

State of New Mexico

Cesar Chavez High School Charter School
Component Unit of
Deming Public Schools
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON

For The Fiscal Year Ended June 30, 2008

Cesar Chavez High School
Charter School
Component Unit of Deming Public Schools
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June 30, 2008

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Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
DIRECTORY OF OFFICIALS
June 30, 2008

GOVERNING COUNCIL

Phillip Almanza	President
Gloria Lopez	Treasurer
Amy Hernandez	Member
Paul Galindo	Member
Joseph Rivera	Member

SCHOOL OFFICIALS

Arlene Trujillo	Director
Chris Masters	Accountant

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.

KELLEY WYATT, C.P.A.
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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Governing Council
Cesar Chavez High School Charter School
Deming, New Mexico

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Cesar Chavez High School Charter School, a component unit of Deming Public 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 have also audited the financial statements of each of the School's general fund components and capital projects funds presented as other 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 School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of June 30, 2008, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each component of the General Fund of Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of June 30, 2008, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the components of the General Fund and the Capital Projects 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 13, 2008 on our consideration of Cesar Chavez High School Charter School, a component unit of Deming Public Schools's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cesar Chavez High School Charter School, a component unit of Deming Public Schools, has not presented Management's Discussion and Analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements, and on the combining, individual fund and budgetary comparisons statements for the components of the general fund and capital projects funds presented as other supplementary information. The accompanying financial information listed as other supplemental data in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental data have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stone, McGee & Co., CPAs

November 13, 2008

Stone, McGee & Co.
Certified Public Accountants

Cesar Chavez Charter School
Component Unit of Deming Schools
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 273,248
Accounts receivable	2,150
Due from other governments	19,087
Capital assets:	
Furniture and fixtures and equipment	54,269
Less accumulated depreciation	<u>(5,427)</u>
Total capital assets, net of depreciation	<u>\$ 48,842</u>
Total assets	<u>\$ 343,327</u>
Liabilities	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>\$ -</u>
Net Assets	
Invested in capital assets	\$ 48,842
Restricted for:	
Capital projects	20,558
Unrestricted	<u>273,927</u>
Total net assets	<u><u>\$ 343,327</u></u>

The accompanying notes are an integral part of these financial statements

Cesar Chavez Charter School
Component Unit of Deming Public Schools
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental activities:		
Instruction	\$ 654,513	\$ -
Support services - Students	97,686	
Support services - Instruction	48,471	
General administration	61,522	
School administration	175,557	
Central services	19,457	
Operation of plant	134,167	
Food services	181	
	\$ 1,191,554	\$ -
Total governmental activities		

General revenues:
State aid - formula grants
Miscellaneous

Total general revenues and special items

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of these financial statements.

Program Revenues		Net (Expense)
Operating	Capital	Revenue and
Grants and	Grants and	Changes in Net
Contributions	Contributions	Assets
		Total
		Governmental
		Activities
\$ 31,742	\$ -	\$ (622,771)
205		(97,481)
		(48,471)
488		(61,034)
5,979		(169,578)
		(19,457)
	78,213	(55,954)
		(181)
<u>\$ 38,414</u>	<u>\$ 78,213</u>	<u>\$ (1,074,927)</u>

\$ 1,144,558
20,624

\$ 1,165,182

\$ 90,255

253,072

\$ 343,327

Cesar Chavez Charter School
Component Unit of Deming Public Schools
BALANCE SHEET
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2008

