

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, 2009

Cesar Chavez High School  
Charter School  
Component Unit of Deming Public Schools  
**TABLE OF CONTENTS**  
June 30, 2009

	<b>PAGE</b>
<b>INTRODUCTORY SECTION:</b>	
Directory of officials	1
<b>FINANCIAL SECTION:</b>	
INDEPENDENT AUDITORS' REPORT	2-3
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	4
Statement of Activities	5-6
<i>Fund Financial Statements:</i>	
Balance Sheet--Governmental Funds	7
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	9-10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis) General and Major Special Revenue Funds:	
General fund	12
TANF/GRADS	13
Statement of Fiduciary Assets and Liabilities--Agency Funds	14
Notes to Basic Financial Statements	15-26
 <b>OTHER SUPPLEMENTARY INFORMATION:</b>	
Fund Descriptions	27

Combining Balance Sheet--General Fund	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--General Fund	29
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis):	
General Fund:	
Operational	30
Instructional Materials	31
Charter Planning Grant	32
Microsoft Settlement	33
Capital Projects:	
Public School Capital Outlay	34
Special Capital Outlay State	35

#### OTHER SUPPLEMENTAL DATA

Schedule of Changes in Assets and Liabilities--Agency Funds	36
Schedule of Depository Collateral	37
Schedule of Individual Deposit Accounts and Investments	38
Schedule of Cash Receipts and Disbursements--by School District Classification	39-40

#### ADDITIONAL REPORTING REQUIREMENTS:

Summary Schedule of Prior Audit Findings	41
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>	42-43
Schedule of Findings and Responses	44-46

Cesar Chavez High School Charter School  
Component Unit of Deming Public Schools  
**DIRECTORY OF OFFICIALS**  
June 30, 2009

**GOVERNING COUNCIL**

Gloria Lopez	President
Joseph Rivera	Treasurer
Paul Galindo	Member

*(The Council has two vacant positions on the Governing Council)*

**SCHOOL OFFICIALS**

Arlene Trujillo	Principal
-----------------	-----------

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.

1311 N. GRANT ST.  
PO. BOX 2828  
SILVER CITY, NEW MEXICO 88062  
TELEPHONE (575) 388-1777  
(575) 538-3795  
FAX (575) 388-5040  
E-MAIL: stonemcgee@qwest.net

## 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, each major fund, and the aggregate remaining fund information of the Cesar Chavez High School Charter School, a component unit of Deming Public Schools (School) as of and for the year ended June 30, 2009, 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's sub-funds 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, 2009, 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 *Governmental 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 statements 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 governmental activities, each major fund, and the aggregate remaining fund information of Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of June 30, 2009, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General and TANF/GRADS 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 sub-fund of the general fund of Cesar Chavez High School Charter School, a component unit of Deming Public Schools as of June 30, 2009, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the sub-funds 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 October 31, 2009, on our consideration of Cesar Chavez High School Charter School, a component unit of Deming Public School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in 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 sub-funds of the general fund and budgetary comparisons statements presented as other supplementary information. In addition, the accompanying financial information listed as other supplemental data in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. The other supplemental data has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Stone, McGee & Co., CPAs*

October 31, 2009

Cesar Chavez Charter School  
Component Unit of Deming Schools  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 218,740
Accounts receivable-Individuals	2,150
Due from other governments	19,087
Capital assets:	
Furniture and fixtures and equipment	188,254
Less accumulated depreciation	(17,621)
Total capital assets, net of depreciation	\$ 170,633
Total assets	\$ 410,610
<b>Liabilities</b>	
Accounts payable	\$ 7,730
Total liabilities	\$ 7,730
<b>Net Assets</b>	
Invested in capital assets	\$ 170,633
Restricted for:	
Capital projects	27,659
Unrestricted	204,588
Total net assets	\$ 402,880

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, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental activities:		
Instruction	\$ 1,088,685	\$ -
Support services - Students	190,282	
Support services - Instruction	21,752	
General administration	36,539	
School administration	318,341	
Central services	38,042	
Operation of plant	416,658	
Food services		
	\$ 2,110,299	\$ -

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.



