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

F. Long-term liabilities

The Foundation borrowed long-term financing for the purpose of financing a portion of the facilities for the Moreno Valley High School. Funding to service the debt is provided by rent charges for the facilities.

G. Income taxes

The Foundation is a tax exempt organization under Section 501(c)(3) of the Code.

H. Restricted cash

Restricted cash reported on the statement of net assets are contributions made for specific purposes. The money is earmarked for such purposes and should be spent accordingly.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2010, the carrying amount of the Foundation's deposits was \$90,324 and the bank balance was \$94,554. Of this balance \$94,554 was covered by federal depository insurance. The Foundation was not required to have pledged collateral at June 30, 2010.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2010

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II. 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 Foundation's deposits may not be returned to it. As of June 30, 2010, none of the Foundation's bank balance of \$94,554 was exposed to custodial risk as follows:

|   |    |               |
|---|----|---------------|
| Uninsured and uncollateralized  | \$ | -             |
| Uninsured and collateral held by pledging bank's trust dept<br>not in the District's name |    | <u>-</u>      |
| Total uninsured   |    | -             |
| Insured (FDIC)  |    | <u>94,554</u> |
| Total deposits  | \$ | <u>94,554</u> |

The collateral pledged is listed on Page 19 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, 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 \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements  
June 30, 2010

III. CAPITAL ASSETS

A. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

|   | <u>July 1, 2009</u> | <u>Additions</u>    | <u>Deletions</u>  | <u>June 30, 2010</u> |
|---|---------------------|---------------------|-------------------|----------------------|
| Capital assets not being depreciated:       |                     |                     |                   |                      |
| Land and land rights                        | \$ 284,843          | \$ -                | \$ -              | \$ 284,843           |
| Construction in progress                    | -                   | -                   | -                 | -                    |
| Total capital assets not being depreciated  | <u>284,843</u>      | <u>-</u>            | <u>-</u>          | <u>284,843</u>       |
| Capital assets being depreciated:           |                     |                     |                   |                      |
| Improvements                                | 335,244             | -                   | -                 | 335,244              |
| Buildings and improvements                  | 183,492             | -                   | (1,641)           | 181,851              |
| Equipment and other                         | 113,969             | -                   | (8,390)           | 105,579              |
| Total capital assets being depreciated      | <u>632,705</u>      | <u>-</u>            | <u>(10,031)</u>   | <u>622,674</u>       |
| Less accumulated depreciation for:          |                     |                     |                   |                      |
| Improvements                                | (91,017)            | (49,953)            | -                 | (140,970)            |
| Buildings and improvements                  | -                   | (44,855)            | -                 | (44,855)             |
| Equipment and other                         | (45,685)            | (31,744)            | 8,390             | (69,039)             |
| Total accumulated depreciation              | <u>(136,702)</u>    | <u>(126,552)</u>    | <u>8,390</u>      | <u>(254,864)</u>     |
| Total capital assets being depreciated, net | <u>496,003</u>      | <u>(126,552)</u>    | <u>(1,641)</u>    | <u>367,810</u>       |
| Capital assets, net                         | <u>\$ 780,846</u>   | <u>\$ (126,552)</u> | <u>\$ (1,641)</u> | <u>\$ 652,653</u>    |

Construction Commitments

The Foundation did not have any ongoing construction as of June 30, 2010.

Change in Estimate

During the year management of the Foundation reviewed the capital assets of the foundation and the useful lives of the assets and changed some of the asset lives the net effect of the change is an increase in depreciation of \$50,298.

STATE OF NEW MEXICO  
 MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements  
 June 30, 2010

IV. LONG-TERM DEBT

A. Note Payable

|  | <u>Original<br/>Amount</u> | <u>Balance</u> | <u>Current<br/>Balance</u> |
|--|----------------------------|----------------|----------------------------|
| Note issued from International Bank. The interest rate is from 4.54% annually. Monthly principal and interest payments in the amount of \$4,200 starting September 2006. | \$ 300,000                 | \$ 167,771     | \$ 43,685                  |

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

Annual debt service requirements to maturity for long-term debt are as follows:

| <u>June 30.</u> | <u>Principal</u> | <u>Interest</u> | <u>Requirements</u> |
|-----------------|------------------|-----------------|---------------------|
| 2010            | \$ 43,685        | \$ 6,715        | \$ 50,400           |
| 2011            | 45,710           | 4,690           | 50,400              |
| 2012            | 47,829           | 2,571           | 50,400              |
| 2013            | 30,547           | 354             | 30,901              |
| Total           | \$ 167,771       | \$ 14,330       | \$ 182,101          |

Revenue collected from the Moreno Valley High School is received from the Public (School Facility Authority (PSFA) which makes the funds restricted. The high school paid out \$50,400 in rent expense and the Foundation paid out \$50,400 toward the payoff of the loan, which left a \$10,150. The excess was paid out in September as an extra principal payment. The automatic payment for the year was increased to \$5,000 per month.

