

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL
CHARTER SCHOOL
COMPONENT OF
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3

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

 KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

TABLE OF CONTENTS
Year Ended June 30, 2010

	Page
INTRODUCTORY SECTION	
Title Page	
Table of Contents	iii
Official Roster	1
FINANCIAL SECTION	
Independent Auditors' Report	5
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – All Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes In Fund Balance – All Governmental Funds to the Statement of Activities	13
Major Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	14
Statement of Fiduciary Assets and Liabilities – Agency Funds	15
Notes to the Financial Statements	16
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:	
General Fund:	
Combining Balance Sheet	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	36
Budgetary Presentation:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Operating Fund	37
Instructional Materials Fund	38

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

TABLE OF CONTENTS
Year Ended June 30, 2010

Nonmajor Governmental Funds:	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	41
Budgetary Presentation:	
Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Nonmajor Special Revenue Funds:	
Entitlement IDEA-B Special Revenue Fund	46
ARRA - State Equalization Special Revenue Fund	47
Go Bond Library Special Revenue Fund	48
Beginning Teacher Mentoring Special Revenue Fund	49
Schools on the Rise Special revenue Fund	50
Gear Up Special revenue Fund	51
Capital Projects Funds:	
Public School Capital Outlay Capital Projects Fund	54
Special Capital Outlay – State Capital Projects Fund	55
Capital Improvements SB-9 Capital Projects Fund	56
OTHER SUPPLEMENTAL INFORMATION	
Fiduciary Funds:	
Schedule of Changes in Assets and Liabilities – All Agency Funds	58
Schedule of Pledged Collateral	59
Cash Reconciliation	60
Report on Internal Control Over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed In Accordance With <u>Government Auditing Standards</u>	63
Summary Schedule of Prior Year Audit Findings	65
Schedule of Findings and Responses	66
Required Disclosure	75

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

OFFICIAL ROSTER
June 30, 2010

Governing Council

Mark Stewart	Board President
Pauline Hardsteen	Board Vice President
Bill Bishop	Board Secretary
Ed Johnson	Board Treasurer
Phil Koszarek	Board Member
Ellen Goins	Board Member
Bob Lagasse	Board Member
Joe Phillips	Board Member

School Officials

Jacque Boyd	Director
-------------	----------

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

FISCAL YEAR 2010

JULY 1, 2009 THROUGH JUNE 30, 2010

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, New Mexico State Auditor
and the Governing Council of
Moreno Valley High School Charter School

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the Moreno Valley High School, as of and for the year ended June 30, 2010, which collectively comprise Moreno Valley High School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Moreno Valley High School's nonmajor governmental funds and the budgetary comparisons for the major capital projects funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Moreno Valley High School'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 governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Moreno Valley High School, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund 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 funds of the Moreno Valley High School, as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons of the major capital project funds and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

Hector H. Balderas, State Auditor
And the Governing Council of
Moreno Valley High School Charter School

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2010, on our consideration of the Moreno Valley High School'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.

The School 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 the related budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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.



October 22, 2010

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

STATEMENT OF NET ASSETS
June 30, 2010

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Moreno Valley Education Foundation</u>
ASSETS		
Cash and cash equivalents	\$ 194,725	\$ 90,324
Receivables:		
Grant	54,911	-
Non-current:		
Non-depreciable assets	1,687,528	284,843
Depreciable capital assets, net	<u>277,506</u>	<u>367,810</u>
Total assets	<u>2,214,670</u>	<u>742,977</u>
LIABILITIES		
Accounts payable	124,890	-
Accrued salaries	32,389	-
Accrued interest payable	-	621
Loans payable	-	43,685
Noncurrent liabilities:		
Loans payable (less current portion)	-	124,087
Total liabilities	<u>157,279</u>	<u>168,393</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,965,034	484,881
Restricted for:		
Capital projects	(87,335)	
Unrestricted	<u>179,692</u>	<u>89,703</u>
Total net assets	<u>\$ 2,057,391</u>	<u>\$ 574,584</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Units</u>
Primary government:						
Governmental activities:						
Instruction	\$ 752,754	\$ 3,394	\$ 501,737	\$ 102,668	\$ (144,955)	\$ -
Support Services - Students	4,308	-	2,871	587	(850)	-
Support Services - Instruction	10,806	-	7,203	1,474	(2,129)	-
Support Services - General Administration	27,481	-	18,317	3,748	(5,416)	-
Support Services - School Administration	144,041	-	96,008	19,646	(28,387)	-
Central Services	45,249	-	30,160	-	(15,089)	-
Operations & Maintenance of Plant	<u>116,201</u>	<u>-</u>	<u>77,452</u>	<u>-</u>	<u>(38,749)</u>	<u>-</u>
Total governmental activities	<u>\$ 1,100,840</u>	<u>\$ 3,394</u>	<u>\$ 733,748</u>	<u>\$ 128,123</u>	<u>(235,575)</u>	<u>-</u>
Component units:						
Moreno Valley Education Foundation	<u>\$ 176,922</u>	<u>\$ 60,550</u>	<u>\$ 45,000</u>	<u>\$ -</u>	<u>-</u>	<u>(71,372)</u>
General revenues:						
					842,575	-
					-	(9,213)
					<u>1,001,194</u>	<u>25,410</u>
					<u>1,843,769</u>	<u>16,197</u>
					<u>-</u>	<u>(1,641)</u>
					1,608,194	(56,816)
					<u>449,197</u>	<u>631,400</u>
					<u>\$ 2,057,391</u>	<u>\$ 574,584</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

