

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
**(WITH AUDITOR'S REPORT THEREON)**

**RICE & ASSOCIATES**  
**CERTIFIED PUBLIC ACCOUNTANTS**

STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
AUDIT REPORT  
For The Year Ended June 30, 2008  
(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
TABLE OF CONTENTS  
Year Ended June 30, 2008

	<u>Page</u>
Introduction Section	
Official Roster	i
Financial Section	
Independent Auditor's Report	1
<u>Financial Statements</u>	
<u>Statements</u>	
1 Statement of Net Assets	3
2 Statement of Activities	4
3 Balance Sheet - All Governmental Funds	5
4 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	6
5 Statement of Revenues, Expenditures and Changes In Fund Balances - All Governmental Funds	7
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	8
7 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	9
8 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Technology for Education	10
9 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Student Support Program	11

Table of Contents (continued)

	<u>Page</u>
10 Statement of Fiduciary Assets and Liabilities - Agency Funds	12
Notes to Financial Statements	13
Other Major Funds Budgets:	
11 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Bond Building	35
12 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Capital Improvements SB-9	36
13 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Debt Service Fund	37
Non-Major Governmental Funds:	
A-1 Combined Balance Sheet	38
A-2 Combined Statement of Revenues, Expenditures and Changes in Fund Balances	39
A-3 Combined Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Governmental Fund Types - Non Major Special Revenue Funds	40
A-4 Combined Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Governmental Fund Types - Non Major Capital Projects Funds	41
Non-Major Special Revenue Funds:	
B-1 Combining Balance Sheet	42
B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	44
B-3 Title I: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	46

Table of Contents (continued)

	<u>Page</u>
B-4 Innovative Education Program Strategies: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	47
B-5 REAP: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	48
B-6 Hubbard Foundation: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	49
B-7 Spectrum Leasing: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	50
B-8 Center for Teaching Excellence: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	51
B-9 CATCH Program: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	52
B-10 School Improvement Framework: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	53
B-11 Beginning Teacher Mentoring: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	54
B-12 Incentives for School Improvements: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	55
B-13 Special Library Program: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	56
B-14 GO Bond Library: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	57
B-15 Athletics: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	58

Table of Contents (continued)

	<u>Page</u>
B-16 Cafeteria:	
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	59
Non-Major Capital Projects Fund:	
C-1 Combining Balance Sheet	60
C-2 Combining Statement of Revenues and Expenditures and Changes in Fund Balances	61
C-3 Special Capital Outlay State: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	62
C-4 Public School Capital Outlay: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	63
General Fund Detail:	
General Fund:	
D-1 Combining Balance Sheet	64
D-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	65
D-3 Operational Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	66
D-4 Transportation Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	67
D-5 Instructional Materials Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	68
Supplementary Information	
Schedule of Changes in Assets and Liabilities - All Agency Funds	69
Schedule of Cash Receipts and Disbursements - All Funds by School District Classification	70

Table of Contents (continued)

	<u>Page</u>
Schedule of Budgetary Basis to GAAP Basis Reconciliation	71
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	73
Status of Comments	75
Exit Conference	86

STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
Official Roster  
Year Ended June 30, 2008

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Terry Buttram	President
Ms. Jacqueline Cates	Vice-President
Mr. Terry Winkles	Secretary
Mr. Mickey Mauter	Member
Mr. Doug Porch	Member

School Officials

Mr. Tommy Hancock	Superintendent
Ms. Sharlotte Lund	Business Manager



*Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

**INDEPENDENT AUDITOR'S REPORT**

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Cloudcroft Municipal Schools  
Cloudcroft, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cloudcroft Municipal Schools, as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Schools' non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the Cloudcroft Municipal Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cloudcroft Municipal Schools internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cloudcroft Municipal Schools, as

of June 30, 2008, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General, Technology for Education and Student Support Program Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of Cloudfcroft Municipal Schools, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparisons for the Debt Service Fund and the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008 on our consideration of Cloudfcroft Municipal Schools internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Cloudfcroft Municipal Schools. The accompanying financial information listed as Schedule of Cash Receipts and Disbursements, Schedule of Changes in Assets and Liabilities and Schedule of Budgetary Basis to GAAP Basis Reconciliation are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



November 14, 2008

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Statement of Net Assets  
 June 30, 2008

Statement 1

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 3,482,381
Taxes receivable	21,617
Due from grantor	38,746
Inventory	2,779
Total current assets	3,545,523
Non-current assets	
Land (non-depreciable)	5,000
Capital assets (depreciable)	14,545,302
Less accumulated depreciation	(3,315,564)
Total non-current assets	11,234,738
<b>Total assets</b>	<b>14,780,261</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	-
Accrued interest	285,505
Deferred revenue	12,812
Current portion of long-term obligations	565,000
Total current liabilities	863,317
Long-term obligations	
Non-current portion of long-term obligations	5,915,772
Total long-term obligations	5,915,772
<b>Total liabilities</b>	<b>6,779,089</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,753,966
Restricted for	
Special revenue inventory	2,779
Capital projects	2,179,012
Debt service	870,922
Unrestricted	194,493
<b>Total net assets</b>	<b>\$ 8,001,172</b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Statement of Activities  
 Year Ended June 30, 2008

Statement 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>EXPENSES:</b>					
<b>Governmental activities:</b>					
Direct instruction	\$ 2,902,536	\$ 19,893	\$ 142,212	\$ 476,541	\$ (2,263,890)
Instructional support	2,317,802	-	490,359	-	(1,827,443)
Food services	165,380	42,192	79,717	-	(43,471)
Depreciation - unallocated	391,510	-	-	-	(391,510)
Interest on long-term obligations	244,164	-	-	-	(294,164)
Bond issue costs	6,460	-	-	-	(6,460)
Total governmental activities	6,027,852	62,085	712,288	476,541	(4,826,938)
<b>General revenues:</b>					
<b>Taxes</b>					
Property taxes, levied for general purposes					33,317
Property taxes, levied for capital projects					245,750
Property taxes, levied for debt service					826,850
Federal and State aid not restricted to specific purpose					
General					4,252,389
Forest Reserve					2,673
Impact Aid					2,904
Interest and investment earnings					61,431
Sub-total, general revenues					5,425,314
Change in net assets					598,376
Net assets - beginning of year					7,541,748
Restatement					(138,952)
Net assets - restated					7,402,796
<b>Net assets - end of year</b>					<b>\$ 8,001,172</b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Balance Sheet - All Governmental Funds  
 June 30, 2008

Statement 3

	General	Technology for Education	Student Support Program	Bond Building	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>ASSETS</b>								
Cash on deposit	\$ 223,685	\$ 8,882	\$ -	\$2,179,012	\$ 191,115	\$ 854,776	\$ 24,911	\$ 3,482,381
Due from other funds	38,241	-	-	-	-	-	-	38,241
Accounts receivable, collectible	653	-	-	-	4,818	16,146	-	21,617
Inventory, at cost	-	-	-	-	-	-	2,779	2,779
Due from grantor	-	-	25,136	-	-	-	13,610	38,746
<b>Total assets</b>	<b>\$ 262,579</b>	<b>\$ 8,882</b>	<b>\$ 25,136</b>	<b>\$2,179,012</b>	<b>\$ 195,933</b>	<b>\$ 870,922</b>	<b>\$ 41,300</b>	<b>\$ 3,583,764</b>
<b>LIABILITIES</b>								
Due to other funds	\$ -	\$ -	\$ 25,136	\$ -	\$ -	\$ -	\$ 13,105	\$ 38,241
Deferred revenues	-	8,882	-	-	-	-	3,930	12,812
Accounts payable	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>8,882</b>	<b>25,136</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,035</b>	<b>51,053</b>
<b>FUND BALANCE</b>								
Reserved for retirement of long-term debt	-	-	-	-	-	870,922	-	870,922
Reserved for inventory	-	-	-	-	-	-	2,779	2,779
Reserved for capital outlay	-	-	-	2,179,012	-	-	-	2,179,012
Unreserved:								
Designated for subsequent years expenditures	-	-	-	-	-	-	-	-
Undesignated, reported in:								
General Fund	262,579	-	-	-	-	-	-	262,579
Special Revenue Funds	-	-	-	-	-	-	21,486	21,486
Capital Projects Fund	-	-	-	-	195,933	-	-	195,933
<b>Total fund balance</b>	<b>262,579</b>	<b>-</b>	<b>-</b>	<b>2,179,012</b>	<b>195,933</b>	<b>870,922</b>	<b>24,265</b>	<b>3,532,711</b>
<b>Total liabilities and fund balance</b>	<b>\$ 262,579</b>	<b>\$ 8,882</b>	<b>\$ 25,136</b>	<b>\$2,179,012</b>	<b>\$ 195,933</b>	<b>\$ 870,922</b>	<b>\$ 41,300</b>	<b>\$ 3,583,764</b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Reconciliation of the Balance Sheet - Government Funds  
 to the Statement of Net Assets  
 June 30, 2008

Statement 4

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

Total fund balances - governmental funds		\$ 3,532,711
--	--	--------------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	14,550,302	
Accumulated depreciation	(3,315,564)	
Net capital assets		11,234,738

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Bonds payable	(6,535,000)	
Bond issue costs	96,894	
Accumulated amortization	(42,666)	
Accrued interest on bonds	(285,505)	
		(6,766,277)

Total net assets - governmental funds		\$ 8,001,172
---------------------------------------	--	--------------

See accompanying notes to financial statements.