<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
\$ 125,264	\$ -	\$ (963,421)
		(190,282)
		(21,752)
		(36,539)
11,612		(306,729)
	108,251	(38,042)
		(308,407)
		-
<u>\$ 136,876</u>	<u>\$ 108,251</u>	<u>\$ (1,865,172)</u>

\$ 1,898,185
<u>26,540</u>
<u>\$ 1,924,725</u>
\$ 59,553
<u>343,327</u>
<u><u>\$ 402,880</u></u>

Cesar Chavez Charter School  
Component Unit of Deming Public Schools  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2009

	General Fund	Public School Capital Outlay	Special Capital Outlay State	Governmental Funds Total
<b>Assets</b>				
Cash and investments	\$ 191,081	\$ 27,659	\$ -	\$ 218,740
Interfund receivable	6,460			6,460
Accounts receivable-Individuals	2,150			2,150
Due from other governments	12,627		6,460	19,087
Total assets	\$ 212,318	\$ 27,659	\$ 6,460	\$ 246,437
<b>Liabilities and Fund Balance</b>				
Interfund payable	\$ -	\$ -	\$ 6,460	\$ 6,460
Accounts payable	7,730	-		7,730
Deferred revenue			6,460	6,460
Total liabilities	\$ 7,730	\$ -	\$ 12,920	\$ 20,650
Fund balance:				
Reserved for capital projects	\$ -	\$ 27,659	\$ (6,460)	\$ 21,199
Unreserved reported in:				
General	204,588			204,588
Total fund balance	\$ 204,588	\$ 27,659	\$ (6,460)	\$ 225,787
Total liabilities and fund balance	\$ 212,318	\$ 27,659	\$ 6,460	\$ 246,437

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, 2009

Total governmental fund balances	\$	225,787
 <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.		170,633
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		6,460
 <i>Net Assets of Governmental Activities</i>	 \$	 402,880

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, 2009

	<u>General Fund</u>	<u>TANF GRADS</u>	<u>Public School Capital Outlay</u>
Revenues:			
Federal sources	\$ 95,420	\$ 40,000	\$ -
State sources	1,899,641		58,251
Miscellaneous	<u>26,540</u>		
Total revenues	<u>\$ 2,021,601</u>	<u>\$ 40,000</u>	<u>\$ 58,251</u>
Expenditures:			
Current:			
Instruction	\$ 1,036,491	\$ 40,000	\$ -
Support services - Students	190,282		
Support services - Instruction	21,752		
General administration	36,539		
School administration	318,341		
Central services	38,042		
Operation of plant	365,508		51,150
Capital outlay	<u>83,985</u>		
Total expenditures	<u>\$ 2,090,940</u>	<u>\$ 40,000</u>	<u>\$ 51,150</u>
Net change in fund balance	\$ (69,339)	\$ -	\$ 7,101
Fund balance, July 1, 2008	<u>273,927</u>	<u>-</u>	<u>20,558</u>
Fund balance, June 30, 2009	<u><u>\$ 204,588</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,659</u></u>

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

<u>Special Capital Outlay State</u>	<u>Governmental Funds Total</u>
\$ -	\$ 135,420
50,000	2,007,892
	26,540
<u>\$ 50,000</u>	<u>\$ 2,169,852</u>
\$ -	\$ 1,076,491
	190,282
	21,752
	36,539
	318,341
	38,042
	416,658
50,000	133,985
<u>\$ 50,000</u>	<u>\$ 2,232,090</u>
\$ -	\$ (62,238)
(6,460)	288,025
<u>\$ (6,460)</u>	<u>\$ 225,787</u>

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, 2009

Net change in fund balances-total governmental funds	\$	(62,238)
 <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		133,985
Depreciation expense		(12,194)
 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		-
<i>Change in Net Assets of Governmental Activities</i>	\$	59,553