	<u>General Fund</u>	<u>Public School Capital Outlay</u>	<u>Special Capital Outlay State</u>	<u>Governmental Funds Total</u>
Assets				
Cash and investments	\$ 252,690	\$ 20,558	\$ -	\$ 273,248
Interfund receivable	6,460			6,460
Accounts receivable	2,150			2,150
Due from other governments	12,627		6,460	19,087
	<u>12,627</u>	<u>20,558</u>	<u>6,460</u>	<u>19,087</u>
Total assets	<u>\$ 273,927</u>	<u>\$ 20,558</u>	<u>\$ 6,460</u>	<u>\$ 300,945</u>
Liabilities and Fund Balance				
Interfund payable	\$ -	\$ -	\$ 6,460	\$ 6,460
Deferred revenue			6,460	6,460
	<u>-</u>	<u>-</u>	<u>12,920</u>	<u>12,920</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,920</u>	<u>\$ 12,920</u>
Fund balance:				
Reserved for capital projects	\$ -	\$ 20,558	\$ (6,460)	\$ 14,098
Unreserved reported in:				
General	273,927			273,927
	<u>273,927</u>	<u>20,558</u>	<u>(6,460)</u>	<u>288,025</u>
Total fund balance	<u>\$ 273,927</u>	<u>\$ 20,558</u>	<u>\$ (6,460)</u>	<u>\$ 288,025</u>
Total liabilities and fund balance	<u>\$ 273,927</u>	<u>\$ 20,558</u>	<u>\$ 6,460</u>	<u>\$ 300,945</u>

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
June 30, 2008

Total governmental fund balances	\$ 288,025
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	48,842
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds: Intergovernmental grants subject to the 60 day availability period	<u>6,460</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 343,327</u></u>

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General Fund</u>	<u>Public School Capital Outlay</u>	<u>Special Capital Outlay State</u>	<u>Governmental Funds Total</u>
Revenues:				
Federal sources	\$ 35,627	\$ -	\$ -	\$ 35,627
State sources	1,147,345	71,753		1,219,098
Miscellaneous	20,624			20,624
Total revenues	\$ 1,203,596	\$ 71,753	\$ -	\$ 1,275,349
Expenditures:				
Current:				
Instruction	\$ 649,086	\$ -	\$ -	\$ 649,086
Support services - Students	97,686			97,686
Support services - Instruction	48,471			48,471
General administration	61,522			61,522
School administration	175,557			175,557
Central services	19,457			19,457
Operation of plant	76,512	51,195	6,460	134,167
Food services	181			181
Capital outlay	54,269			54,269
Total expenditures	\$ 1,182,741	\$ 51,195	\$ 6,460	\$ 1,240,396
Net change in fund balance	\$ 20,855	\$ 20,558	\$ (6,460)	\$ 34,953
Fund balance, July 1, 2007	253,072	-	-	253,072
Fund balance, June 30, 2008	\$ 273,927	\$ 20,558	\$ (6,460)	\$ 288,025

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
June 30, 2008

Net change in fund balances-total governmental funds	\$	34,953
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense:		
Capital outlay		54,269
Depreciation expense		(5,427)
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change during the year:		
Intergovernmental grants subject to the 60 day availability period		6,460
<i>Change in Net Assets of Governmental Activities</i>	\$	90,255

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 1,022,788	\$ 1,180,869	\$ 1,137,873	\$ (42,996)
Local sources			6,003	6,003
 Total revenues	 <u>\$ 1,022,788</u>	 <u>\$ 1,180,869</u>	 <u>\$ 1,143,876</u>	 <u>\$ (36,993)</u>
Expenditures:				
Current:				
Instruction	\$ 485,228	\$ 635,228	\$ 603,404	\$ 31,824
Support services - Students	134,912	134,912	100,833	34,079
Support services - Instruction	58,749	58,749	48,471	10,278
General administration	38,000	46,081	62,022	(15,941)
School administration	223,256	223,256	232,285	(9,029)
Central services	1,198	1,198	19,457	(18,259)
Operation of plant	148,000	148,000	77,824	70,176
Transportation	-	-	1,814	(1,814)
Food services	-	-	181	(181)
Capital outlay	10,000	10,000	-	10,000
Non-operating	500	500	-	500
 Total expenditures	 <u>\$ 1,099,843</u>	 <u>\$ 1,257,924</u>	 <u>\$ 1,146,291</u>	 <u>\$ 111,633</u>
 Net change in fund balance	 \$ (77,055)	 \$ (77,055)	 \$ (2,415)	 \$ 74,640
 Fund balance, July 1, 2007	 <u>234,910</u>	 <u>234,910</u>	 <u>261,565</u>	 <u>26,655</u>
 Fund balance, June 30, 2008	 <u>\$ 157,855</u>	 <u>\$ 157,855</u>	 <u>\$ 259,150</u>	 <u>\$ 101,295</u>

Cesar Chavez Charter School
Component Unit of Deming Public Schools
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 3,482</u>
Total assets	<u><u>\$ 3,482</u></u>
Liabilities	
Deposits held for others	<u>\$ 3,482</u>
Total liabilities	<u><u>\$ 3,482</u></u>

The accompanying notes are an integral part of these financial statements.