GOVERNMENTAL FUNDS

Balance Sheet

June 30, 2010

	General Fund	Public School Capital Outlay Fund	Special Capital Outlay - State Fund	Capital Improvements SB-9 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Pooled cash and investments	\$ 193,334	\$ -	\$ -	\$ -	\$ 1,391	\$ 194,725
Receivables:						
Grant	-	-	-	-	54,911	54,911
Due from other funds	<u>142,246</u>	<u>-</u>	<u>114,618</u>	<u>-</u>	<u>-</u>	<u>256,864</u>
Total assets	<u>\$ 335,580</u>	<u>\$ -</u>	<u>\$ 114,618</u>	<u>\$ -</u>	<u>\$ 56,302</u>	<u>\$ 506,500</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 10,272	\$ -	\$ 114,618	\$ -	\$ -	\$ 124,890
Accrued salaries	32,389	-	-	-	-	32,389
Due to other funds	<u>114,618</u>	<u>-</u>	<u>84,888</u>	<u>2,447</u>	<u>54,911</u>	<u>256,864</u>
Total liabilities	<u>157,279</u>	<u>-</u>	<u>199,506</u>	<u>2,447</u>	<u>54,911</u>	<u>414,143</u>
Fund balance:						
Reserved for:						
Capital projects funds	-	-	(84,888)	(2,447)	-	(87,335)
Unreserved, designated for, and reported in:						
Special revenue funds	-	-	-	-	1,391	1,391
Unreserved, undesignated, and reported in:						
General fund	<u>178,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,301</u>
Total fund balance	<u>178,301</u>	<u>-</u>	<u>(84,888)</u>	<u>(2,447)</u>	<u>1,391</u>	<u>92,357</u>
Total liabilities and fund balance	<u>\$ 335,580</u>	<u>\$ -</u>	<u>\$ 114,618</u>	<u>\$ -</u>	<u>\$ 56,302</u>	<u>\$ 506,500</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

RECONCILIATION OF THE BALANCE SHEET - ALL
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2010

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

Fund balances - total governmental funds	\$ 92,357
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	2,159,029
Accumulated depreciation	<u>(193,995)</u>
Net assets of governmental activities	<u>\$ 2,057,391</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2010

	General Fund	Public School Capital Outlay Fund	Special Capital Outlay - State Fund	Capital Improvements SB-9 Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Federal sources:						
Federal flowthrough grants	\$ -	\$ -	\$ -	\$ -	\$ 82,761	\$ 82,761
Federal direct grants	-	-	-	-	19,902	19,902
State sources:						
State equalization guarantee	842,575	-	-	-	-	842,575
State flow through grants	-	-	128,123	-	4,518	132,641
State instructional material	4,318	-	-	-	-	4,318
State grant	-	592,249	-	-	-	592,249
Local sources:						
Fees and activities	3,394	-	-	-	-	3,394
Total revenue	<u>880,287</u>	<u>592,249</u>	<u>128,123</u>	<u>-</u>	<u>107,181</u>	<u>1,707,840</u>
Expenditures:						
Current:						
Instruction	629,028	-	-	-	96,522	725,550
Support Services - Students	4,152	-	-	-	-	4,152
Support Services - Instruction	7,288	-	-	-	3,127	10,415
Support Services - General Administration	26,488	-	-	-	-	26,488
Support Services - School Administration	138,835	-	-	-	-	138,835
Central Services	43,614	-	-	-	-	43,614
Operations & Maintenance of Plant	42,164	61,249	-	2,447	6,141	112,001
Capital outlay	-	531,000	213,011	1,001,194	-	1,745,205
Total expenditures	<u>891,569</u>	<u>592,249</u>	<u>213,011</u>	<u>1,003,641</u>	<u>105,790</u>	<u>2,806,260</u>
Excess (deficiency) of revenues over expenditures	(11,282)	-	(84,888)	(1,003,641)	1,391	(1,098,420)
Other financing sources:						
Other in	-	-	-	1,001,194	-	1,001,194
Net change in fund balance	(11,282)	-	(84,888)	(2,447)	1,391	(97,226)
Fund balance at beginning of the year	189,583	-	-	-	-	189,583
Fund balance (deficit) at end of the year	<u>\$ 178,301</u>	<u>\$ -</u>	<u>\$ (84,888)</u>	<u>\$ (2,447)</u>	<u>\$ 1,391</u>	<u>\$ 92,357</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

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

Net change in fund balance - total governmental funds	\$ (97,226)
 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	
Capital outlay	1,745,205
Depreciation	<u>(39,785)</u>
 Change in net assets of governmental activities	 <u>\$ 1,608,194</u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL**

**GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
State sources:				
State equalization guarantee	\$ 840,461	\$ 840,461	\$ 842,575	\$ 2,114
State instructional material	8,620	8,620	4,318	(4,302)
Local sources:				
Grant	16,000	16,000	30,000	14,000
Fees and activities	<u>10,000</u>	<u>10,000</u>	<u>3,394</u>	<u>(6,606)</u>
Total revenues	<u>875,081</u>	<u>875,081</u>	<u>880,287</u>	<u>5,206</u>
Expenditures:				
Current:				
Instruction	699,418	699,418	629,706	69,712
Support Services - Students	9,500	9,500	4,152	5,348
Support Services - Instruction	7,992	7,992	7,288	704
Support Services - General Administration	36,324	36,324	26,488	9,836
Support Services - School Administration	154,220	154,220	138,835	15,385
Central Services	44,244	44,244	43,614	630
Operation & Maintenance of Plant	<u>95,806</u>	<u>95,806</u>	<u>42,164</u>	<u>53,642</u>
Total expenditures	<u>1,047,504</u>	<u>1,047,504</u>	<u>892,247</u>	<u>155,257</u>
Excess (deficiency) of revenues over expenditures	(172,423)	(172,423)	(11,960)	160,463
Beginning cash balance budgeted	172,423	172,423	-	(172,423)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>189,583</u>	<u>189,583</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	177,623	<u>\$ 177,623</u>
RECONCILIATION TO GAAP BASIS:				
Change in due from other governments			<u>678</u>	
			<u>\$ 178,301</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2010

ASSETS

Pooled cash and investments	\$ <u>7,471</u>
-----------------------------	-----------------

LIABILITIES

Deposits held for others	\$ <u>7,471</u>
--------------------------	-----------------

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL**

Notes to the Financial Statements
June 30, 2010

NOTE	PAGE
I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	17
1. Blended Component Units	
2. Discretely Presented Component Units	
B. Government-Wide and Fund Financial Statements	18
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	18
1. Major Funds	19
Assets, Liabilities, and Net Assets or Equity	20
II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A. Budgetary Information	24
B. Deficit fund equity	25
III. DETAILED NOTES ALL FUNDS	
A. Cash and Temporary Investments	26
B. Receivables	27
C. Capital Assets	28
D. Inter-Fund Receivables and Payables	29
E. Inter-Fund Transfers	29
IV. OTHER INFORMATION	29

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Moreno Valley High School Charter School (School) is a special purpose government corporation established under the Public Charter Code and is governed by an elected nine-member council. The Council is the basic level of government, which has oversight responsibility and control over all activities related to the School. The School is responsible for activities related to public elementary school education. The School receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

The School's financial statements include all entities over which the Council 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. Based upon the application of these criteria, one component unit and no fiduciary units were included in the financial statements.

GAAP requires that financial statements present the School (primary government) and its component units. The School has one component unit that is required to be presented 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*.

1. Blended Component Units

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

2. Discretely Presented Component Units

The School has one component unit reported as a discretely presented component unit. Moreno Valley Education Foundation, Inc., a foundation, is closely related to Moreno Valley High School Charter School and exists for the primary purpose of providing direct benefit to the charter school. Moreno Valley Education Foundation, Inc. has a separately issued report which can be obtained at:

Moreno Valley Education Foundation
PO Box 1630
Angel Fire, NM 87710

The School is reported as a discretely presented component unit of Cimarron Municipal School District No. 3 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*. Cimarron Municipal School District No. 3's report can be obtained at:

Cimarron Municipal School District
125 N Collison Ave.
Cimarron, NM 87714

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The summary of significant accounting policies of the School is presented to assist in the understanding of the School's financial statements. The financial statements and notes are the representation of Moreno Valley High School Charter School's management who is responsible for their integrity and objectivity. The financial statements of the School 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
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

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.

Public School Capital Outlay Capital Projects Fund – This fund provides financing from Public Schools Critical Capital Outlay committee under chapter and laws of the New Mexico Lottery Receipts Act.

Special Capital Outlay - State Capital Projects Fund – This fund provides financing for special appropriation monies received from the State of New Mexico under Chapter 367, Laws of 1993.

Capital Improvements SB - 9 Capital Projects Fund – 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 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 are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fiduciary Funds – Fiduciary Funds are the agency funds used to account for financial resources used by the student activity groups for which the District has stewardship

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.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 School's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The School is also allowed to invest in United States Government obligations. All funds for the School 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. Deposits may be made to the extent that they are insured by an agency 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.

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."

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. *Inventories*

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. The School did not have any inventories as of June 30, 2010.

4. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, 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.

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 School 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	40-50
Building improvements	20
Land Improvements	10-20
Vehicles	5-7
Office equipment	5
Computer equipment	3-5

5. *Compensated absences*

The School does not accrue a liability for compensated absences. Employees are contracted on an annual basis with all contracts being fully executed at the end of the year.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

9. *Indirect Costs*

The School’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.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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”.

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 School received \$842,575 in state equalization guarantee distributions during the year ended June 30, 2010.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Budgets for the General, Special Revenue, and Capital Projects Funds are prepared by management and are approved by the local School Council 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 Council 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.

**STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL**

Notes to the Financial Statements
June 30, 2010

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

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

1. In April or May, the director submits to the Council 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 Council.
3. The Council meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The director 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, and Capital Projects Funds.
6. Budgets for the General, Special Revenue, and Capital Projects 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 Council 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, 2010 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	\$ 1,047,504	\$ 1,047,504
Special Revenue Fund	108,578	108,578
Capital Projects Fund	309,043	309,043
Totals	\$ 1,465,125	\$ 1,465,125

B. Budgetary Violations

There were no budgetary violations as of June 30, 2010.

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
 June 30, 2010

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

C. Deficit fund equity

There were two deficit fund balances as of June 30, 2010.

Special Capital Outlay – State
 Capital Improvements SB-9

The deficits are expected to be funded by future grant revenues or transfers from the operational fund.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2010, the carrying amount of the School’s deposits was \$202,196 and the bank balance was \$213,134 with the difference consisting of outstanding checks. Of this balance \$213,134 was covered by federal depository insurance. The School was not required to have pledged collateral at June 30, 2010.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School’s deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School 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. As of June 30, 2010, none of the School’s bank balance of \$213,134 was exposed to custodial risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging bank's trust dept not in the District's name		-
		<hr/>
Total uninsured		-
Insured (FDIC)		213,134
		<hr/>
Total deposits	\$	<u>213,134</u>
State of New Mexico collateral requirement:		
50% of uninsured public fund bank deposits	\$	-
Pledged security		-
		<hr/>
Under collateralization	\$	<u>-</u>

**STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL**

Notes to the Financial Statements
June 30, 2010

III. DETAILED NOTES ON ALL FUNDS (continued)

The collateral pledged is listed on Page 61 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.

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>	Public School Capital <u>Outlay</u>	Special Capital <u>Outlay - State</u>	Capital Improvements - <u>SB-9</u>	Other Governmental <u>Funds</u>
Receivables:					
Grant	\$ -	\$ -	\$ -	\$ -	\$ 54,911

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, there were not any deferred revenue or unearned revenue reported in the governmental funds.

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.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

III. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,157	\$ -	\$ -	\$ 15,157
Construction in progress	-	<u>1,672,371</u>	-	<u>1,672,371</u>
Total capital assets, not being depreciated	<u>15,157</u>	<u>1,672,371</u>	-	<u>1,687,528</u>
Capital assets, being depreciated:				
Land improvements	-	-	-	-
Buildings and improvements	352,228	-	-	352,228
Furniture, fixtures, and equipment	<u>46,439</u>	<u>72,834</u>	-	<u>119,273</u>
Total capital assets being depreciated	<u>398,667</u>	<u>72,834</u>	-	<u>471,501</u>
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Buildings and improvements	(120,517)	(23,482)	-	(143,999)
Furniture, fixtures, and equipment	<u>(33,693)</u>	<u>(16,303)</u>	-	<u>(49,996)</u>
Total accumulated depreciation	<u>(154,210)</u>	<u>(39,785)</u>	-	<u>(193,995)</u>
Total capital assets being depreciated, net	<u>244,457</u>	<u>33,049</u>	-	<u>277,506</u>
Total capital assets, net	<u>\$ 259,614</u>	<u>\$ 1,705,420</u>	<u>\$ -</u>	<u>\$ 1,965,034</u>

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

<u>Depreciation Allocation to Functions</u>	
Instruction	\$ 27,204
Support Services - Students	156
Support Services - Instruction	391
Support Services - General Administration	993
Support Services - School Administration	5,206
Central Services	1,635
Operations & Maintenance of Plant	<u>4,200</u>
Total Depreciation Expense	<u>\$ 39,785</u>

**STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL**

Notes to the Financial Statements
June 30, 2010

III. DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets (continued)

The Schedule of Capital Assets Used by Source and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable. The Capital Outlay for the building was funded by 531,000 provided by PSCOC, the district provided \$928,360 from Capital Outlay and the Charter School provided \$213,011 of Capital Outlay. The District also provided 2 suburbans with a value of \$72,834.

E. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2010 were:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 142,246	\$ 114,618
Special Capital Outlay - State	114,618	84,888
Capital Improvements SB-9	-	2,447
Other Governmental Funds	-	54,911
Total inter-fund recievables and payables	<u>\$ 256,864</u>	<u>\$ 256,864</u>

F. Inter-Fund Transfers

There were not any inter-fund transfers made during the year ended June 30, 2010.

IV. OTHER INFORMATION

A. Risk Management

The School 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 (NMPSIA) 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 School 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 School 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, 2010.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

IV. 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 the School'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

Funding Policy - Plan members are required to contribute 7.90% of their gross salary. Moreno Valley High School Charter School is required to contribute 12.46% of the gross covered 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 the School are established in Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The School's contributions to the ERB for the years ended June 30, 2010, 2009 and 2008 were \$66,075, \$63,977, and \$48,706, 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>
2010-2011	13.150%	7.900%
2011-2012	13.900%	7.900%

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

IV. OTHER INFORMATION (continued)

D. Post-Retirement Health Care Benefits

Plan Description – Moreno Valley High School Charter School’s 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.