CLOUDCROFT MUNICIPAL SCHOOLS  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - All Governmental Funds  
Year Ended June 30, 2008

Statement 5

	General	Technology for Education	Student Support Program	Bond Building	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>REVENUES</b>								
Taxes	\$ 35,419	\$ -	\$ -	\$ -	\$ 261,168	\$ 879,413	\$ -	\$ 1,176,000
Charges for services	2,399	-	-	-	-	-	59,686	62,085
Local sources	14,300	-	-	-	-	-	14,231	28,531
State sources	4,734,680	8,536	30,508	-	-	-	446,125	5,219,849
Federal sources	5,577	-	-	-	37,500	-	155,338	198,415
Earnings from investments	3,967	-	-	48,925	585	7,884	70	61,431
<b>Total revenues</b>	<b>4,796,342</b>	<b>8,536</b>	<b>30,508</b>	<b>48,925</b>	<b>299,253</b>	<b>887,297</b>	<b>675,450</b>	<b>6,746,311</b>
<b>EXPENDITURES</b>								
<b>Current:</b>								
Direct instruction	2,537,443	-	-	-	-	-	101,603	2,639,046
Instructional support	2,258,708	9,087	30,508	-	-	-	19,499	2,317,802
Food services	23,628	-	-	-	-	-	141,752	165,380
Capital outlay	-	-	-	428,082	263,863	-	440,351	1,132,296
<b>Debt service:</b>								
Bonds	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	87,577	-	87,577
<b>Total expenditures</b>	<b>4,819,779</b>	<b>9,087</b>	<b>30,508</b>	<b>428,082</b>	<b>263,863</b>	<b>87,577</b>	<b>703,205</b>	<b>6,342,101</b>
<b>Excess (deficiency) of</b>								
revenues over expenditures	(23,437)	(551)	-	(379,157)	35,390	-	(27,755)	(395,510)
<b>OTHER FINANCING SOURCES</b>								
Sale of bonds	-	-	-	2,500,000	-	-	-	2,500,000
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>
<b>Net change in fund balances</b>	<b>(23,437)</b>	<b>(551)</b>	<b>-</b>	<b>2,120,843</b>	<b>35,390</b>	<b>799,720</b>	<b>(27,755)</b>	<b>2,904,210</b>
<b>Fund balance beginning of year</b>	<b>286,016</b>	<b>551</b>	<b>-</b>	<b>58,169</b>	<b>160,543</b>	<b>71,202</b>	<b>96,272</b>	<b>672,753</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,252)</b>	<b>(44,252)</b>
<b>Fund balance beginning of year-restated</b>	<b>286,016</b>	<b>551</b>	<b>-</b>	<b>58,169</b>	<b>160,543</b>	<b>71,202</b>	<b>52,020</b>	<b>628,501</b>
<b>Fund balance end of year</b>	<b>\$ 262,579</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,179,012</b>	<b>\$ 195,933</b>	<b>\$ 870,922</b>	<b>\$ 24,265</b>	<b>\$ 3,532,711</b>

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2008

Statement 6

Total net change in fund balances - governmental funds \$ 2,904,210

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

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

Capital outlays	868,806	
Depreciation expense	(391,510)	
Excess of capital outlay over depreciation expense		477,296

In the Statement of Activities, certain operating  
 expenses - accrued interest payable and compensated  
 absences are measured by the amount incurred during the year.  
 In the fund financial statements, however, expenditures are  
 measured by the amount of financial resources used  
 (essentially the amounts actually paid). The (increases)  
 decreases in the liabilities for the year were:

Accrued interest payable		(206,587)
Deferred portion of property taxes receivable		(70,083)

The issuance of long-term debt (e.g. bonds) provides  
 current financial resources to governmental funds  
 while the repayment of the principal of long-term debt  
 consumes the current financial resources of governmental  
 funds. Also, governmental funds report the effect of  
 issuance costs, premiums and similar items when debt is  
 first issued, whereas these amounts are deferred and  
 amortized in the Statement of Activities.

Proceeds of bond issue	(2,500,000)	
Bond issue costs	(6,460)	
		(2,506,460)

Change in net assets of governmental activities \$ 598,376

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 33,036	\$ 33,036	\$ 35,623	\$ 2,587
Charges for services	500	500	2,399	1,899
Local sources	-	-	14,300	14,300
State sources	4,646,705	4,703,278	4,734,680	31,402
Federal sources	4,384	4,384	5,577	1,193
Earnings from investments	5,500	5,500	3,967	(1,533)
<b>Total revenues</b>	<b><u>\$ 4,690,125</u></b>	<b><u>\$ 4,746,698</u></b>	<b><u>\$ 4,796,546</u></b>	<b><u>\$ 49,848</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 2,605,909	\$ 2,572,867	\$ 2,537,443	\$ 35,424
Instructional support	2,199,079	2,288,694	2,258,708	29,986
Food services	24,661	24,661	23,628	1,033
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 4,829,649</u></b>	<b><u>\$ 4,886,222</u></b>	<b><u>\$ 4,819,779</u></b>	<b><u>\$ 66,443</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 139,524</u></b>	<b><u>\$ 139,524</u></b>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Technology for Education  
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State sources	\$ -	\$ 9,087	\$ 17,418	\$ 8,331
Total revenues	<u>\$ -</u>	<u>\$ 9,087</u>	<u>\$ 17,418</u>	<u>\$ 8,331</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ 9,087	\$ 9,087	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 9,087</u>	<u>\$ 9,087</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Student Support Program  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 34,000	\$ 5,372	\$ (28,628)
Total revenues	<u>\$ -</u>	<u>\$ 34,000</u>	<u>\$ 5,372</u>	<u>\$ (28,628)</u>
EXPENDITURES				
Instructional support	\$ -	\$ 34,000	\$ 30,508	\$ 3,492
Total expenditures	<u>\$ -</u>	<u>\$ 34,000</u>	<u>\$ 30,508</u>	<u>\$ 3,492</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>79,055</u>
Total Assets	<u>\$ 79,055</u>
LIABILITIES	
Deposits held for others	\$ <u>79,055</u>
Total Liabilities	<u>\$ 79,055</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
Notes to Financial Statements  
Year Ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Cloudcroft Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB #'s 34, 37 and 38 effective July 1, 2000. As part of Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

A. Reporting Entity

The Cloudcroft Municipal Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its

## Notes to Financial Statements (continued)

own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

### B. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

#### Governmental Funds

Under the requirements of GASB 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

General Fund - the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Fund - Technology for Education - to account for State funding which is to be used by the District to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities.

Special Revenue Fund - Student Support Program - to account for State funding through the School & Family Support Bureau to 1) use \$10,000 to purchase library books and 2) use \$24,000 to upgrade the Culinary Arts Department to a commercial kitchen.

Capital Projects Fund - Bond Building - to account for the resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings and the purchase of equipment and furnishings.

Notes to Financial Statements (continued)

Capital Projects Fund - Capital Improvements SB-9 - to account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also, to account for resources received from the United States Department of Agriculture, Forest Service for a new waterline.

Debt Service Fund - General Obligation Bonds - to account for resources received for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the School District and levied specifically for this purpose.

Other funds of the School District follow:

Agency Funds - account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School Activity Fund - accounts for assets held by the District as an agent for the individual schools and school organizations.

The District also reports additional Governmental funds as non-major. They include:

Special Revenue Funds - these funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Funds - these funds are used to account for the acquisition of capital assets or construction of major capital projects.

All government-wide financial statements for the School District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Measurement Focus and Basis of Accounting

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.



## Notes to Financial Statements (continued)

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

### **Program Revenues**

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 revenue are reported instead as general revenues.

### **Allocation of Indirect Expenses**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable within a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

### **Fund Financial Statements (FFS)**

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

## Notes to Financial Statements (continued)

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

### REVENUES

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes were not available from the County Treasurers for the current year.

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

### EXPENDITURES

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore not accrued.

### OTHER FINANCING SOURCES (USES)

Transfers between funds are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

### **Fiduciary Funds**

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Notes to Financial Statements (continued)

D. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with accounting principles generally accepted in the United States of America (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on this non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.

Notes to Financial Statements (continued)

6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Maxwell Municipal Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

The District is authorized under the provisions of Chapter 6, Article 10, Paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

2. **Investments**

All money not immediately necessary for the public uses of the District may be invested in:

(a) Bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within the last five years preceding; or

Notes to Financial Statements (continued)

(b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investments.

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool.

**3. Accounts Receivable**

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	<u>\$ 653</u>	<u>\$ 20,964</u>	<u>\$ -</u>	<u>\$ 21,617</u>

**4. Inventories**

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption

method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

## 5. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & building improvements	20 to 50 years
Furniture & equipment	3 to 15 years
Auto/Vehicle	3 to 15 years

GASB Statement 34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets as of June 30, 2008.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

## 6. Deferred Revenues

The District reports deferred revenues on its Statement of Net Assets and fund balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

Notes to Financial Statements (continued)

**7. Compensated Absences**

Qualified employees are entitled to accrue up to 15 days per fiscal year. All earned vacation must be taken by June 30 of each year. Upon termination employees can be paid their accrued vacation leave upon the discretion of the Superintendent.

Sick pay does not vest and is recorded as an expenditure when it is paid.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net assets.