**OTHER SUPPLEMENTAL INFORMATION**

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**STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION**

**SCHEDULE OF PLEDGED COLLATERAL**

June 30, 2010

|                       |                           |
|-----------------------|---------------------------|
|                       | <b>International Bank</b> |
| Cash on deposit       | \$ 94,554                 |
| Less FDIC Coverage    | <u>(94,554)</u>           |
| Total uninsured funds | <u>\$ -</u>               |

| <u>Account Name</u>    | <u>Account Type</u>    | <u>Bank Name</u>          | <u>Bank Amount</u> |
|------------------------|------------------------|---------------------------|--------------------|
| Operating              | Checking               | International Bank        | \$ 65,315          |
| Certificate of deposit | Certificate of deposit | International Bank        | <u>29,239</u>      |
| Total                  |                        |                           | <u>\$ 94,554</u>   |
| Adjustments to cash:   |                        |                           |                    |
|                        |                        | Bank Balance              | \$ 94,554          |
|                        |                        | Reconciling items         | <u>(4,230)</u>     |
|                        |                        | Cash and cash equivalents | <u>\$ 90,324</u>   |
|                        |                        | Cash and cash equivalents | <u>\$ 90,324</u>   |

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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 Directors  
Moreno Valley Education Foundation, Inc.

We have audited the accompanying statement of financial position of the Moreno Valley Education Foundation, Inc. (a non-profit organization)(a component of Moreno Valley High School), as of and for the year ended June 30, 2010, and the related statement of activities and cash flows for the year then ended, and have issued our report thereon dated October 22, 2010. 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 Moreno Valley Education Foundation, Inc.'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 the Moreno Valley Education Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Moreno Valley Education Foundation, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness, listed as follows F2010 -2, F2010 -3, and F2010 -7.

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Hector H. Balderas, State Auditor  
and the Board of Directors  
Moreno Valley Education Foundation, Inc.

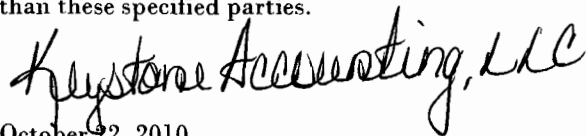
A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies as findings F2010 -1, F2010 -4, F2010 -5, and F2010 -6

### Compliance and other matters

As part of obtaining reasonable assurance about whether Moreno Valley Education Foundation, Inc.'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 nine 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 audit findings as findings F2010 -1, F2010 -2, F2010 -3, F2010 -4, F2010 -5, F2010 -6 and F2010 -7.

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

This report is intended solely for the information and use of management, others within the Moreno Valley Education Foundation, Inc., the State Auditor, the New Mexico Legislature, New Mexico Public Education Department, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



October 22, 2010

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2010

---

A. PRIOR YEAR AUDIT FINDINGS

F2009 – 1 FORM 1099'S WERE NOT USED

*Condition:* The foundation issued bonus checks to the employees of the charter school, and no 1099s were issued.

*Recommendation:* Issue the 1099s as required by the IRS.

*Current Status:* Resolved – not repeated in the current year.

F2009 – 2 PAYMENTS TO LOBBYIST

*Condition:* The foundation PAID \$12,930 TO A LOBBYIST FOR THE LEGISLATIVE SESSION. The Charter School paid the Foundation \$57,400 in rent income from PSCOC funds to pay the loan for infrastructure. The foundation paid out \$50,400 in principal and interest on the loan. Leaving an income of \$7,000 of funds for the other costs.

*Recommendation:* The foundation needs to take care to insure that it does not incur any taxable expenditures.

*Current Status:* Resolved – not repeated in the current year.