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.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

Notes to the Financial Statements
June 30, 2010

IV. OTHER INFORMATION (continued)

D. Post-Retirement Health Care Benefits (continued)

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.

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.

Moreno Valley High School Charter School's contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$3,139, \$2,964, and \$3,062, respectively, which equal the required contributions for each year.

E. Cash Flows

The School operates on primarily on reimbursement grants. The School must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the School's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the School's cash flows and the ability to deliver educational services to the community in an effective manner. The delay in receiving reimbursements has been progressively increasing through this and the previous two years. The current trend will adversely affect the School in subsequent years.

THIS PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL**

**GENERAL FUNDS
Year Ended June 30, 2010**

OPERATING FUND

The government's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

INSTRUCTIONAL MATERIALS FUND

Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

GENERAL FUND
 Combining Balance Sheet
 June 30, 2010

	General Funds		
	Operational	Instructional	Total General
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS			
Pooled cash and investments	\$ 192,334	\$ 1,000	\$ 193,334
Due from other funds	142,246	-	142,246
Total assets	\$ 334,580	\$ 1,000	\$ 335,580
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 10,272	\$ -	\$ 10,272
Accrued salaries	32,389	-	32,389
Due to other funds	114,618	-	114,618
Total liabilities	157,279	-	157,279
Fund balance:			
Unreserved, undesignated, and reported in:			
General fund	177,301	1,000	178,301
Total liabilities and fund balance	\$ 334,580	\$ 1,000	\$ 335,580

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

GENERAL FUND

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2010

	General Funds		
	Operational	Instructional	Total General
	<u>Fund</u>	<u>Materials</u> <u>Fund</u>	<u>Fund</u>
Revenues:			
State sources:			
State equalization guarantee	\$ 842,575	\$ -	\$ 842,575
State instructional material	-	4,318	4,318
Local sources:			
Fees and activities	<u>3,394</u>	<u>-</u>	<u>3,394</u>
Total revenue	<u>875,969</u>	<u>4,318</u>	<u>880,287</u>
Expenditures:			
Current:			
Instruction	622,449	6,579	629,028
Support Services - Students	4,152	-	4,152
Support Services - Instruction	7,288	-	7,288
Support Services - General Administration	26,488	-	26,488
Support Services - School Administration	138,835	-	138,835
Central Services	43,614	-	43,614
Operations & Maintenance of Plant	<u>42,164</u>	<u>-</u>	<u>42,164</u>
Total expenditures	<u>884,990</u>	<u>6,579</u>	<u>891,569</u>
Excess (deficiency) of revenues over expenditures	(9,021)	(2,261)	(11,282)
Fund balance at beginning of the year	<u>186,322</u>	<u>3,261</u>	<u>189,583</u>
Fund balance at end of the year	<u>\$ 177,301</u>	<u>\$ 1,000</u>	<u>\$ 178,301</u>

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

OPERATIONAL SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State sources:				
State equalization guarantee	\$ 840,461	\$ 840,461	\$ 842,575	\$ 2,114
Local sources:				
Fees and activities	<u>10,000</u>	<u>10,000</u>	<u>3,394</u>	<u>(6,606)</u>
Total revenues	<u>866,461</u>	<u>866,461</u>	<u>875,969</u>	<u>9,508</u>
Expenditures:				
Current:				
Instruction	690,798	690,798	623,127	67,671
Support Services - Students	9,500	9,500	4,152	5,348
Support Services - Instruction	7,992	7,992	7,288	704
Support Services - General Administration	36,324	36,324	26,488	9,836
Support Services - School Administration	154,220	154,220	138,835	15,385
Central Services	44,244	44,244	43,614	630
Operation & Maintenance of Plant	<u>95,806</u>	<u>95,806</u>	<u>42,164</u>	<u>53,642</u>
Total expenditures	<u>1,038,884</u>	<u>1,038,884</u>	<u>885,668</u>	<u>153,216</u>
Excess (deficiency) of revenues over expenditures	(172,423)	(172,423)	(9,699)	162,724
Beginning cash balance budgeted	172,423	172,423	-	(172,423)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>186,322</u>	<u>186,322</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	176,623	<u>\$ 176,623</u>
RECONCILIATION TO GAAP BASIS:				
Change in due from other governments			<u>678</u>	
			<u>\$ 177,301</u>	

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

INSTRUCTIONAL MATERIALS SPECIAL REVENUE FUND
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	<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 instructional material	\$ 8,620	\$ 8,620	\$ 4,318	\$ (4,302)
 Expenditures:				
Current:				
Instruction	<u>8,620</u>	<u>8,620</u>	<u>6,579</u>	<u>2,041</u>
Excess (deficiency) of revenues over expenditures	-	-	(2,261)	(2,261)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>3,261</u>	<u>3,261</u>
Fund balance at end of the year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>1,000</u>	<u><u>\$ 1,000</u></u>
 RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u><u>\$ 1,000</u></u>	