**8. Fund Balances of Fund Financial Statements**

Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The District designates the portion of the year-end fund balance, not otherwise designated or reserved, for subsequent years' expenditures. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

**9. Salaries and Wages**

Pursuant to the instructions contained in the Manual of Procedures for Uniform Accounting and Budgeting for New Mexico School Districts, the School District issues all payroll checks by the end of the fiscal year. Some of these checks are delivered to the employee subsequent to the end of the fiscal year. All of these checks are recorded and included in the financial statements as expenditures and a reduction of cash.

**10. Restricted Net Assets**

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets used are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments.

Imposed by law through constitutional provisions or enabling legislation.

Notes to Financial Statements (continued)

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**11. Inter-fund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

**12. 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 the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**2. DEPOSITORY COLLATERAL**

The following is the Cash on Deposit at each financial institution.

First National Bank	Activity	Checking	\$ 19,023
First National Bank	Debt Service	Checking	245,922
First National Bank	Cafeteria	Checking	16,415
First National Bank	Athletics	Checking	4,204
First National Bank	Payroll		
	Clearing	Checking	146,604
First National Bank	Capital		
	Projects	Checking	401,877
First National Bank	Operational	Checking	<u>231,106</u>
			<b><u>\$1,065,151</u></b>
	New Mexico State Treasurer Investment Pool		<b><u>\$2,661,234</u></b>



Notes to Financial Statements (continued)

Total amount on deposit	\$3,726,385
Outstanding checks	(191,365)
Deposits in transit	17,450
Due from REC	<u>8,966</u>

Total per financial statements **\$3,561,436**

At June 30, 2008, the carrying amount of the School Districts deposits was \$900,202 and the bank balance was \$1,065,151. Of this balance \$100,000 was covered by federal depository insurance and \$965,151 was covered by collateral. The remaining \$0 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30, 2008	\$1,065,151
Less F.D.I.C.	<u>(100,000)</u>
Uninsured Funds	965,151
50% Collateral Requirement	482,576
Pledged Collateral	<u>965,180</u>
Excess of Pledged Collateral	<b><u>\$ 482,604</u></b>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2008, \$965,151 of the School's bank balance of \$1,065,151 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ -
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>965,151</u>

Total **\$ 965,151**

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

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution.

Notes to Financial Statements (continued)

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. The collateral pledged is shown as follows:

<u>Federal Home Loan Bank</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB CUSIP#312967MH2	05-01-2014	\$ 407,239
FHLB CUSIP#36291L4Q5	06-20-2024	477,737
FHLB CUSIP#31390RKU6	10-01-2032	80,204
		<u>\$ 965,180</u>

As of June 30, 2008, the School District had the following cash and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking accounts	<u>1,065,151</u>	Less than 6 months

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

The accounts of the State Treasurers Investment Pool are monitored by the State Treasurers Office and the State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk.

The Local Government Investment Pool does not have unit shares. Per Section 6-10-10, 1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. Participation in the local government investment pool is voluntary.

Notes to Financial Statements (continued)

The credit rating of the investment pool at the New Mexico State Treasurer is as follows:

New MexiGrow LGIP AAAM rated \$2,661,234 24-day WAM

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2008 are as follows:

	Balance July 1, 2007	Additions	Adjustments	Retirements	Balance June 30, 2008
Governmental activities:					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Buildings & building improvements	12,919,119	505,239	-	-	13,424,358
Equipment & vehicles	757,377	363,567	-	-	1,120,944
Total	13,681,496	868,806	-	-	14,550,302
Less accumulated depreciation:					
Buildings & building improvements	2,080,965	274,280	-	-	2,355,245
Equipment & vehicles	843,089	117,230	-	-	960,319
Total	2,924,054	391,510	-	-	3,315,564
Governmental activities Capital assets, net	<u>\$ 10,757,442</u>	<u>\$ 477,296</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,234,738</u>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2008, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Bonds	\$ 4,375,000	\$ 2,500,000	\$ 340,000	\$ 6,535,000	\$ 565,000
Total	<u>\$ 4,375,000</u>	<u>\$ 2,500,000</u>	<u>\$ 340,000</u>	<u>\$ 6,535,000</u>	<u>\$ 565,000</u>

Payments on the general obligation bonds are made by the debt service funds.

B. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The annual requirements to retire general obligation bonds as of June 30, are as follows:

Notes to Financial Statements (continued)

Date of issue - March 1, 2001  
 Original amount - \$4,500,000  
 Interest rate - 4.00% to 5.50%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 250,000	\$ 127,950	\$ 377,950
2010	200,000	118,675	318,675
2011	250,000	109,212	359,212
2012	300,000	97,450	397,450
2013	350,000	83,300	433,300
2014	400,000	66,600	466,600
2015	400,000	48,400	448,400
2016	400,000	29,800	429,800
2017	425,000	10,200	435,200
Total	<u>\$ 2,975,000</u>	<u>\$ 691,587</u>	<u>\$ 3,666,587</u>

Date of issue - August 1, 2002  
 Original amount - \$1,500,000  
 Interest rate - 3.50% to 5.00%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 65,000	\$ 40,778	\$ 105,778
2010	50,000	68,602	88,602
2011	50,000	36,853	86,853
2012	50,000	35,071	85,071
2013	50,000	33,259	83,259
2014	50,000	31,415	81,415
2015	100,000	28,603	128,603
2016	125,000	24,227	149,227
2017	150,000	18,634	168,634
2018	370,000	7,770	377,770
Total	<u>\$ 1,060,000</u>	<u>\$ 295,212</u>	<u>\$ 1,355,212</u>

Date of issue - November 16, 2007  
 Original amount - \$2,500,000  
 Interest rate - 3.650% to 4.350%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 250,000	\$ 116,778	\$ 366,778
2010	345,000	84,981	429,981
2011	125,000	76,374	201,374
2012	100,000	72,240	172,240
2013	100,000	68,540	168,540
2014	100,000	64,790	164,790
2015	25,000	62,419	87,419
2016	25,000	61,446	86,446
2017	50,000	59,953	109,953
2018	200,000	54,870	254,870
2019	600,000	38,010	638,010
2020	580,000	12,615	592,615
Total	<u>\$ 2,500,000</u>	<u>\$ 773,016</u>	<u>\$ 3,273,016</u>
Grand total	<u>\$ 6,535,000</u>	<u>\$ 1,759,815</u>	<u>\$ 8,294,815</u>

Notes to Financial Statements (continued)

B. Operating Leases

The District did not have any operating leases during the fiscal year.

C. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.

5. REVENUES

A. Property Tax Levies

The School District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund and SB-9 Capital Improvement Fund. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after 30 days. Taxes on real property are liens on the property on January 1 of the year for which the taxes are imposed.

B. State Equalization Guarantee

Each school district in the State of New Mexico receives 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 8-25, NMSA 1978) "is at least equal to the school district's program cost."

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual/multi-cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$4,252,389 in state equalization guarantee distributions during the year ended June 30, 2008.

C. Transportation Distribution

Money in the transportation distribution of the public school fund shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Notes to Financial Statements (continued)

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocation education programs are being offered, pursuant to Section 22-16-4.1 (NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$430,894 in transportation distribution during the year ended June 30, 2008.

D. SB-9 State Match

The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District received \$0 in state SB-9 matching during the year ended June 30, 2008.

Notes to Financial Statements (continued)

E. Public School Capital Outlay

Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner.
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

During the year ended June 30, 2008, the District received \$-0- in public school capital outlay funds and \$438,536 in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in

Notes to Financial Statements (continued)

the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2008, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, 2008, the District received \$51,397 in instructional materials allocation.

G. Federal Grants

The District receives revenues from various Federal departments (both direct and indirect) which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Department of Education). The various budgets are approved by the Local School Board and the New Mexico Department of Education.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

6. DEFERRED REVENUE

Deferred revenue represents advances on cost-reimbursement type grants which have not yet been earned.

7. REGION IX EDUCATIONAL COOPERATIVE

Certain special revenue (federal) funds of the district were administered by the Region IX Educational Cooperative in Ruidoso, New Mexico. These funds are audited separately by another IPA. That report may be obtained by writing to: Region IX Educational Cooperative, 1400 Sudderth Dr., Ruidoso, New Mexico 88345.

8. CASH OVERDRAFTS

The cash overdrafts shown in some of the Special Revenue Funds represent expenditures made by the district which will be reimbursed by the grant awards, other state grants, etc.

9. DUE FROM GRANTOR

The amount shown as due from grantor represents federal, state and local expenditures in excess of revenues. Most federal, state or local projects earn revenue as expenditures are incurred and are subsequently reimbursed by the grantor.