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2008

Note 1 **Summary of Significant Accounting Policies**

Cesar Chavez High School Charter School, organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The School's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the School are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - ** A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations.
 - ** Financial statements prepared using full accrual accounting for all of the School's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

The School implemented GASB 34 effective July 1, 2006. As a part of GASB's Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The School does not own any infrastructure assets and therefore is unaffected by this provision.

A. REPORTING ENTITY

These financial statements present the School (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are included in the School's reporting entity because of the significance of their operating or financial relationships with the School. Based on the criterion in GASBS No. 14, the School had no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the School and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in the General fund are sub-funds; Operational, the Unrestricted District Fund; Instructional Materials, which accounts for State Source Funds used to purchase textbooks; Charter Planning, which accounts for federal funds to charter schools; and Microsoft Settlement, which accounts for funds received in settlement which are unrestricted.

Capital Outlay Funds

Capital Outlay Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for capital purposes.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized into a single column.

The School's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in to the government-wide statements.

Major Fund Descriptions

General – See above description.

Public School Capital Outlay – accounts for the state resources for various capital projects.

Special Capital Outlay State - accounts for the state resources to be used for specific construction projects.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available.

“Available” means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School first utilizes restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the School’s functions. The functions are also supported by general government revenues (certain intergovernmental revenues and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly

associated with the function. Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as attendance at athletic events, food service, copies and auxiliary services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (intergovernmental revenues, interest income, etc.).

The School does not allocate indirect costs.

This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net assets resulting from the current year's activities.

D. BUDGETS

Budget for the General Fund is prepared by management and approved by the local governing council and the Public Finance School Division of the Department of Education.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a functional category basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a "series", this may be accomplished with only local governing council approval. If a transfer between "series" or a budget increase is required, approval must also be obtained from Public Education Department.

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

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

F. INVENTORIES

Except for U.S.D.A. commodities, which are shown at estimated value, inventories are valued at cost (first-in, first-out). Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets.

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. 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. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Software and library resources	03-05 years
Machinery and equipment	5-10 years
Improvements	10-20 years

The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, capital assets are accounted for as capital assets. In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. COMPENSATED ABSENCES

The School's policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

I. EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings

that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Equity is classified as fund balance and displayed in two components:

- a. Reserved – Consists of governmental fund balances that are not appropriable, legally segregated for specific usage, or commitments to outside third parties.
- b. Unreserved – Consists of designations of amounts representing tentative management plans for governmental fund balances, but subject to change (Designated), and undesignated, for which no restrictions or designations exist.

J. INTERFUND ACTIVITY

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Interfund activity between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

K. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the School's deposits may not be returned to it. The School does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2008 \$0- of the School's bank balance of \$293,334 was exposed to

custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>-0-</u>
Total	\$ <u>-0-</u>

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 100,000	\$ 100,000
Collateral held by the pledging bank's agent in the District's name	193,334	176,730
Uninsured and uncollateralized	<u>-0-</u>	<u>-0-</u>
	<u>\$ 293,334</u>	<u>\$ 276,730</u>

Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Capital assets being depreciated				
Other capital assets:				
Furniture and equipment	\$ <u>-0-</u>	\$ 54,269	\$ <u>-0-</u>	\$ 54,269
Total other capital assets at historical cost	\$ <u>-0-</u>	\$ 54,269	\$ <u>-0-</u>	\$ 54,269
Less accumulated depreciation for:				
Furniture and equipment	\$ <u>-0-</u>	\$ (5,427)	\$ <u>-0-</u>	\$ (5,427)
Total accumulated depreciation	\$ <u>-0-</u>	\$ (5,427)	\$ <u>-0-</u>	\$ (5,427)
Total capital assets, net	\$ <u>-0-</u>	\$ 48,842	\$ <u>-0-</u>	\$ 48,842

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ <u>5,427</u>
-------------	-----------------

Note 4 Retirement Plan

Plan Description

Substantially all of the Cesar Chavez High School Charter School 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, disability benefits and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERA, P.O. Box 26129, Santa Fe, New Mexico 87502.