F2009 – 3 UNTIMELY DEPOSITS

*Condition:* Revenue collected was not deposited within one banking day.

*Recommendation:* Receipts should be deposited within one banking day.

*Current Status:* Not resolved - repeated in the current year.

F2009 – 4 BANK ACCOUNT RECONCILIATIONS WERE MISREPRESENTED

*Condition:* Reconciliation of bank balances were misrepresented by having 3 electronic transfers for loan payments in the outstanding check list.

*Recommendation:* Review of reconciliation of bank accounts to insure accuracy.

*Current Status:* Not resolved - repeated in the current year.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2010

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A. PRIOR YEAR AUDIT FINDINGS (continued)

F2009 – 5 UNTIMELY CAPITAL ASSET SCHEDULE

*Condition:* The capital asset schedule was not completed and accurate at the time of the audit. The schedule of capital assets and depreciation could not be reconciled to the prior year capital asset schedule..

*Recommendation:* The Foundation should update the capital assets and take a physical inventory every two years.

*Current Status:* Resolved – not repeated in the current year.



STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

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B. FINDINGS—FINANCIAL STATEMENTS AUDIT

F2010 – 1 PREPARATION OF FINANCIAL STATEMENTS

*Condition:* The financial statements were prepared by the auditor.

*Criteria:* As per SAS 115, 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:* 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's Response:* The corrections to the financial statements provided by the auditor are noted and will be reviewed with the bookkeeper as to not be repeated. The above condition should be corrected to state that the auditor had to make corrections to the financial statement provided by the Foundation, not that they were prepared by the auditor.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

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B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F2010 – 2 EXPENSES POSTED IN REVENUE ACCOUNTS

*Condition:* The foundation posted four different expenses in a revenue account.

*Criteria:* In accordance with proper accounting procedures – expenses and revenue should be reported separately.

*Effect of condition:* The revenue and the expenses are understated.

*Cause:* The expenses for a grant were posted in the revenue.

*Recommendation:* The expenditures should be properly recorded as expenses.

*Management's Response:* This was a single entry mistake by the bookkeeper. This entry will be corrected.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

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B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F2010 – 3 MISSTATEMENT OF CASH

(repeat of original finding number 2009 – 4)

*Condition:* Reconciliation of bank balances were misrepresented by having 2 checks which were written in June were not recorded on the books until July when they cleared the bank. The checks totaled \$4,064.

*Criteria:* Reconciliation of bank statements to general ledger cash balances should be performed monthly, and reviewed by management to maintain fiscal responsibility and safeguard the assets.

*Effect of condition:* Overvaluation of the cash account, and undervaluation of the expense accounts.

*Cause:* Two checks written in June were not properly posted to the books until July when they cleared the bank.

*Recommendation:* Review of check register and reconciliation of bank accounts to insure accuracy.

*Management's Response:* The Foundation will correct this process with the bookkeeper.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

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B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F2010 – 4 UNTIMELY DEPOSITS

(Repeat of original funding number F2009 – 3)

*Condition:* One of the checks collected was not deposited within one banking day.

*Criteria:* NMAC 6.20.2.14 (c) states that money received and receipted shall be deposited in the bank within 24 hours or one banking day.

*Effect of condition:* The foundation is in violation of NMAC 6.20.2.14 (c). The check was not deposited for extended periods of time.

*Cause:* The check date was over a month before the deposit date in the bank.

*Recommendation:* Receipts should be deposited within one banking day.

*Management's Response:* A process was put in place last year to note the date received on each check received. This single entry was not received by the person issuing the check in a timely fashion. The Foundation will provide dated receipts going forward for all funds received.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION. INC.

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

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B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F 2010 – 5 BACKUP DOCUMENTATION FOR DISBURSEMENT MISSING

*Condition:* Invoice, purchase order and requisition was missing for two of twenty disbursements tested, which totaled \$165.

*Criteria:* A system of internal controls designed to prevent and/or detect errors or violations of state and federal law is required as per 1978 NMSA 6-5-2, 6-NMAC-2.2.1.11 and 6-NMAC-2.2.1.14.

*Effect of Condition:* The Foundation's internal controls over cash disbursements were limited in its ability to prevent and/or detect errors or violations of law due to the improper use of documents.

*Cause:* Management is disbursing funds without proper documentation.

*Recommendation:* Proper controls should be put into place to ensure that all documentation is kept.