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

NON-MAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet
 June 30, 2010

	Special Revenue Funds						Total
	Entitlement IDEA-B Fund	ARRA - State Equalization Fund	GO Bond Library Fund	Beginning Teacher Mentoring Fund	Schools on the Rise Fund	Gear Up Fund	Nonmajor Governmental Funds
ASSETS							
Pooled cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,391	\$ 1,391
Receivables:							
Grant	<u>19,902</u>	<u>22,212</u>	<u>3,127</u>	<u>2,787</u>	<u>6,883</u>	<u>-</u>	<u>54,911</u>
Total assets	<u>\$ 19,902</u>	<u>\$ 22,212</u>	<u>\$ 3,127</u>	<u>\$ 2,787</u>	<u>\$ 6,883</u>	<u>\$ 1,391</u>	<u>\$ 56,302</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Due to other funds	\$ 19,902	\$ 22,212	\$ 3,127	\$ 2,787	\$ 6,883	\$ -	\$ 54,911
Fund balance:							
Unreserved, designated for, and reported in:							
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,391</u>	<u>1,391</u>
Total liabilities and fund balance	<u>\$ 19,902</u>	<u>\$ 22,212</u>	<u>\$ 3,127</u>	<u>\$ 2,787</u>	<u>\$ 6,883</u>	<u>\$ 1,391</u>	<u>\$ 56,302</u>

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2010

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Entitlement IDEA-B Fund	ARRA - State Equalization Fund	GO Bond Library Fund	Beginning Teacher Mentoring Fund	Schools on the Rise Fund	Gear Up Fund	
Revenues:							
Federal sources:							
Federal flowthrough grants	\$ -	\$ 82,761	\$ -	\$ -	\$ -	\$ -	\$ 82,761
Federal direct grants	19,902	-	-	-	-	-	19,902
State sources:							
State flow through grants	-	-	3,127	-	-	1,391	4,518
Total revenue	19,902	82,761	3,127	-	-	1,391	107,181
Expenditures:							
Current:							
Instruction	19,902	76,620	-	-	-	-	96,522
Support Services - Instruction	-	-	3,127	-	-	-	3,127
Operations & Maintenance of Plant	-	6,141	-	-	-	-	6,141
Total expenditures	19,902	82,761	3,127	-	-	-	105,790
Excess of revenues over expenditures	-	-	-	-	-	1,391	1,391
Fund balance at beginning of the year	-	-	-	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,391	\$ 1,391

THIS PAGE INTENTIONALLY LEFT BLANK

BUDGETARY PRESENTATION

THIS PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL**

**NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2010**

ENTITLEMENT IDEA-B

The Entitlement 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.

ARRA – STATE REVITALIZATION

To support and restore funding for elementary, secondary, and postsecondary education and, as applicable, early child hood education programs and services in States and local educational agencies. Authorization: American Recovery and Reinvestment Act of 2009 (ARRA), Division A, Title XIV, Public Law 111-5.

GO BOND LIBRARY

To be used to fund each library facility for improvement or acquisition and to acquire library books and library resources to support the library program. Funds generated by GO Bonds may not be used to supplant existing or prior library material funding within school districts receiving these monies. This funding will supplement and be in addition to current and existing funding. Authorized through Senate Bill 2008 SB333

SCHOOLS ON THE RISE

To provide schools with additional finds for education materials.

BEGINNING TEACHER MENTORING

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.

GEAR UP

To encourage eligible entities to provide supportive services to elementary and middle schools, and secondary school students who are at risk of dropping out of school; and information to students and their parents about the advantages of obtaining a postsecondary education and the college financing options for the students and their parents. Authorization granted through Higher Education Act, Title IV, Part A, Subpart 2, Chapter 2, 20 U.S.C. 1070a-21-1070a-28.

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Federal sources:				
Federal direct grant	\$ 19,902	\$ 19,902	\$ -	\$ (19,902)
 Expenditures:				
Current:				
Instruction	<u>19,902</u>	<u>19,902</u>	<u>19,902</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	(19,902)	(19,902)
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>	(19,902)	<u>\$ (19,902)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>19,902</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

ARRA - STATE EQUALIZATION SPECIAL REVENUE FUND
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	<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:				
Federal sources:				
Federal grant	\$ 82,761	\$ 82,761	\$ 60,549	\$ (22,212)
Expenditures:				
Current:				
Instruction	76,620	76,620	76,620	-
Operation & Maintenance of Plant	<u>6,141</u>	<u>6,141</u>	<u>6,141</u>	<u>-</u>
Total expenditures	<u>82,761</u>	<u>82,761</u>	<u>82,761</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	(22,212)	(22,212)
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>	(22,212)	<u>\$ (22,212)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>22,212</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

GO BOND LIBRARY SPECIAL REVENUE FUND
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
State sources:				
State flowthrough grant	\$ 3,128	\$ 3,128	\$ -	\$ (3,128)
Expenditures:				
Current:				
Support Services - Instruction	<u>3,128</u>	<u>3,128</u>	<u>3,127</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	-	-	(3,127)	(3,127)
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>	(3,127)	<u>\$ (3,127)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>3,127</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL
 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, 2010