Funding Policy

Plan members are required to contribute 7.75% of their gross salary. The School is required to contribute 10.15% of the gross covered salary. The contribution requirements of plan members and the Aldo Leopold High School Charter School are established in Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Cesar Chavez High School Charter School contributions to ERA for the years ending June 30, 2008 and 2007 were \$88,095 and \$58,447, respectively, equal to the amount of the required contributions for each year.

Note 5 Retiree Health Care Act Contributions

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional

participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 4308 Carlisle Blvd., N.E., Ste. 104, Albuquerque, New Mexico 87107

For the fiscal year ended June 30, 2008, the Cesar Chavez High School Charter School remitted \$6,606 in employer contributions and \$3,303 in employee contributions to the Retiree Health Care Authority.

Note 6 Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below \$250,000 and purchases excess insurance above the self-insured retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

Note 7 Contingent Liabilities

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

Note 8 Budgetary Reconciliations

The Statements of Revenues, Expenditures and Changes in Fund Balance Budget (NON-GAAP Budgetary Basis) and Actual, General Funds present comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of revenues and other sources over (under) expenditures and other uses by General Funds for the year ended June 30, 2008 is as follows:

	<u>General</u>
Revenues and other sources over (under) and other uses GAAP basis	\$ 20,855
Increases (decreases):	
Revenue accruals (net)	(59,720)
Expenditure accruals (net)	<u>36,450</u>
Revenues and other sources over (under) expenditures and other uses (NON-GAAP budgetary basis)	<u>\$ (2,415)</u>

Note 9 Budgetary Authority

The District exceeded budgetary authority in the following functional categories:
General Fund

General Administration	\$ 15,941
School Administration	9,029
Central Services	18,259
Transportation	1,814
Food Services	181
Public School Capital Outlay	
Operation of Plant	1,709

The District has adopted a budget adjustment approval policy which will alleviate these budget overruns in the future.

Note 10 Interfund Activity

<u>Interfund Receivable</u>	<u>Interfund Payable</u> <u>Special Capital Outlay – State</u>
General	<u>\$ 6,460</u>

The purpose of the interfund activity was to fund Operations, and will be repaid in the next fiscal year.

Note 11 Fund Balance Deficits

Fund balance deficits occur through the application of modified accrual accounting to cash basis budgeting. As funds are received in the subsequent year, the deficit fund balance will be reduced. The Special Capital Outlay-State Fund had a fund balance deficit of \$6,460 at June 30, 2008.

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
FUND DESCRIPTIONS
June 30, 2008

GENERAL FUND

General Fund – to account for resources traditionally associated with governments that are not required to be accounted for in another fund.

CAPITAL PROJECTS FUNDS

Public School Capital Outlay – to account for the state resources for various capital projects.

Special Capital Outlay State - to account for the state resources to be used for specific construction projects.

AGENCY FUNDS

Agency Fund - to account for monies held in custodial account (assets equal liabilities) for the benefit of others. Individual accounts are identified by name in the supporting schedule section of this report.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
GENERAL FUND
COMBINING BALANCE SHEETS
For the Fiscal Year Ended June 30, 2008

	<u>Operational</u>	<u>Instructional Materials</u>	<u>Charter Planning</u>	<u>Microsoft Settlement</u>	<u>Total General Fund</u>
Assets					
Cash and investments	\$ 226,391	\$ 18,721	\$ (12,627)	\$ 20,205	\$ 252,690
Interfund receivable	6,460				6,460
Accounts receivable	2,150				2,150
Due from other governments			12,627		12,627
Total assets	<u>\$ 235,001</u>	<u>\$ 18,721</u>	<u>\$ -</u>	<u>\$ 20,205</u>	<u>\$ 273,927</u>
Liabilities and Fund Balance					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance:					
Unreserved reported in:					
General	\$ 235,001	\$ 18,721	\$ -	\$ 20,205	\$ 273,927
Total fund balance	\$ 235,001	\$ 18,721	\$ -	\$ 20,205	\$ 273,927
Total liabilities and fund balance	<u>\$ 235,001</u>	<u>\$ 18,721</u>	<u>\$ -</u>	<u>\$ 20,205</u>	<u>\$ 273,927</u>