Notes to Financial Statements (continued)

10. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Technology for Education</u>	<u>Student Support Program</u>	<u>Bond Building</u>
Revenues per modified accrual basis	\$ 4,796,342	\$ 8,536	\$ 30,508	\$ 48,925
Receivables	204	-	-	-
Deferred revenues/Due from grantor	-	8,882	(25,136)	-
Revenues per budgetary basis	<u>\$ 4,796,546</u>	<u>\$ 17,418</u>	<u>\$ 5,372</u>	<u>\$ 48,925</u>
Expenditures per modified accrual basis	\$ 4,819,779	\$ 9,087	\$ 30,508	\$ 428,082
Inventory changes	-	-	-	-
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 4,819,779</u>	<u>\$ 9,087</u>	<u>\$ 30,508</u>	<u>\$ 428,082</u>
	<u>Capital Improvements SB-9</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>
Revenues per modified accrual basis	\$ 299,253	\$ 887,297	\$ 238,110	\$ 438,536
Receivables	1,144	(2,858)	-	505
Deferred revenues/Due from grantor	-	-	4,776	-
Revenues per budgetary basis	<u>\$ 300,397</u>	<u>\$ 884,439</u>	<u>\$ 242,886</u>	<u>\$ 439,041</u>
Expenditures per modified accrual basis	\$ 263,863	\$ 87,577	\$ 262,854	\$ 440,351
Inventory changes	-	-	199	-
Accounts payable	-	434,701	-	-
Expenditures per budgetary basis	<u>\$ 263,863</u>	<u>\$ 522,278</u>	<u>\$ 263,053</u>	<u>\$ 440,351</u>

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and Workmens Compensation. For these risks of loss, the School District belongs to a public entity risk pool currently operated as a common risk management and insurance program for 89 member School Districts. (New Mexico Public School Insurance Authority). Amounts of settlement have not exceeded insurance coverage in the past three years.

12. RETIREMENT PLAN

*Plan Description.* Substantially all of the Maxwell Municipal Schools 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 (ERA) 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). ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERA, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERA's website at [www.nmerb.org](http://www.nmerb.org).

*Funding Policy.* Plan members are required to contribute 7.825% of their gross salary. Cloudcroft Municipal Schools is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Maxwell Municipal Schools are established in State statute under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Cloudcroft Municipal Schools contributions to ERA for the years ending June 30, 2008, 2007 and 2006 were \$324,024, \$220,067 and \$246,475 respectively, which equals the amount of the required contributions for each fiscal year.

13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

*Plan Description.* Cloudcroft Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

Notes to Financial Statements (continued)

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and 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 01/01/98 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.

Cloudcroft Municipal Schools contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$38,645, \$36,912 and \$41,901, respectively, which equal the required contributions for each year.

14. RESTATEMENT - FUND BALANCES

The School District is reporting a prior period adjustment. This adjustment is for a receivable in 2007 that was actually received. The receivable was posted in the Public School Capital Outlay Fund for \$44,252.

15. RESTATEMENT - STATEMENT OF ACTIVITIES

In the Statement of Activities there is a restatement from the prior year's audit for \$94,700 due to an error posting bond interest payment as a payable for an amount that was not due within one year. Also, for the \$44,252 shown as a receivable in 2007 as stated in Note 14.

OTHER MAJOR FUNDS  
BUDGETS

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Bond Building  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Earnings from investments	\$ -	\$ -	\$ 48,925	\$ 48,925
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,925</u>	<u>\$ 48,925</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ -	\$ 2,558,169	\$ 428,082	\$ 2,130,087
Total expenditures	<u>\$ -</u>	<u>\$ 2,558,169</u>	<u>\$ 428,082</u>	<u>\$ 2,130,087</u>
<b>OTHER FINANCING SOURCES</b>				
Sale of bonds	\$ -	\$ 2,500,000	\$ 2,500,000	\$ -
Total other financing sources	<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ -</u>	<u>\$ 58,169</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Capital Improvements SB-9  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 237,619	\$ 237,619	\$ 262,312	\$ 24,693
State sources	-	12,073	-	(12,073)
Federal sources	-	-	37,500	37,500
Earnings from investments	500	500	585	85
Total revenues	<u>\$ 238,119</u>	<u>\$ 250,192</u>	<u>\$ 300,397</u>	<u>\$ 50,205</u>
EXPENDITURES				
Capital outlay	\$ 341,921	\$ 353,994	\$ 263,863	\$ 90,131
Total expenditures	<u>\$ 341,921</u>	<u>\$ 353,994</u>	<u>\$ 263,863</u>	<u>\$ 90,131</u>
BUDGETED CASH BALANCE	<u>\$ 103,802</u>	<u>\$ 103,802</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Debt Service Fund  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 522,278	\$ 522,278	\$ 876,555	\$ 354,277
Earnings from investments	-	-	7,884	7,884
<b>Total revenues</b>	<b><u>\$ 522,278</u></b>	<b><u>\$ 522,278</u></b>	<b><u>\$ 884,439</u></b>	<b><u>\$ 362,161</u></b>
<b>EXPENDITURES</b>				
Bonds paid	\$ 340,000	\$ 340,000	\$ 340,000	-
Coupons paid	182,278	182,278	182,278	-
<b>Total expenditures</b>	<b><u>\$ 522,278</u></b>	<b><u>\$ 522,278</u></b>	<b><u>\$ 522,278</u></b>	<b><u>-</u></b>

See accompanying notes to financial statements.

**NON-MAJOR GOVERNMENTAL FUNDS**



STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Governmental Funds  
 Combined Balance Sheet - By Fund Type  
 June 30, 2008

Statement A-1

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash on deposit	\$ 25,416	\$ (505)	\$ 24,911
Taxes receivable	-	-	-
Inventory, at cost	2,779	-	2,779
Due from grantor	<u>13,105</u>	<u>505</u>	<u>13,610</u>
Total assets	<u><b>\$ 41,300</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 41,300</b></u>
<b>LIABILITIES</b>			
Due to other funds	\$ 13,105	\$ -	\$ 13,105
Deferred revenues	<u>3,930</u>	<u>-</u>	<u>3,930</u>
Total liabilities	<u>17,035</u>	<u>-</u>	<u>17,035</u>
<b>FUND BALANCE</b>			
Reserved for inventory	2,779	-	2,779
Unreserved: Designated for subsequent years expenditures	<u>21,486</u>	<u>-</u>	<u>21,486</u>
Total fund balance	<u>24,265</u>	<u>-</u>	<u>24,265</u>
Total liabilities and fund balance	<u><b>\$ 41,300</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 41,300</b></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Governmental Funds  
 Combined Statement of Revenues, Expenditures and Changes in  
 Fund Balances - By Fund Type  
 Year Ended June 30, 2008

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	59,686	-	59,686
Local sources	14,231	-	14,231
State sources	7,084	439,041	446,125
Federal sources	155,338	-	155,338
Earnings from investments	70	-	70
	<u>236,409</u>	<u>439,041</u>	<u>675,450</u>
EXPENDITURES			
Current:			
Direct instruction	101,603	-	101,603
Instructional support	19,499	-	19,499
Food services	141,752	-	141,752
Capital outlay	-	440,351	440,351
	<u>262,854</u>	<u>440,351</u>	<u>703,205</u>
Net change in fund balances	(26,445)	(1,310)	(27,755)
Fund balance beginning of year	<u>50,710</u>	<u>45,562</u>	<u>96,272</u>
Prior period adjustment	-	(44,252)	(44,252)
Fund balance beginning of year - restated	<u>50,710</u>	<u>1,310</u>	<u>52,020</u>
Fund balance end of year	<u>\$ 24,265</u>	<u>\$ -</u>	<u>\$ 24,265</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Combined Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Governmental Fund Types - Non-Major  
 Special Revenue Funds  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 66,000	\$ 66,000	\$ 59,666	\$ (6,334)
Local sources	14,295	14,295	14,853	558
State sources	-	19,581	9,391	(10,190)
Federal sources	145,353	181,175	156,954	(24,221)
Earnings from investments	100	100	70	(30)
Total revenues	<u>\$ 225,748</u>	<u>\$ 281,151</u>	<u>\$ 240,934</u>	<u>\$ (40,217)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 94,741	\$ 135,592	\$ 101,603	\$ 33,989
Instructional support	14,295	28,847	19,499	9,348
Food services	147,906	147,906	141,951	5,955
Total expenditures	<u>\$ 256,942</u>	<u>\$ 312,345</u>	<u>\$ 263,053</u>	<u>\$ 49,292</u>
BUDGETED CASH BALANCE	<u>\$ 31,194</u>	<u>\$ 31,194</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Combined Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Governmental Fund Types - Non-Major  
 Capital Projects Funds  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
State sources	515,000	740,850	438,536	(302,314)
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 515,000</u></b>	<b><u>\$ 740,850</u></b>	<b><u>\$ 438,536</u></b>	<b><u>\$ (302,314)</u></b>
<b>EXPENDITURES</b>				
Capital outlay	\$ 543,622	\$ 742,160	\$ 440,351	\$ 301,809
<b>Total expenditures</b>	<b><u>\$ 543,622</u></b>	<b><u>\$ 742,160</u></b>	<b><u>\$ 440,351</u></b>	<b><u>\$ 301,809</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 28,622</u></b>	<b><u>\$ 1,310</u></b>		

See accompanying notes to financial statements.

## NON-MAJOR SPECIAL REVENUE FUNDS

**ALL FUNDS** - All funds were created by the State Department of Education.

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

**INNOVATIVE EDUCATION PROGRAM STRATEGIES** - To account for grant funds to help combat illiteracy among children through a reading program. Also, through the acquisition and use of instructional materials. Financing and authority is provided by Elementary and Secondary Education Act of 1965, Title VI, as amended, 20 U.S.C. 7301-7373.

**REAP (RURAL EDUCATIONAL ACHIEVEMENT PROGRAM)** - To account for monies received to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning. Financing and authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by Public Law 107-110.

**HUBBARD FOUNDATION** - To account for monies received from the R.D. and Joan Dale Hubbard Foundation for the Quality of Life Program.

**SPECTRUM LEASING** - To account for monies received from Spectrum Leasing to pay for Xerox (copier) leases.

**CENTER FOR TEACHING EXCELLENCE** - To account for monies received to provide assistance to schools that develop a plan to help in earning the "Healthier Schools - New Mexico" status. Physical education and activity components are required.