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Federal sources	\$ -	\$ 95,420	\$ 95,420	\$ -
State sources	1,333,160	1,816,790	1,861,964	45,174
Local sources			26,540	26,540
<b>Total revenues</b>	<b>\$ 1,333,160</b>	<b>\$ 1,912,210</b>	<b>\$ 1,983,924</b>	<b>\$ 71,714</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	\$ 806,391	\$ 1,029,685	\$ 1,035,425	\$ (5,740)
Support services - Students	5,000	102,400	190,282	(87,882)
Support services - Instruction	62,891	62,891	21,752	41,139
General administration	115,640	124,140	33,561	90,579
School administration	263,184	321,310	279,366	41,944
Central services	48,700	48,700	38,042	10,658
Operation of plant	155,690	347,420	447,105	(99,685)
Transportation				-
Food services				-
Capital outlay				-
Non-operating				-
<b>Total expenditures</b>	<b>\$ 1,457,496</b>	<b>\$ 2,036,546</b>	<b>\$ 2,045,533</b>	<b>\$ (8,987)</b>
<b>Net change in fund balance</b>	<b>\$ (124,336)</b>	<b>\$ (124,336)</b>	<b>\$ (61,609)</b>	<b>\$ 62,727</b>
<b>Fund balance, July 1, 2008</b>	<b>232,851</b>	<b>232,851</b>	<b>259,150</b>	<b>26,299</b>
<b>Fund balance, June 30, 2009</b>	<b>\$ 108,515</b>	<b>\$ 108,515</b>	<b>\$ 197,541</b>	<b>\$ 89,026</b>

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

Cesar Chavez Charter School  
Component Unit of Deming Public Schools  
**SPECIAL REVENUE FUND - TANF/GRADS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ 40,000	\$ 40,000
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>
Expenditures:				
Current:				
Operation of plant	\$ -	\$ -	\$ 40,000	\$ (40,000)
Capital outlay				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ (40,000)</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</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 FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2009

	<u>Agency</u>
<b>Assets</b>	
Cash and investments	<u>\$ 2,505</u>
Total assets	<u><u>\$ 2,505</u></u>
<b>Liabilities</b>	
Deposits held for others	<u>\$ 2,505</u>
Total liabilities	<u><u>\$ 2,505</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, 2009

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**

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. Non-major 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 into the government-wide statements.

### *Major Fund Descriptions*

General – See above descriptions.

TANF-GRADS – to account for the resources to be used to keep students with children in school, by providing on-campus childcare. Authorization is Title IV of the High Education Act, and is a Special Revenue Fund.

Public School Capital Outlay – accounts for the state resources for various capital projects, and is a Capital Project Fund.

Special Capital Outlay State – accounts for the state resources to be used for specific construction projects, and is a Capital Project Fund.

## **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 and 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 accumulated 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**

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund 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 inter-fund transactions are treated as transfers. Inter-fund 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, 2009 \$-0- of the School's bank balance of \$294,907 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	\$ 250,000	\$ 221,245
Collateral held by the pledging bank's agent in the School's name	44,907	
Uninsured and uncollateralized	<u>-0-</u>	<u>-0-</u>
	<u>\$ 294,907</u>	<u>\$ 221,245</u>

**Note 3 Capital Assets**

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital assets being depreciated				
Other capital assets:				
Furniture and equipment	\$ 54,269	\$	\$	\$ 54,269
Leasehold improvements	<u>-0-</u>	<u>133,985</u>	<u></u>	<u>133,985</u>
Total other capital assets at historical cost	<u>\$ 54,269</u>	<u>\$ 133,985</u>	<u>\$ -0-</u>	<u>\$ 188,254</u>
Less accumulated depreciation				
Furniture and equipment	\$ (5,427)	\$ (10,854)	\$	\$ (16,281)
	<u>-0-</u>	<u>(1,340)</u>	<u></u>	<u>\$ (1,340)</u>

Total accumulated depreciation	\$ (5,427)	\$ (12,194)	\$ -0-	\$ (17,621)
Total capital assets, net	\$ 48,842	\$ 121,791	\$ -0-	\$ 170,633

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 12,194
-------------	-----------

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 7.9% of their gross salary. The School is required to contribute 11.65% of the gross covered salary. The contribution requirements of plan members and the Cesar Chavez 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, 2009 and 2008 were \$144,869 and \$88,095, 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 included 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 included 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.

The contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$7,319 and \$6,606 and \$4,518, respectively, which equal the required contributions for each year.

#### 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 employee's; 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 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, 2009 is as follows:

	<u>General</u>	<u>TANF/GRADS</u>
Revenues and other sources over (under) and other uses GAAP basis	\$ (69,339)	\$ -0-
Increases (decreases):		
Revenue accruals (net)	(37,677)	-0-
Expenditures accruals (net)	<u>45,407</u>	<u>-0-</u>
Revenues and other sources over (under) expenditures and other uses (NON-GAAP budgetary basis)	<u>\$ (61,609)</u>	<u>\$ -0-</u>

Note 9 Budgetary Authority

The School exceeded budgetary authority in the following functional categories:

General Fund:	
Instruction	\$ 5,740
Support Services - Students	87,882
Operation of Plant	99,685
Special Revenue:	
TANF GRADS – Operation	40,000
Public School Capital Outlay	
Operation of Plant	51,150

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

Note 10 Inter-fund Activity

Inter-fund Receivable

Inter-fund Payable  
Special Capital Outlay – State

General

\$ 6,460

The purpose of the inter-fund 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, and the 60 day limitation on the accrual of revenue. 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, 2009.

Cesar Chavez High School Charter School  
Component Unit of Deming Public Schools  
**FUND DESCRIPTIONS**  
June 30, 2009

**GENERAL FUND**

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

**SPECIAL REVENUE FUNDS**

**TANF/GRADS** – to account for the federal resources to be used to keep students with children in school, by providing on-campus childcare. Authorization is Title IV of the Higher Education Act.

**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, 2009

	<u>Operational</u>	<u>Instructional Materials</u>	<u>Charter Planning</u>	<u>Microsoft Settlement</u>	<u>Total General Fund</u>
<b>Assets</b>					
Cash and investments	\$ 157,395	\$ 13,847	\$ (12,627)	\$ 32,466	\$ 191,081
Interfund receivable	6,460				6,460
Accounts receivable	2,150				2,150
Due from other governments			12,627		12,627
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 166,005</u>	<u>\$ 13,847</u>	<u>\$ -</u>	<u>\$ 32,466</u>	<u>\$ 212,318</u>
<b>Liabilities and Fund Balance</b>					
Accounts payable	<u>\$ 7,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,730</u>
Total liabilities	<u>\$ 7,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,730</u>
Fund balance:					
Unreserved reported in:					
General	<u>\$ 158,275</u>	<u>\$ 13,847</u>	<u>          </u>	<u>\$ 32,466</u>	<u>\$ 204,588</u>
Total fund balance	<u>\$ 158,275</u>	<u>\$ 13,847</u>	<u>\$ -</u>	<u>\$ 32,466</u>	<u>\$ 204,588</u>
Total liabilities and fund balance	<u>\$ 166,005</u>	<u>\$ 13,847</u>	<u>\$ -</u>	<u>\$ 32,466</u>	<u>\$ 212,318</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, 2009