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCE
June 30, 2008

	<u>Operational</u>	<u>Instructional Materials</u>	<u>Charter Planning</u>	<u>Microsoft Settlement</u>	<u>Total General Fund</u>
Revenues:					
Federal sources	\$ -	\$ -	\$ 35,627	\$ -	\$ 35,627
State sources	1,144,558	2,787			1,147,345
Miscellaneous	419			20,205	20,624
Total revenues	\$ 1,144,977	\$ 2,787	\$ 35,627	\$ 20,205	\$ 1,203,596
Expenditures:					
Current:					
Instruction	\$ 610,809	\$ 9,322	\$ 28,955	\$ -	\$ 649,086
Support services - Students	97,481		205		97,686
Support services - Instruction	47,072	1,399			48,471
General administration	61,034		488		61,522
School administration	169,578		5,979		175,557
Central services	19,457				19,457
Operation of plant	76,512				76,512
Food services	181				181
Capital outlay	54,269				54,269
Total expenditures	\$ 1,136,393	\$ 10,721	\$ 35,627	\$ -	\$ 1,182,741
Revenues over (under) expenditures	\$ 8,584	\$ (7,934)	\$ -	\$ 20,205	\$ 20,855
Fund balance, July 1, 2007	226,417	26,655	-	-	253,072
Fund balance, June 30, 2008	<u>\$ 235,001</u>	<u>\$ 18,721</u>	<u>\$ -</u>	<u>\$ 20,205</u>	<u>\$ 273,927</u>

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
GENERAL FUND \ OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 1,014,641	\$ 1,172,722	\$ 1,120,465	\$ (52,257)
Local sources	-	-	419	419
	<u>\$ 1,014,641</u>	<u>\$ 1,172,722</u>	<u>\$ 1,120,884</u>	<u>\$ (51,838)</u>
Total revenues				
Expenditures:				
Current:				
Instruction	\$ 477,741	\$ 627,741	\$ 588,127	\$ 39,614
Support services - Students	134,912	134,912	100,628	34,284
Support services - Instruction	58,089	58,089	47,072	11,017
General administration	38,000	46,081	61,534	(15,453)
School administration	223,256	223,256	226,306	(3,050)
Central services	1,198	1,198	19,457	(18,259)
Operation of plant	148,000	148,000	77,824	70,176
Transportation	-	-	1,814	(1,814)
Food services	-	-	181	(181)
Capital outlay	10,000	10,000	-	10,000
Non-operating	500	500	-	500
	<u>\$ 1,091,696</u>	<u>\$ 1,249,777</u>	<u>\$ 1,122,943</u>	<u>\$ 126,834</u>
Total expenditures				
Net change in fund balance	\$ (77,055)	\$ (77,055)	\$ (2,059)	\$ 74,996
Fund balance, July 1, 2007	<u>234,910</u>	<u>234,910</u>	<u>234,910</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 157,855</u>	<u>\$ 157,855</u>	<u>\$ 232,851</u>	<u>\$ 74,996</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 8,584	
Revenue accruals (net)			(24,093)	
Expenditure accruals (net)			<u>13,450</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (2,059)</u>	

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 8,147	\$ 8,147	\$ 2,787	\$ (5,360)
Total revenues	\$ 8,147	\$ 8,147	\$ 2,787	\$ (5,360)
Expenditures:				
Current:				
Instruction	\$ 7,487	\$ 7,487	\$ 9,322	\$ (1,835)
Support services - Instruction	660	660	1,399	(739)
Total expenditures	\$ 8,147	\$ 8,147	\$ 10,721	\$ (2,574)
Net change in fund balance	\$ -	\$ -	\$ (7,934)	\$ (7,934)
Fund balance, July 1, 2007	-	-	26,655	26,655
Fund balance, June 30, 2008	\$ -	\$ -	\$ 18,721	\$ 18,721
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (7,934)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (7,934)	