**CATCH PROGRAM (COORDINATED APPROACH TO CHILD HEALTH)** - To account for monies received from the State Department of Education for the purpose of providing physical education classes and equipment to enable students to learn how to lead more active lifestyles.

**SCHOOL IMPROVEMENT FRAMEWORK** - To account for resources received from the Public Education Department to provide for library acquisitions because Cloudcroft School District was declared a "Quality School District".

(Non-Major Special Revenue Funds - continued)

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

**INCENTIVES FOR SCHOOL IMPROVEMENTS ACT** - To account for monies received to be used as determined by the school principal and teachers in cooperation with other school employees and the community. It shall not be used for salaries, salary increases or bonuses. Financing and authority is provided by NMSA 22-13A-5.

**SPECIAL LIBRARY PROGRAM** - To account for resources received from SB301, Laws 2006, to be used to improve the library, acquire library books or library resources that support the library program.

**GO BOND LIBRARY** - To account for monies received from the SB301, Laws of 2006 to be used to improve the library, acquire library books or library resources that support the library program.

**ATHLETICS FUND** - This fund provides financing for school athletic activities. Funding is provided by fees from patrons. Fund is authorized by 6-20-2 NMAC.

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

STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2008

	Title I	Innovative Education Program Strategies	REAP	Hubbard Foundation	Spectrum Leasing	Center for Teaching Excellence	CATCH Program	School Improvement Framework
<b>ASSETS</b>								
Cash on deposit	\$ -	\$ -	\$ -	\$ 43	\$ 622	\$ -	\$ 83	\$ -
Inventory, at cost	-	-	-	-	-	-	-	-
Due from grantor	<u>4,269</u>	<u>3,261</u>	<u>2,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>625</u>
<b>Total assets</b>	<b><u>\$ 4,269</u></b>	<b><u>\$ 3,261</u></b>	<b><u>\$ 2,998</u></b>	<b><u>\$ 43</u></b>	<b><u>\$ 622</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 83</u></b>	<b><u>\$ 625</u></b>
<b>LIABILITIES</b>								
Due to other funds	\$ 4,269	\$ 3,261	\$ 2,998	\$ -	\$ -	\$ -	\$ -	\$ 625
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>622</u>	<u>-</u>	<u>83</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>4,269</u></b>	<b><u>3,261</u></b>	<b><u>2,998</u></b>	<b><u>-</u></b>	<b><u>622</u></b>	<b><u>-</u></b>	<b><u>83</u></b>	<b><u>625</u></b>
<b>FUND BALANCES</b>								
Reserved for inventory	-	-	-	-	-	-	-	-
Unreserved:								
Designated for subsequent year's expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>43</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 4,269</u></b>	<b><u>\$ 3,261</u></b>	<b><u>\$ 2,998</u></b>	<b><u>\$ 43</u></b>	<b><u>\$ 622</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 83</u></b>	<b><u>\$ 625</u></b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2008

	Beginning Teacher Mentoring	Incentives for School Improvement	Special Library Program	GO Bond Library	Athletics	Cafeteria	Totals
<b>ASSETS</b>							
Cash on deposit	\$ 629	\$ 3,387	\$ -	\$ 146	\$ 3,593	\$ 16,913	\$ 25,416
Inventory, at cost	-	-	-	-	-	2,779	2,779
Due from grantor	-	-	1,952	-	-	-	13,105
<b>Total assets</b>	<b>\$ 629</b>	<b>\$ 3,387</b>	<b>\$ 1,952</b>	<b>\$ 146</b>	<b>\$ 3,593</b>	<b>\$ 19,692</b>	<b>\$ 41,300</b>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ -	\$ 1,952	\$ -	\$ -	\$ -	\$ 13,105
Deferred revenue	629	2,450	-	146	-	-	3,930
<b>Total liabilities</b>	<b>629</b>	<b>2,450</b>	<b>1,952</b>	<b>146</b>	<b>-</b>	<b>-</b>	<b>17,035</b>
<b>FUND BALANCES</b>							
Reserved for inventory	-	-	-	-	-	2,779	2,779
Unreserved:							
Designated for subsequent year's expenditures	-	937	-	-	3,593	16,913	21,486
<b>Total fund balance</b>	<b>-</b>	<b>937</b>	<b>-</b>	<b>-</b>	<b>3,593</b>	<b>19,692</b>	<b>24,265</b>
<b>Total liabilities and fund balances</b>	<b>\$ 629</b>	<b>\$ 3,387</b>	<b>\$ 1,952</b>	<b>\$ 146</b>	<b>\$ 3,593</b>	<b>\$ 19,692</b>	<b>\$ 41,300</b>

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2008

	Title I	Innovative Education Program Strategies	REAP	Hubbard Foundation	Spectrum Leasing	Center for Teaching Excellence	CATCH Program	School Improvement Framework
<b>REVENUES</b>								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	13,673	-	-	-
State sources	-	-	-	-	-	2,816	1,017	1,000
Federal sources	50,164	3,572	21,885	-	-	-	-	-
Earnings from investments	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>50,164</u>	<u>3,572</u>	<u>21,885</u>	<u>-</u>	<u>13,673</u>	<u>2,816</u>	<u>1,017</u>	<u>1,000</u>
<b>EXPENDITURES</b>								
Direct instruction	50,164	3,572	21,885	-	-	2,816	1,099	-
Instructional support	-	-	-	-	13,673	-	-	1,000
Food service	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>50,164</u>	<u>3,572</u>	<u>21,885</u>	<u>-</u>	<u>13,673</u>	<u>2,816</u>	<u>1,099</u>	<u>1,000</u>
Net change in fund balance	-	-	-	-	-	-	(82)	-
Fund balance at beginning of year	-	-	-	43	-	-	82	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CLOUDCROFT MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2008

	Beginning Teacher Mentoring	Incentives for School Improvement	Special Library Program	GO Bond Library	Athletics	Cafeteria	Totals
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 17,494	\$ 42,192	\$ 59,686
Local sources	-	-	-	-	558	-	14,231
State sources	299	-	1,952	-	-	-	7,084
Federal sources	-	-	-	-	-	79,717	155,338
Earnings from investments	-	-	-	-	-	70	70
<b>Total revenues</b>	<b>299</b>	<b>-</b>	<b>1,952</b>	<b>-</b>	<b>18,052</b>	<b>121,979</b>	<b>236,409</b>
<b>EXPENDITURES</b>							
Direct instruction	299	-	-	-	21,768	-	101,603
Instructional support	-	2,874	1,952	-	-	-	19,499
Food service	-	-	-	-	-	141,752	141,752
<b>Total expenditures</b>	<b>299</b>	<b>2,874</b>	<b>1,952</b>	<b>-</b>	<b>21,768</b>	<b>141,752</b>	<b>262,854</b>
Net change in fund balance	-	(2,874)	-	-	(3,716)	(19,773)	(26,445)
Fund balance at beginning of year	-	3,811	-	-	7,309	39,465	50,710
Fund balance at end of year	\$ -	\$ 937	\$ -	\$ -	\$ 3,593	\$ 19,692	\$ 24,265

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Title I  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 52,159	\$ 53,652	\$ 50,984	\$ (2,668)
Total revenues	<u>\$ 52,159</u>	<u>\$ 53,652</u>	<u>\$ 50,984</u>	<u>\$ (2,668)</u>
EXPENDITURES				
Direct instruction	\$ 52,159	\$ 53,652	\$ 50,164	\$ 3,488
Total expenditures	<u>\$ 52,159</u>	<u>\$ 53,652</u>	<u>\$ 50,164</u>	<u>\$ 3,488</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Innovative Education Program Strategies  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 3,505	\$ 4,165	\$ 311	\$ (3,854)
Total revenues	<u>\$ 3,505</u>	<u>\$ 4,165</u>	<u>\$ 311</u>	<u>\$ (3,854)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 3,505	\$ 4,165	\$ 3,572	\$ 593
Total expenditures	<u>\$ 3,505</u>	<u>\$ 4,165</u>	<u>\$ 3,572</u>	<u>\$ 593</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - REAP  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 13,389	\$ 47,058	\$ 18,732	\$ (28,326)
Total revenues	<u>\$ 13,389</u>	<u>\$ 47,058</u>	<u>\$ 18,732</u>	<u>\$ (28,326)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 13,389	\$ 47,058	\$ 21,885	\$ 25,173
Total expenditures	<u>\$ 13,389</u>	<u>\$ 47,058</u>	<u>\$ 21,885</u>	<u>\$ 25,173</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Hubbard Foundation  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Spectrum Leasing  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ 14,295	\$ 14,295	\$ 14,295	\$ -
Total revenues	<u>\$ 14,295</u>	<u>\$ 14,295</u>	<u>\$ 14,295</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Instructional support	\$ 14,295	\$ 14,295	\$ 13,673	\$ 622
Total expenditures	<u>\$ 14,295</u>	<u>\$ 14,295</u>	<u>\$ 13,673</u>	<u>\$ 622</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Center for Teaching Excellence  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 3,000	\$ 2,816	\$ (184)
Total revenues	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 2,816</u>	<u>\$ (184)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 3,000	\$ 2,816	\$ 184
Total expenditures	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 2,816</u>	<u>\$ 184</u>