	<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	\$ -	\$ -	\$ -	\$ -
 Expenditures:				
Current:				
Support Services - Instruction	<u>2,787</u>	<u>2,787</u>	<u>-</u>	<u>2,787</u>
Excess (deficiency) of revenues over expenditures	(2,787)	(2,787)	-	2,787
Beginning cash balance budgeted	2,787	2,787	-	(2,787)
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 payables			<u>-</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

SCHOOLS ON THE RISE SPECIAL REVENUE FUND
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

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

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

GEAR UP SPECIAL REVENUE FUND
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	<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	\$ -	\$ -	\$ -	\$ -
 Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
 RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>1,391</u>	
			<u>\$ 1,391</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

**STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL**

**CAPITAL PROJECTS FUNDS
Year Ended June 30, 2010**

PUBLIC SCHOOL CAPITAL OUTLAY

This fund provides financing from Public Schools Critical Capital Outlay committee under chapter and laws of the New Mexico Lottery Receipts Act.

SPECIAL CAPITAL OUTLAY - STATE

This fund provides financing for special appropriation monies received from the State of New Mexico under Chapter 367, Laws of 1993.

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
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

PUBLIC SCHOOL CAPITAL OUTLAY CAPITAL PROJECTS FUND
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
State sources:				
State grant	\$ 61,249	\$ 61,249	\$ 61,249	\$ -
 Expenditures:				
Current:				
Operation & Maintenance of Plant	<u>61,249</u>	<u>61,249</u>	<u>61,249</u>	<u>-</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 payables			<u>-</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

SPECIAL CAPITAL OUTLAY - STATE CAPITAL PROJECTS FUND
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues:				
State sources:				
State flowthrough grant	\$ 245,347	\$ 245,347	\$ 128,123	\$ (117,224)
 Expenditures:				
Capital outlay:				
Construction in progress	<u>245,347</u>	<u>245,347</u>	<u>213,011</u>	<u>32,336</u>
 Excess (deficiency) of revenues over expenditures	-	-	(84,888)	(84,888)
 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>	(84,888)	<u>\$ (84,888)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in receivables			114,618	
Change in payables			<u>(114,618)</u>	
			<u>\$ (84,888)</u>	

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

CAPITAL IMPROVEMENTS SB-9 CAPITAL PROJECTS FUND
 Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
State sources:				
State flowthrough grant	\$ 2,447	\$ 2,447	\$ -	\$ (2,447)
Expenditures:				
Current:				
Operation & Maintenance of Plant	<u>2,447</u>	<u>2,447</u>	<u>2,447</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	(2,447)	(2,447)
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>	<u>(2,447)</u>	<u><u>\$ (2,447)</u></u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>-</u>	
			<u><u>\$ (2,447)</u></u>	

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

FIDUCIARY FUNDS
 Schedule of Changes in Assets and Liabilities - All Agency Funds
 Year Ended June 30, 2010

Activity		Balance				Balance
<u>Fund</u>	<u>ASSETS</u>	<u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>		<u>June 30, 2010</u>
000	Drama	\$ 166	\$ 130	\$ 100		\$ 196
001	UAV	1	-	-		1
002	Booster Club	810	-	-		810
003	Band	-	308	170		138
004	Fundraisers	229	1,758	621		1,366
005	Recycling/Green	4	56	23		37
006	Variety Show	621	1,078	978		721
007	Yearbook	1,974	1,846	1,846		1,974
008	Ski/Snowboard	285	-	-		285
011	Art	175	-	-		175
012	Math	32	-	32		-
013	BVEF	3,678	9,570	11,845		1,403
015	PE	35	200	88		147
016	Greenhouse	-	414	296		118
017	Class of 2010	-	2,316	2,316		-
018	Class of 2012	<u>100</u>	<u>-</u>	<u>-</u>		<u>100</u>
	Pooled cash and investments	<u>\$ 8,110</u>	<u>\$ 17,676</u>	<u>\$ 18,315</u>		<u>\$ 7,471</u>
	 LIABILITIES					
	Deposits held for others	<u>\$ 8,110</u>	<u>\$ 17,676</u>	<u>\$ 18,315</u>		<u>\$ 7,471</u>

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2010

	<u>Bank of America</u>	<u>International Bank</u>	<u>Total</u>
Cash on deposit at June 30, 2010	\$ 15,096	\$ 198,038	\$ 213,134
Less FDIC coverage	<u>15,096</u>	<u>198,038</u>	<u>213,134</u>
Uninsured funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

CASH RECONCILIATION
June 30, 2010

	<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	\$ 203,576	\$ 875,970	\$ (885,669)	\$ (1,543)	\$ 192,334	\$ -	\$ 192,334
Teacherage	-	-	-	-	-	-	-
Instructional Materials	3,261	4,318	(6,579)	-	1,000	-	1,000
Federal Flowthrough Funds	-	-	(19,902)	19,902	-	-	-
Federal Direct Funds	-	60,549	(82,761)	22,212	-	-	-
State Flowthrough Funds	-	-	(3,127)	3,127	-	-	-
State Direct Funds	1,391	-	-	-	1,391	-	1,391
Special Capital Outlay - State	-	128,123	(213,011)	84,888	-	-	-
Capital Improvements SB-9	-	-	(2,447)	2,447	-	-	-
Agency Funds	-	-	-	-	-	7,471	7,471
Total	\$ 208,228	\$ 1,068,960	\$ (1,213,496)	\$ 131,033	\$ 194,725	\$ 7,471	\$ 202,196