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
GENERAL FUND/CHARTER PLANNING GRANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ 5,955	\$ (5,955)
Support services - Students			205	(205)
General administration			488	(488)
School administration			5,979	(5,979)
Central services				-
Total expenditures	\$ -	\$ -	\$ 12,627	\$ (12,627)
Net change in fund balance	\$ -	\$ -	\$ (12,627)	\$ (12,627)
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ (12,627)	\$ (12,627)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(35,627)	
Expenditure accruals (net)			23,000	
Net change in fund balance, NON-GAAP budgetary basis			\$ (12,627)	

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
GENERAL FUND/MICROSOFT SETTLEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ -	\$ -	\$ 20,205	\$ 20,205
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,205</u>	<u>\$ 20,205</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services - Students				-
General administration				-
School administration				-
Central services				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 20,205	\$ 20,205
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,205</u></u>	<u><u>\$ 20,205</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 20,205	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 20,205</u></u>	

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
CAPITAL PROJECTS FUND - PUBLIC SCHOOL CAPITAL OUTLAY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 49,486	\$ 71,753	\$ 22,267
Total revenues	<u>\$ -</u>	<u>\$ 49,486</u>	<u>\$ 71,753</u>	<u>\$ 22,267</u>
Expenditures:				
Current:				
Operation	\$ -	\$ 49,486	\$ 51,195	\$ (1,709)
Capital outlay				-
Total expenditures	<u>\$ -</u>	<u>\$ 49,486</u>	<u>\$ 51,195</u>	<u>\$ (1,709)</u>
Net change in fund balance	\$ -	\$ -	\$ 20,558	\$ 20,558
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,558</u>	<u>\$ 20,558</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 20,558	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 20,558</u>	

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
CAPITAL PROJECTS FUNDS - SPECIAL CAPITAL OUTLAY STATE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Total revenues	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>
Expenditures:				
Current:				
Operation	\$ -	\$ -	\$ -	\$ -
Capital outlay	50,000	50,000	6,460	43,540
Total expenditures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 6,460</u>	<u>\$ 43,540</u>
Not change in fund balance	\$ -	\$ -	\$ (6,460)	\$ (6,460)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,460)</u>	<u>\$ (6,460)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (6,460)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (6,460)</u>	

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>Balance</u> <u>June 30, 2008</u>
Assets				
Cash and investments:				
Cesar Chavez Charter School	\$ 402	\$ 5,200	\$ 2,120	\$ 3,482
Total assets	<u>\$ 402</u>	<u>\$ 5,200</u>	<u>\$ 2,120</u>	<u>\$ 3,482</u>
Liabilities				
Deposits held for others:				
Cesar Chavez Charter School	\$ 402	\$ 5,200	\$ 2,120	\$ 3,482
Total liabilities	<u>\$ 402</u>	<u>\$ 5,200</u>	<u>\$ 2,120</u>	<u>\$ 3,482</u>

The accompanying notes are an integral part of these financial statements.

Cesar Chavez Charter School
Component Unit of Deming Public Schools
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2008

	<u>First NM Bank</u>	<u>Total</u>
Checking and CD's	\$ 293,334	\$ 293,334
Total on deposit	\$ 293,334	\$ 293,334
Less: FDIC insurance	<u>(100,000)</u>	<u>(100,000)</u>
Total uninsured public funds	<u>\$ 193,334</u>	<u>\$ 193,334</u>
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 96,667	\$ 96,667
Mora NM Ind. School 7/1/16	<u>250,000</u>	<u>250,000</u>
Pledged securities over (under) requirement	<u>\$ 153,333</u>	<u>\$ 153,333</u>

Securities pledged by First NM Bank are held by the Independent Bankers Bank in Dallas, Texas
Safekeeping receipts are held by the District.