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - CATCH Program  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 1,100	\$ 1,100	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 1,100	\$ 1,099	\$ 1
Total expenditures	<u>\$ -</u>	<u>\$ 1,100</u>	<u>\$ 1,099</u>	<u>\$ 1</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - School Improvement Framework  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 1,000	\$ 375	\$ (625)
Total revenues	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 375</u>	<u>\$ (625)</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ 1,000	\$ 1,000	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Beginning Teacher Mentoring  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 929	\$ 929	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 929</u>	<u>\$ 929</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 929	\$ 299	\$ 630
Total expenditures	<u>\$ -</u>	<u>\$ 929</u>	<u>\$ 299</u>	<u>\$ 630</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Incentives for School Improvements  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 3,810	\$ 2,450	\$ (1,360)
Total revenues	<u>\$ -</u>	<u>\$ 3,810</u>	<u>\$ 2,450</u>	<u>\$ (1,360)</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ 3,810	\$ 2,874	\$ 936
Total expenditures	<u>\$ -</u>	<u>\$ 3,810</u>	<u>\$ 2,874</u>	<u>\$ 936</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Special Library Program  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 9,742	\$ -	\$ (9,742)
Total revenues	<u>\$ -</u>	<u>\$ 9,742</u>	<u>\$ -</u>	<u>\$ (9,742)</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ 9,742	\$ 1,952	\$ 7,790
Total expenditures	<u>\$ -</u>	<u>\$ 9,742</u>	<u>\$ 1,952</u>	<u>\$ 7,790</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - GO Bond Library  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ 1,721	\$ 1,721
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,721</u>	<u>\$ 1,721</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Athletics  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 20,000	\$ 20,000	\$ 17,474	\$ (2,526)
Local sources	-	-	558	558
 Total revenues	 <u>\$ 20,000</u>	 <u>\$ 20,000</u>	 <u>\$ 18,032</u>	 <u>\$ (1,968)</u>
 <b>EXPENDITURES</b>				
Direct instruction	\$ 25,688	\$ 25,688	\$ 21,768	\$ 3,920
 Total expenditures	 <u>\$ 25,688</u>	 <u>\$ 25,688</u>	 <u>\$ 21,768</u>	 <u>\$ 3,920</u>
 <b>BUDGETED CASH BALANCE</b>	 <u>\$ 5,688</u>	 <u>\$ 5,688</u>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Cafeteria  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 46,000	\$ 46,000	\$ 42,192	\$ (3,808)
Federal sources	76,300	76,300	86,927	10,627
Earnings from investments	<u>100</u>	<u>100</u>	<u>70</u>	<u>(30)</u>
Total revenues	<u><b>\$ 122,400</b></u>	<u><b>\$ 122,400</b></u>	<u><b>\$ 129,189</b></u>	<u><b>\$ 6,789</b></u>
<b>EXPENDITURES</b>				
Food service	\$ 147,906	\$ 147,906	\$ 141,951	\$ 5,955
Total expenditures	<u><b>\$ 147,906</b></u>	<u><b>\$ 147,906</b></u>	<u><b>\$ 141,951</b></u>	<u><b>\$ 5,955</b></u>
<b>BUDGETED CASH BALANCE</b>	<u><b>\$ 25,506</b></u>	<u><b>\$ 25,506</b></u>		

See accompanying notes to financial statements.



**NON-MAJOR CAPITAL PROJECTS FUND**

**SPECIAL CAPITAL OUTLAY - STATE** - To account for resources received from the New Mexico General Fund, SB-827, Chapter 42, Section 55, Paragraph 386, Laws of 2007 in the amount of \$20,000 to purchase track equipment. The New Mexico State General Fund, Paragraph 385 in the amount of \$54,000 to purchase and install bleachers for the Middle School. The New Mexico State General Fund, Paragraph 382 in the amount of \$86,000 to purchase and install bleachers for the High School. The New Mexico State General Fund, Paragraph 381 in the amount of \$60,000 to purchase and install playground equipment at the Elementary School. The New Mexico State General Fund, Paragraph 387 in the amount of \$40,000 to purchase a vehicle. And, \$100,000 in Severance Tax Bonds HB-885, Year 2005 for the construction of the track.

**PUBLIC SCHOOL CAPITAL OUTLAY** - To account for resources received from earmarking 20% of local cash balances (Operational) for the purpose of building, remodeling, and equipping classroom facilities.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Capital Projects Fund  
 Combining Balance Sheet  
 June 30, 2008

	Special Capital Outlay State	Public School Capital Outlay	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash on deposit	\$ (505)	\$ -	\$ (505)
Taxes receivable	-	-	-
Accounts receivable	<u>505</u>	<u>-</u>	<u>505</u>
 Total assets	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
<b>FUND BALANCE</b>			
Unreserved:			
Undesignated	\$ -	\$ -	\$ -
Designated for subsequent year's expenditures	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Capital Projects Fund  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2008

	Special Capital Outlay State	Public School Capital Outlay	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Local sources	-	-	-
State sources	439,041	-	439,041
Earnings from investments	-	-	-
<b>Total revenues</b>	<u>439,041</u>	<u>-</u>	<u>439,041</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>439,041</u>	<u>1,310</u>	<u>440,351</u>
<b>Total expenditures</b>	<u>439,041</u>	<u>1,310</u>	<u>440,351</u>
Net change in fund balances	-	(1,310)	(1,310)
Fund balance at beginning of year	<u>-</u>	<u>45,562</u>	<u>45,562</u>
Prior period adjustment	-	(44,252)	(44,252)
Fund balance beginning of year - restated	<u>-</u>	<u>1,310</u>	<u>1,310</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Capital Projects Fund - Special Capital Outlay State  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State sources	\$ 515,000	\$ 740,850	\$ 438,536	\$ (302,314)
Total revenues	<u>\$ 515,000</u>	<u>\$ 740,850</u>	<u>\$ 438,536</u>	<u>\$ (302,314)</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ 515,000	\$ 740,850	\$ 439,041	\$ 301,809
Total expenditures	<u>\$ 515,000</u>	<u>\$ 740,850</u>	<u>\$ 439,041</u>	<u>\$ 301,809</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Non-Major Capital Projects Fund - Public School Capital Outlay  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ 28,622	\$ 1,310	\$ 1,310	\$ -
Total expenditures	<u>\$ 28,622</u>	<u>\$ 1,310</u>	<u>\$ 1,310</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 28,622</u>	<u>\$ 1,310</u>		

See accompanying notes to financial statements.

**GENERAL FUND**

**OPERATIONAL FUND** - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

**TRANSPORTATION FUND** - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

**INSTRUCTIONAL MATERIALS FUND** - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Combining Balance Sheet  
 General Fund  
 June 30, 2008

	<u>Operational</u>	<u>Transporation</u>	<u>Instructional Materials</u>	<u>Total</u>
<b>ASSETS</b>				
Cash on deposit	\$ 255,865	\$ -	\$ 6,061	\$ 261,926
Accounts receivable, collectible	<u>653</u>	<u>-</u>	<u>-</u>	<u>653</u>
 Total assets	 <u><b>\$ 256,518</b></u>	 <u><b>\$ -</b></u>	 <u><b>\$ 6,061</b></u>	 <u><b>\$ 262,579</b></u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
 Total liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
<b>FUND BALANCES</b>				
Unreserved:				
Designated for subsequent year's expenditures	<u>256,518</u>	<u>-</u>	<u>6,061</u>	<u>262,579</u>
 Total fund balance	 <u>256,518</u>	 <u>-</u>	 <u>6,061</u>	 <u>262,579</u>
 Total liabilities and fund balance	 <u><b>\$ 256,518</b></u>	 <u><b>\$ -</b></u>	 <u><b>\$ 6,061</b></u>	 <u><b>\$ 262,579</b></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 General Fund  
 Year Ended June 30, 2008

	Operational	Transporation	Instructional Materials	Total
<b>REVENUES</b>				
Taxes	\$ 35,419	\$ -	\$ -	\$ 35,419
Charges for services	2,399	-	-	2,399
Local sources	14,300	-	-	14,300
State sources	4,252,389	430,894	51,397	4,734,680
Federal sources	5,577	-	-	5,577
Earnings from investments	3,967	-	-	3,967
	<u>4,314,051</u>	<u>430,894</u>	<u>51,397</u>	<u>4,796,342</u>
<b>EXPENDITURES</b>				
Direct instruction	2,492,844	-	44,599	2,537,443
Instructional support	1,824,018	430,894	3,796	2,258,708
Food service	23,628	-	-	23,628
	<u>4,340,490</u>	<u>430,894</u>	<u>48,395</u>	<u>4,819,779</u>
Net changae in fund balance	(26,439)	-	3,002	(23,437)
Fund balance at beginning of year	<u>282,957</u>	<u>-</u>	<u>3,059</u>	<u>286,016</u>
Fund balance at end of year	<u>\$ 256,518</u>	<u>\$ -</u>	<u>\$ 6,061</u>	<u>\$ 262,579</u>

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 General Fund - Operational Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 33,036	\$ 33,036	\$ 35,623	\$ 2,587
Charges for services	500	500	2,399	1,899
Local sources	-	-	14,300	14,300
State sources	4,221,429	4,221,429	4,252,389	30,960
Federal sources	4,384	4,384	5,577	1,193
Earnings from investments	5,500	5,500	3,967	(1,533)
<b>Total revenues</b>	<b><u>\$ 4,264,849</u></b>	<b><u>\$ 4,264,849</u></b>	<b><u>\$ 4,314,255</u></b>	<b><u>\$ 49,406</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 2,565,208	\$ 2,525,708	\$ 2,492,844	\$ 32,864
Instructional support	1,814,504	1,854,004	1,824,018	29,986
Food services	24,661	24,661	23,628	1,033
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 4,404,373</u></b>	<b><u>\$ 4,404,373</u></b>	<b><u>\$ 4,340,490</u></b>	<b><u>\$ 63,883</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 139,524</u></b>	<b><u>\$ 139,524</u></b>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 General Fund - Transportation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	380,989	430,894	430,894	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 380,989</u></b>	<b><u>\$ 430,894</u></b>	<b><u>\$ 430,894</u></b>	<b><u>\$ -</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	380,989	430,894	430,894	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 380,989</u></b>	<b><u>\$ 430,894</u></b>	<b><u>\$ 430,894</u></b>	<b><u>\$ -</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 General Fund - Instructional Materials Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	44,287	50,955	51,397	442
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 44,287</u></b>	<b><u>\$ 50,955</u></b>	<b><u>\$ 51,397</u></b>	<b><u>\$ 442</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 40,701	\$ 47,159	\$ 44,599	\$ 2,560
Instructional support	3,586	3,796	3,796	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 44,287</u></b>	<b><u>\$ 50,955</u></b>	<b><u>\$ 48,395</u></b>	<b><u>\$ 2,560</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

See accompanying notes to financial statements.