*Management's Response:* The Foundation will revisit its business practices to ensure that proper documentation is kept and provided to auditors in future Foundation audits.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

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B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F 2010 – 6. CASH DISBURSEMENTS WERE NOT PAID IN A TIMELY MANNER.

*Condition:* Six disbursement checks out of twenty items tested was paid in excess of 30 days following the invoice date.

*Criteria:* Disbursement payments made in remittance for products and/or services received by the Corporation should be made in a timely manner. Payment should be made within vendor terms or within 30 days of the invoice date.

*Effect of condition:* Late fees can be added to the cost of purchases made that are not paid for in a timely manner. Payment of such late fees is not an allowable cost under the guidelines established by the federal government.

*Cause:* The disbursements were not paid timely.

*Recommendation:* A system should be set up that would keep unpaid invoices in a tickler file, until paid for. A review of this file could be made weekly, if not daily, to determine if all the necessary documentation is available that would allow for disbursement payment to be made for each purchase.

*Management's response:* The foundation will strive to pay all invoices in a timely manner.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

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B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F 2010 – 7 MISSING RECEIPTS

*Condition:* Only seven of twelve receipts selected for testing were provided.

*Criteria:* Records are to be retained by the foundation as prescribed in federal and state law as required per 1978 NMSA 14-3-13, 1978 NMSA 6-5-2, 6 NMAC-2.2.1.11 and 6-NMAC-2.2.1.14.

*Effect of condition:* A system of internal controls designed to prevent and/or detect errors.

*Cause:* Only receipts for January 2010 through June 2010 were received for testing.

*Recommendation:* The foundation should provide the receipts for testing as required by federal and state law.

*Management response:* The Auditor and Foundation representative were not in sync on the requested documentation for the deposits. The request was provided on two pieces of paper, which the Foundation only received one. This was not brought to the attention of the Foundation until after the preliminary report was released and only after questioning of this finding by the Foundation. The Foundation provided all receipts requested to the auditor from our available information and has subsequently provided the remaining receipts on November 1, 2010. However, four (4) of the five (5) receipts that are stated by the auditor as not being provided were in fact provided with the bank statements in the materials provided during the onsite audit in a binder presented to the auditors at their arrival onsite.

The auditor did not provide the pull list for the deposits until the end of the second unscheduled onsite day of the audit. Had the list been received during the onsite audit as is normal process, this issue would not have occurred. After receiving the receipts requested in email, the auditor did not confirm that there were other receipts still expected in email. Confirmation of these additional receipts would have been a prudent action of the auditor as their supporting email system proved to be quite insufficient for receiving documents via this media. The Foundation was not aware that additional information was required until questioning this finding the Friday preceding the audit exit.

The Foundation requests that this finding be removed from the report, or reflect that all receipts have been received by the auditor and that this was a communication error on the part of the auditor and lack of timely follow through by the auditor.

STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2010

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B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F 2010 – 7 MISSING RECEIPTS (continued)

*Auditor response:* Information for items needed was initiated in July 2010. In August a follow up phone call occurred to insure the information was received. A second request for items needed was sent in September. The superintendent of Cimarron School District was contacted the week before the scheduled on site visit to inform him that the auditor had not received any information from the foundation. Some items requested started arriving Thursday before the audit was to begin on Monday, an incomplete general ledger was received and did not cover the entire year under audit. The Tuesday after arriving for the scheduled onsite visit, the Foundation provided the information necessary to produce a selection of receipts to be tested. The random list of receipts was handed to the representative. The foundation representative took the binder and the general ledgers and went home after the discussion of what was needed. The representative did not return the following day. The request for receipts continued since they were not all received. The draft report was sent to the foundation. The weekend before the exit the foundation questioned the finding for receipts not received.



## REQUIRED DISCLOSURES

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STATE OF NEW MEXICO  
MORENO VALLEY EDUCATION FOUNDATION, INC.

REQUIRED DISCLOSURES  
Year Ended June 30, 2010

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The financial statements were prepared by the independent public accountant.

An exit conference was held November 1, 2010 during which the audit findings were discussed. The exit conference was attended by the following individuals:

MORENO VALLEY EDUCATION FOUNDATION, INC.

Carrie Belichick                      Treasurer

KEYSTONE ACCOUNTING, LLC

Terry Ogle, C.P.A.                      Partner