Cesar Chavez Charter School
 Component Unit of Deming Public Schools
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2008

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First NM Bank</u>			
Agency	Checking	\$ 3,482	\$ 3,482
Operational	Checking	<u>289,852</u>	<u>273,248</u>
Total cash		<u>\$ 293,334</u>	<u>\$ 276,730</u>

Cesar Chavez Charter School
Component Unit of Deming Schools
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2008

	Operational	Instructional Materials	Federal Flowthrough	Local Grants
Total cash and investments as of July 1, 2007	\$ 234,910	\$ 26,655	\$ -	\$ -
Add: Current year receipts	1,135,505	2,787		5,584
Prior year warrants voided				
Less: Current year expenditures	(1,153,580)	(10,721)	(12,627)	
Chargebacks/(Overdrafts)				
Receivables/payables				
Transfers				
Total cash and investments as of June 30, 2008	\$ 216,835	\$ 18,721	\$ (12,627)	\$ 5,584

Cesar Chavez Charter School
 Component Unit of Deming Schools
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
 For The Fiscal Year Ended June 30, 2008

	Public School Capital Outlay	Special Capital Outlay State	Agency	Total
Total cash and investments as of July 1, 2007	\$ -	\$ -	\$ 402	\$ 261,967
Add: Current year receipts	71,753		5,200	1,220,829
Less: Current year expenditures	(20,558)	(6,460)	(2,120)	-
Abatements				(1,206,066)
Receivables/payables				-
Transfers				-
 Total cash and investments as of June 30, 2008	\$ 51,195	\$ (6,460)	\$ 3,482	\$ 276,730

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2008

Findings – Financial Statement Audit

<u>Finding</u>	<u>Current Status</u>
07-1 Depository collateral was not sufficient to collateralize the Schools cash balances	Resolved

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

Hector H. Balderas, State Auditor
and
Governing Council
Cesar Chavez High School Charter School
Deming, New Mexico

We have audited the financial statements of the governmental activities and each major fund of Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of and for the year ended June 30, 2008, which collectively comprise Cesar Chavez High School Charter School, a component unit of Deming Public School's basic financial statements and have issued our report thereon dated November 13, 2008. We have also audited the financial statements of each of the School's general fund components and Capital Projects funds budgetary comparisons presented as other supplementary information as of and for the year ended June 30, 2008 and have issued our report thereon dated November 13, 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 Cesar Chavez High School Charter School, a component unit of Deming Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cesar Chavez High School Charter School, a component unit of Deming Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cesar Chavez High School Charter School, a component unit of Deming Public School's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or

employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Cesar Chavez High School Charter School, a component unit of Deming Public School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of Cesar Chavez High School Charter School, a component unit of Deming Public School's financial statements that is more than inconsequential will not be prevented or detected by Cesar Chavez High School Charter School, a component unit of Deming Public School's internal control. We consider deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting. The findings are identified in the accompanying Schedule of Findings and Responses as 08-1 and 08-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cesar Chavez High School Charter School, a component unit of Deming Public 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 and, accordingly would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Cesar Chavez High School Charter School, a component unit of Deming Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 finding 08-3 through 08-5.

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

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

Stone, McGee & Co., CPAs

November 13, 2008

Stone, McGee & Co.
Certified Public Accountants

Cesar Chavez High School Charter School
Component Unit of Deming Public Schools
SCHEDULE OF FINDINGS
For the Fiscal Year Ended June 30, 2008

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Cesar Chavez High School Charter School, a component unit of Deming Public Schools.
2. Two significant deficiencies relating to the audit of the financial statements are reported in the "Findings – Financial Statement Audit" section of this report. These significant deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Cesar Chavez High School Charter School, a component unit of Deming Public Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Cesar Chavez High School Charter School, a component unit of Deming Public Schools, expended less than \$500,000 in federal funds.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

08-1 Cash Reconciliations

Condition – Cash in banks has not been reconciled to general ledger accounts.

Criteria – Sound accounting practices require that cash in banks be reconciled to general ledger amounts monthly.

Effect – The general ledger cash balance and the cash reports did not reflect accurate cash balances. The amounts differed from the amounts actually in the bank accounts by in excess of \$200,000.

Cause – This is the initial year that the Component Unit maintained its own accounting records. Accounting personnel were unaware of the fact that the cash amounts should be reconciled to the general ledger and cash reports.

Recommendation – We recommend that the accounting personnel perform the monthly cash balance to general ledger reconciliation, and make any adjustments necessary to balance the two amounts.

Agency response – The recommendation will be adopted.