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Schedule of Changes in Assets  
 and Liabilities - All Agency Funds  
 Year Ended June 30, 2008

	Balances June 30, 2006	Additions	Deletions	Balances June 30, 2007
<b>ASSETS</b>				
Cash and cash equivalent	\$ 78,619	\$ 139,728	\$ 139,292	\$ 79,055
Total assets	<u>\$ 78,619</u>	<u>\$ 139,728</u>	<u>\$ 139,292</u>	<u>\$ 79,055</u>
<b>LIABILITIES</b>				
Deposits held for others:				
District wide	\$ 23,184	\$ 67,431	\$ 58,731	\$ 31,884
High school	26,633	45,861	36,848	35,646
Mid-school	6,147	17,178	17,770	5,555
Elementary	<u>22,655</u>	<u>9,258</u>	<u>25,943</u>	<u>5,970</u>
Total liabilities	<u>\$ 78,619</u>	<u>\$ 139,728</u>	<u>\$ 139,292</u>	<u>\$ 79,055</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOLLS  
 Schedule of Cash Receipts and  
 Disbursements - All Funds by  
 School District Classification  
 Year Ended June 30, 2008

	Operational	Transportation	Instructional Materials	Food Services	Athletics	Non- Instructional	Federal Projects
Cash balance, June 30, 2007	\$ 267,788	\$ -	\$ 3,059	\$ 29,675	\$ 7,309	\$ 78,619	\$ (4,934)
Cash receipts, 2007-2008	4,314,255	430,894	51,397	129,189	18,052	139,728	70,027
Amount received from other funds	14,312	-	-	-	-	-	\$ -
Cash disbursements, 2007-2008	<u>(4,340,490)</u>	<u>(430,894)</u>	<u>(48,395)</u>	<u>(141,951)</u>	<u>(21,768)</u>	<u>(139,292)</u>	<u>(75,621)</u>
Cash balance, June 30, 2008	<u>\$ 255,865</u>	<u>\$ -</u>	<u>\$ 6,061</u>	<u>\$ 16,913</u>	<u>\$ 3,593</u>	<u>\$ 79,055</u>	<u>\$ (10,528)</u>
		Local/ State	Bond Building	Special Capital Outlay State	Capital Improvements SB-9	Public School Capital Outlay	Debt Service
Cash balance, June 30, 2007		\$ 2,911	\$ 58,169	\$ -	\$ 154,581	\$ 1,310	\$ 492,615
Cash receipts, 2007-2008		46,476	2,548,925	438,536	300,397	-	884,439
Amount received from other funds		-	-	-	-	-	-
Cash disbursements, 2007-2008		<u>(63,308)</u>	<u>(428,082)</u>	<u>(439,041)</u>	<u>(263,863)</u>	<u>(1,310)</u>	<u>(522,278)</u>
Cash balance, June 30, 2008		<u>\$ (13,921)</u>	<u>\$ 2,179,012</u>	<u>\$ (505)</u>	<u>\$ 191,115</u>	<u>\$ -</u>	<u>\$ 854,776</u>

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Schedule of Budgetary Basis  
 To GAAP Basis Reconciliation  
 Non-Major Funds  
 Year Ended June 30, 2008

	Title I	Innovative Education Program Strategies	REAP	Hubbard Foundation	Spectrum Leasing	Center for Teaching Excellence	CATCH Program	School Improvement Framework	Beginning Teacher Mentoring
Revenues per modified									
accrual basis	\$ 50,164	\$ 3,572	\$ 21,885	\$ -	\$ 13,673	\$ 2,816	\$ 1,017	\$ 1,000	\$ 299
Receivables	-	-	-	-	-	-	-	-	-
Deferred revenue/Due from grantor	820	(3,261)	(3,153)	-	622	-	83	(625)	630
Revenues per budgetary basis	<u>\$ 50,984</u>	<u>\$ 311</u>	<u>\$ 18,732</u>	<u>\$ -</u>	<u>\$ 14,295</u>	<u>\$ 2,816</u>	<u>\$ 1,100</u>	<u>\$ 375</u>	<u>\$ 929</u>
Expenditures per modified									
accrual basis	\$ 50,164	\$ 3,572	\$ 21,885	\$ -	\$ 13,673	\$ 2,816	\$ 1,099	\$ 1,000	\$ 299
Inventory changes	-	-	-	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-
Expenditures per budgetary basis	<u>\$ 50,164</u>	<u>\$ 3,572</u>	<u>\$ 21,885</u>	<u>\$ -</u>	<u>\$ 13,673</u>	<u>\$ 2,816</u>	<u>\$ 1,099</u>	<u>\$ 1,000</u>	<u>\$ 299</u>

STATE OF NEW MEXICO  
 CLOUDCROFT MUNICIPAL SCHOOLS  
 Schedule of Budgetary Basis  
 To GAAP Basis Reconciliation  
 Non-Major Funds  
 Year Ended June 30, 2008

	Incentives for School Improvements	Special Library Program	GO Bond Library	Athletics	Cafeteria	Total	Special Capital Outlay State	Public School Capital Outlay	Total
Revenues per modified accrual basis	\$ -	\$ 1,952	\$ 1,721	\$ 18,032	\$ 121,979	\$ 238,110	\$ 438,536	\$ -	\$ 438,536
Receivables	-	-	-	-	-	-	505	-	505
Deferred revenue/Due from grantor	2,450	-	-	-	7,210	4,776	-	-	-
Revenues per budgetary basis	<u>\$ 2,450</u>	<u>\$ 1,952</u>	<u>\$ 1,721</u>	<u>\$ 18,032</u>	<u>\$ 129,189</u>	<u>\$ 242,886</u>	<u>\$ 439,041</u>	<u>\$ -</u>	<u>\$ 439,041</u>
Expenditures per modified accrual basis	\$ 2,874	\$ 1,952	\$ -	\$ 21,768	\$ 141,752	\$ 262,854	\$ 439,041	\$ 1,310	\$ 440,351
Inventory changes	-	-	-	-	199	199	-	-	-
Accounts payable	-	-	-	-	-	-	-	-	-
Expenditures per budgetary basis	<u>\$ 2,874</u>	<u>\$ 1,952</u>	<u>\$ -</u>	<u>\$ 21,768</u>	<u>\$ 141,951</u>	<u>\$ 263,053</u>	<u>\$ 439,041</u>	<u>\$ 1,310</u>	<u>\$ 440,351</u>



# *Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

**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**

Mr. Hector T. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Cloudcroft Municipal Schools  
Cloudcroft, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Technology for Education and Student Support Program Funds of Cloudcroft Municipal Schools (the Schools), as of and for the year ended June 30, 2008, and have issued our report thereon dated November 14, 2008. We also have audited the financial statements of each of the Schools' non-major governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Schools 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 Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Schools financial statements that is more than inconsequential will not be prevented or detected by the Schools internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, non-compliance 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 no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings Capital Asset Listing (08-01), Depreciation of Capital Assets (08-02), Contractor/Employee Payments (08-03), Cafeteria Inventory (08-04), Investment Policy (08-05), Receipt Books (08-06), Personnel Policy (08-07), Disbursements (08-08), Depreciation Policy (08-09) and Procurement of Services (08-10).

The Cloudcroft Municipal Schools responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. We did not audit the Cloudcroft Municipal Schools response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Office of the State Auditor, the New Mexico State Legislature and the Public Education Department and is not intended to be used by anyone other than these specified parties.