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>	<u>Adjustments to report:</u>	
				Activity	\$ 7,471
Operational	Checking	International Bank	\$ 198,038		
Activity	Checking	Bank of America	15,096	<u>Adjustments to cash:</u>	
Total			\$ 213,134	Bank Balance	\$ 213,134
				Outstanding deposits	-
				Outstanding checks	(10,988)
				Petty cash	50
				Total adjustment to cash	\$ 202,196

**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**

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoncacct.com

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

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, New Mexico State Auditor
and the Governing Council of
Moreno Valley High School Charter School

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 the combining and individual funds and the related budgetary comparisons presented as supplemental information of Moreno Valley High School as of and for the year ended June 30, 2010, 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 High School'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 High School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Moreno Valley High School'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 question costs, 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 C2010 - 1, F2010 -2, F2010 -3, and F2010 -7.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

Hector H. Balderas, State Auditor
and the Board of Education of
Moreno Valley High School Charter School

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 and F2010 -4 through F2010 -6

Compliance and other matters

As part of obtaining reasonable assurance about whether Moreno Valley High School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 C2010 - 1 and F2010 -1 through F2010 -7.

Moreno Valley High School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Moreno Valley High School'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 High School, the audit committee, 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.

Keystone Accounting, LLC

October 22, 2010

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

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

A. PRIOR YEAR AUDIT FINDINGS

MORENO VALLEY HIGH SCHOOL

C 2009 – 1 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Current Status: Resolved – Not repeated in the current year.

C 2009 – 2 UNAUTHORIZED TRANSFER OF CASH

Current Status: Resolved – Not repeated in the current year.

MORENO VALLEY EDUCATION FOUNDATION

F2009 – 1 FORM 1099s WERE NOT ISSUED

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

F2009 – 2 PAYMENTS TO LOBBYIST

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

F2009 – 3 UNTIMELY DEPOSITS

Current Status: Not Resolved – Repeated in the current year as Finding F2010 – 4.

F2009 – 4 BANK ACCOUNT RECONCILIATIONS WERE MISREPRESENTED

Current Status: Not Resolved – Repeated in the current year as Finding F2010 – 3.

F2007 – 5 UNTIMELY CAPITAL ASSETS SCHEDULE

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

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

C2010 – 1 IMPROPER FUND ACCOUNTING

Condition: The charter school is not using proper fund accounting to record expenditures.

Criteria: The charter school must keep fund accounting, the expenses for special revenue funds should be spent out of the special revenue funds as explained in Codification of GASB 1300.105.

Effect of the Condition: Allocation of the expenses could allow for double dipping and presents an opportunity for fraud to occur. The monthly or quarterly reporting to the New Mexico Public Education Department would be in error due to special revenue expenditures being reported in the general fund. If the reimbursement was not received in the same year as the expenditures, the expenditures would be closed to the general fund's fund balance. As a consequence, reimbursements received for expenditures in the prior year will have to be refunded because there will be no expenditures to offset the revenue.

Cause: Instead of temporarily transferring cash from the general fund to the special revenue funds to cover expenditures until reimbursements are received, the charter school records expenditures in the general fund. Those expenditures are then transferred to the special revenue fund that is deemed appropriate.

Recommendation: The charter school needs to record expenditures in the fund for which those expenditures were originally intended. Authorization from the New Mexico Public Education Department should be obtained to temporarily loan cash from the general fund to the special revenue funds in order to cover cash deficits.

Management's Response: Moreno Valley High School will institute practices which will facilitate the correct procedure be followed for proper fund accounting in recording expenditures.

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MORENO VALLEY EDUCATION FOUNDATION

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 HIGH SCHOOL CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MORENO VALLEY EDUCATION FOUNDATION (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.

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 HIGH SCHOOL CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MORENO VALLEY EDUCATION FOUNDATION (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.

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 HIGH SCHOOL CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MORENO VALLEY EDUCATION FOUNDATION (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 HIGH SCHOOL CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MORENO VALLEY EDUCATION FOUNDATION (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 HIGH SCHOOL CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

MORENO VALLEY EDUCATION FOUNDATION (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 DISCLOSURE

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
MORENO VALLEY HIGH SCHOOL CHARTER SCHOOL

REQUIRED DISCLOSURES
Year Ended June 30, 2010

REQUIRED DISCLOSURE

The financial statements were prepared by the independent public accountants. The management of Moreno Valley High School Charter School is responsible for those financial statements and the subsequent disclosures.

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 HIGH SCHOOL CHARTER SCHOOL

Jacque Boyd
Mark Stewart
Domingo Sanchez III

Director of Finance
Governing Council President
Business Manager

KEYSTONE ACCOUNTING, LLC

Terry Ogle, CPA

Partner