08-2 Trust Fund Receipts

Condition – Trust fund receipts (Activity receipts) do not follow a receipting procedure, they are simply deposited into the bank account.

Criteria – Sound financial management and PED regulations require that receipts be written for all receipts, and that those receipts be maintained in a manner where they can be traced to actual bank deposits.

Effect – The internal control established by receipting trust funds has been compromised, and there is an increased likelihood of conversion of cash without the necessity of collusion.

Cause – The School personnel were unaware that receipting of cash was required.

Recommendation – We recommend that receipts be issued to each depositor, and that duplicate numbered receipts be maintained in School records, which are traceable to bank deposits.

Agency Response – There is only one trust fund, and it was felt that depositing the funds was sufficient. However, we will begin receipting trust funds immediately, and will maintain the records for review.

OTHER INSTANCES OF NONCOMPLIANCE

08-3 Teacher Files

Condition – In a test of 25 teacher files, we noted 5 instances where I-9's were missing, 7 instances where W-4's could not be located, 5 instances where teaching certificates could not be located, and 3 instances where certified personnel transcripts were not available.

Criteria – I-9's and w-W-4's are documents required by Internal Revenue Service regulations to be in each employee file and available for inspection. PED regulations require that certified personnel files contain teaching certificates and transcripts as proof of the qualifications of certified personnel.

Effect – The School is subject to substantial fines for failure maintain I-9's and W-4's should the Internal Revenue Service request such items. In addition, there is an increased likelihood that non-qualified personnel could be hired in certified positions if documentation of their qualifications is not requested or maintained.

Cause – School Personnel have filed documents in various locations, and were unable to produce the requested documents.

Recommendation – We recommend that the School establish a checklist of items that are required to be in employee files, and that these checklists be used to review employee files periodically to insure compliance with Internal Revenue Service regulations and PED Requirements.

Agency Response – The files will be reviewed and updated as necessary.

08-4 Purchasing Procedures

Condition – The School has purchased goods and services without appropriate approval. In a test of 40 expenditures we noted 11 purchase orders dated after the date of the invoice, and 36 instances where the voucher was not approved for payment.

Criteria – Sound budgetary control and Sections 13-1-1 through 13-1-199 NMSA 1978 require that purchases be authorized by the appropriate purchasing personnel prior to purchase, and that vouchers be approved for payment prior to cash disbursement.

Effect – The controls established by budgetary management and managerial authorization for purchasing have been compromised, as well as violations of the New Mexico Procurement Code.

Cause – The School had not established the purchasing procedures required by sound management and New Mexico statutes.

Recommendation – We recommend that the School establish the purchasing procedures required by statute and PED regulations. Use of the PED Manual of Procedures would be helpful.

Agency Response – Purchasing procedures have now been established, and we will refer to the PED Manual of Procedures when required.

08-5 Budgetary Controls

Condition – The School incurred expenditures in excess of budgetary authority in several functions of the General Fund, for a total of \$45,224, and one function in the Public School Capital Outlay fund, for a total of \$1,709.

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part that expenditures not exceed budgetary authority.

Effect – The internal controls established by adherence to budgets has been compromised, and excess spending could result. In addition, New Mexico statutes have been violated.

Cause – The School did not request the budget adjustment at year end to alleviate these budget overruns.

Recommendation: We recommend that the School establish a policy of reviewing year end expenditures, and requesting budget adjustments where necessary.

Agency Response – The policy recommended is now in place, and will be followed in future years

OTHER – FINANCIAL STATEMENT PRESENTATION

The financial statements were prepared by Stone, McGee & Co., CPA'S with substantial assistance from School personnel.

EXIT CONFERENCE

The contents of this report were discussed on August 26 and September 2, 2008. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
David McSherry	Board President	Deming Public Schools
Harvielee Moore	Superintendent	Deming Public Schools
Ted Burr	Associate Superintendent of Finance	Deming Public Schools
Phillip Almanza	Board president	Cesar Chavez Charter School
Arlene Trujillo	Principal	Cesar Chavez Charter School
Chris Masters	Accountant	Cesar Chavez Charter School
Mike Stone	Shareholder	Stone, McGee & Co., C.P.A.'s