November 14, 2008

**STATUS OF COMMENTS**

**Prior Year Audit Findings:**

NONE

**Current Year Audit Findings:**

1. Capital Asset Listing (08-01)
2. Depreciation of Capital Assets (08-02)
3. Contractor/Employee Payments (08-03)
4. Cafeteria Inventory (08-04)
5. Investment Policy (08-05)
6. Receipt Books (08-06)
7. Personnel Policy (08-07)
8. Disbursements (08-08)
9. Depreciation Policy (08-09)
10. Procurement of Services (08-10)

Capital Asset Listing  
(08-01)

CONDITION	A complete capital asset listing including current year additions and deletions was not available.
CRITERIA	A complete capital asset listing including current year additions and deletions should be maintained at all times. This is to comply with 1 NMAC 1.2.1.8, NMAC 6.20.2.22 and 12-6-10 NMSA 1978.
CAUSE	The current management has worked on compiling a listing, however, it is still not complete. Management has not given this procedure adequate time to ensure it is completed accurately and timely.
EFFECT	The capital asset records and financial statements could be overstated/understated by not following State Statute.
RECOMMENDATION	The School District should continue to reconcile all capital assets to the prior years audit reports and bring it current.
RESPONSE	The School District disagrees with this comment. The District inputs additions on a monthly basis and deletions as information on disposals is received. Monthly reconciliations are performed. The District plans to complete a physical audit and capital inventory by the end of the 2008-09 school year.
REBUTTAL	The School District states that a physical inventory will be completed in 2008-2009. So this shows that a complete listing of all assets does not exist. The School District still needs to take this finding seriously.

Depreciation of Capital Assets  
(08-02)

CONDITION	The School District has not successfully managed to depreciate their capital assets.
CRITERIA	In accordance with GASB 34 all capital assets must be depreciated in accordance with the entity's policy approved by the School Board.
CAUSE	The School District involved can only provide estimates of depreciation to be charged due to the lack of a depreciation policy.
EFFECT	The financial statements could be misstated.
RECOMMENDATION	The School District needs to approve a depreciation policy so Management can accurately implement that policy.
RESPONSE	The School District disagrees with this comment. The District's capital assets have been depreciated per PED requirements and standards followed by School Districts within the State.
REBUTTAL	The School District states that the assets have been depreciated per PED requirements, however, the School District could not provide an actual depreciation policy mandated by PED that documented the different classes of capital assets and how many years they are to be depreciated. Since this requirement was not available it could not be determined if the depreciation taken was correct or not. The School District still needs to take this finding seriously.

Contractor/Employee Payments  
(08-03)

CONDITION	The School District paid an individual \$9,000 as a "contractor" when the individual should have been paid as an "employee".
CRITERIA	According to Internal Revenue Service Regulations this individual should have been paid as an "employee".
CAUSE	The management of the School District was unclear about Internal Revenue Codes and Regulations.
EFFECT	The School District would be liable for the employees portion of taxes due and the employers portion if audited by the Internal Revenue Service.
RECOMMENDATION	The School District should ensure they properly classify individuals that are hired as either contractors or employees.
RESPONSE	The School District agrees with this comment. The mentioned employee was reclassified and placed on an employment contract as of November 10, 2008.

Cafeteria Inventory  
(08-04)

CONDITION	An inventory of the cafeteria supplies was not performed at the end of the school year.
CRITERIA	According to NMAC 6.20.2.16 an inventory of cafeteria supplies shall be taken at the end of the fiscal year.
CAUSE	The cafeteria director took an inventory each month until May, 2008. However, an inventory was not taken in June, 2008.
EFFECT	Public Education Procedures were not followed.
RECOMMENDATION	Management should ensure that a perpetual inventory be taken.
RESPONSE	The School District disagrees with this comment. One inventory was missing for the 07-08 school year. The cafeteria director has been informed of the importance and requirement for a monthly inventory, per PED and Federal Regulations.
REBUTTAL	The School District agrees above that one inventory was missing for the fiscal year. Because this inventory was missing the School district cannot show that it was actually taken. These inventories need to be kept on file as per PED and Federal Regulations. The School District still needs to take this finding seriously.

Investment Policy  
(08-05)

CONDITION	There was no clear approved investment policy available for the fiscal year ending 2008 on how the interest earned by the Activity bank account will be disbursed..
CRITERIA	An approved investment policy should be available to ensure investments are received and posted correctly.
CAUSE	Prior management of the School District were not aware of this need to ensure investments were reported, posted, and calculated correctly.
EFFECT	Investment income received may not be posted to the correct activity, or calculated correctly (based on the investment policy guidelines).
RECOMMENDATION	The School District should approve an investment policy for the Activities as soon as possible.
RESPONSE	The School District disagrees with this comment. The interest is left in the investment account. The District is not aware of any regulations requiring the interest from the investment account to be moved to the regular bank account on a yearly basis. The District will work on a policy for any future distributions of interest or principal in the investment account.
REBUTTAL	It is clear that the School District does not understand the finding. Moving interest from an investment account to a bank account is not the issue. The issue is which activity will receive and spend the interest earned. The School District needs an investment policy to explain that. The School District still needs to take this finding seriously.



Receipt Books  
(08-06)

CONDITION	The School District does not use receipt books to record all revenues received. Sometimes they are posted by journal entry and sometimes by deposit method.
CRITERIA	According, to NMAC 6.20.2.14 B, "The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured."
CAUSE	Management was not aware of this requirement.
EFFECT	State regulations are not being adhered to.
RECOMMENDATION	Management should implement procedures to ensure receipt books are used for all revenues received.
RESPONSE	The School District disagrees with this comment. The School posts by journal entry for draw request reimbursements that have gone directly to the vendor; the funds did not come to the District. All monies received from students, parents, and all other individuals are receipted in a receipt book, such as lunch charge payments, gate proceeds, lab fees, etc. Revenues such as property taxes are documented by the County letter and posted to Visions as required.
REBUTTAL	The School District is responding to those monies that are receipted correctly. However, as already stated above "all revenues" received are to be receipted in a receipt book that is pre-numbered and used in sequence. The School District has not addressed those revenues. The School District still needs to take this finding seriously.

Personnel Policy

(08-07)

CONDITION	The current personnel policy being used was approved in 2005. In this policy it states that "Vacations shall be taken as approved by the Superintendent". It does not state how vacation pay will be disbursed or accrued at the end of each fiscal year. The practice has been that all vacation time be taken by fiscal year-end. The Superintendent however has periodically allowed employees to carry-forward any leave balances.
CRITERIA	All personnel policies should be clear as to how leave time will be taken or accrued.
CAUSE	Management of the School District did not ensure that this policy was updated to reflect explicit procedures on how leave can be taken or accrued.
EFFECT	Some employees may be allowed to accrue leave and others may not based on the discretion of the Superintendent. A policy will eliminate this and allow all employees the same treatment.
RECOMMENDATION	Management of the School District should update this policy and provide it to the Board for approval as soon as possible.
RESPONSE	The School District disagrees with this comment. The general stated policy is that no one shall be allowed to carryover vacation time. The superintendent will provide written policy so there is no question on this issue.
REBUTTAL	The personnel policy is not clear about how vacation time will be handled at the end of each fiscal year. Because of this any deviation on how employees are treated could result in a lawsuit brought against the School District. The School District still needs to take this finding seriously.

Disbursements

(08-08)

CONDITION	The accounts payable records, in many instances, do not show: a. evidence of receipts of goods or services, (10 out of 60) b. the purchase order was approved, prepared and dated after the goods were ordered, (4 out of 60)
CRITERIA	The payable records should show evidence of the above prior to payment.
CAUSE	Management of the School District did not ensure these procedures were done before payment was made.
EFFECT	Failure to perform the above functions could result in erroneous payments.
RECOMMENDATION	Prior to payment, all invoices (or supporting documentation) should show evidence of receipt of goods or services, verification of prices, extensions and footings, and approval to pay.
RESPONSE	The School District agrees with this comment. Management has addressed these issues with staff as of this date. All employees have, again, been reminded of the Purchase Order policy and the requirement of an approved/signed packing slip to complete the purchasing/disbursement process.

Depreciation Policy

(08-09)

CONDITION	The School District has not approved a depreciation policy so depreciation can be charted to capital assets.
CRITERIA	The School District needs a depreciation policy so capital assets can be depreciated correctly. This is due to the implementation of GASB 34.
CAUSE	The School Board has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The School Board should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The School District disagrees with this comment. The capital assets are depreciated per PED regulations and standards.
REBUTTAL	The School District could not provide a depreciation policy created, approved and required to be used per PED regulations. That is because PED does not have one. The School District still needs to create one based on their area, capital assets and experience concerning depreciation. The School District still needs to take this finding seriously.

Procurement of Services

(08-10)

CONDITION Management of the School District paid for repair services in the amount of \$8,707 without obtaining three written bids for this service.

CRITERIA Three written quotations should be received and kept on file for all small purchases exceeding \$5,000 but not exceeding \$20,000 according to 1.4.1.51 NMAC.

CAUSE Management was trained that three quotations were required for items over \$10,000.

EFFECT The School District may have not received the best value for dollars pent on this service.

RECOMMENDATION Management should change its' policies to ensure that the small purchases regulation (above) is followed.

RESPONSE This comment is under protest. The School District business office followed PSFA training and the wording in New Mexico Statutes Chapter 13, pamphlet 29, 2008 Cumulative Supplement, 13-1-125 © and HB 1147.

REBUTTAL The School District does have strong guidance as stated above. However, to clearly determine which authority supercedes the others it is suggested that the School District obtain guidance from their attorneys. The School District still needs to take this finding seriously.

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2008 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 112.

## EXIT CONFERENCE

An exit conference was held at the School District on November 6, 2008, to discuss the current audit report and auditors' comments. In attendance were Mr. Tommy Hancock, Superintendent, Ms. Sharlotte Lund, Business Manager, Mr. Terry Winkles, Board Secretary and Ms. Pamela A. Rice, CPA, Contract Auditor.