	<u>Operational</u>	<u>Instructional Materials</u>	<u>Charter Planning</u>	<u>Microsoft Settlement</u>	<u>Total General Fund</u>
<b>Revenues:</b>					
Federal sources	\$ -	\$ -	\$ 95,420	\$ -	\$ 95,420
State sources	1,898,185	1,456			1,899,641
Miscellaneous	14,279			12,261	26,540
	<u>1,912,464</u>	<u>1,456</u>	<u>95,420</u>	<u>12,261</u>	<u>2,021,601</u>
<b>Total revenues</b>	<b>\$ 1,912,464</b>	<b>\$ 1,456</b>	<b>\$ 95,420</b>	<b>\$ 12,261</b>	<b>\$ 2,021,601</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Instruction	\$ 946,353	\$ 6,330	\$ 83,808	\$ -	\$ 1,036,491
Support services - Students	190,282				190,282
Support services - Instruction	21,752				21,752
General administration	36,539				36,539
School administration	306,729		11,612		318,341
Central services	38,042				38,042
Operation of plant	365,508				365,508
Capital outlay	83,985				83,985
	<u>1,989,190</u>	<u>6,330</u>	<u>95,420</u>	<u>-</u>	<u>2,090,940</u>
<b>Total expenditures</b>	<b>\$ 1,989,190</b>	<b>\$ 6,330</b>	<b>\$ 95,420</b>	<b>\$ -</b>	<b>\$ 2,090,940</b>
Revenues over (under) expenditures	\$ (76,726)	\$ (4,874)	\$ -	\$ 12,261	\$ (69,339)
Fund balance, July 1, 2008	<u>255,206</u>	<u>18,721</u>	<u>-</u>	<u>20,205</u>	<u>273,927</u>
Fund balance, June 30, 2009	<u>\$ 178,480</u>	<u>\$ 13,847</u>	<u>\$ -</u>	<u>\$ 32,466</u>	<u>\$ 204,588</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
State sources	\$ 1,324,116	\$ 1,807,746	\$ 1,860,508	\$ 52,762
Local sources	-	-	14,279	14,279
<b>Total revenues</b>	<u>\$ 1,324,116</u>	<u>\$ 1,807,746</u>	<u>\$ 1,874,787</u>	<u>\$ 67,041</u>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	\$ 797,886	\$ 930,386	\$ 945,287	\$ (14,901)
Support services - Students	5,000	102,400	190,282	(87,882)
Support services - Instruction	62,352	62,352	21,752	40,600
General administration	115,640	124,140	33,561	90,579
School administration	263,184	316,684	267,754	48,930
Central services	48,700	48,700	38,042	10,658
Operation of plant	155,690	347,420	447,105	(99,685)
Transportation				-
Food services				-
Capital outlay				-
Non-operating				-
<b>Total expenditures</b>	<u>\$ 1,448,452</u>	<u>\$ 1,932,082</u>	<u>\$ 1,943,783</u>	<u>\$ (11,701)</u>
Net change in fund balance	\$ (124,336)	\$ (124,336)	\$ (68,996)	\$ 55,340
Fund balance, July 1, 2008	<u>232,851</u>	<u>232,851</u>	<u>232,851</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ 108,515</u>	<u>\$ 108,515</u>	<u>\$ 163,855</u>	<u>\$ 55,340</u>
<b>Budgetary reconciliation:</b>				
Net change in fund balance, GAAP basis			\$ (76,726)	
Revenue accruals (net)			(37,677)	
Expenditure accruals (net)			<u>45,407</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (68,996)</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 9,044	\$ 9,044	\$ 1,456	\$ (7,588)
Total revenues	\$ 9,044	\$ 9,044	\$ 1,456	\$ (7,588)
Expenditures:				
Current:				
Instruction	\$ 8,505	\$ 8,505	\$ 6,330	\$ 2,175
Support services - Instruction	539	539		539
Total expenditures	\$ 9,044	\$ 9,044	\$ 6,330	\$ 2,714
Net change in fund balance	\$ -	\$ -	\$ (4,874)	\$ (4,874)
Fund balance, July 1, 2008	-	-	18,721	18,721
Fund balance, June 30, 2009	\$ -	\$ -	\$ 13,847	\$ 13,847
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (4,874)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (4,874)	

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ 95,420	\$ 95,420	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 95,420</u>	<u>\$ 95,420</u>	<u>\$ -</u>
Expenditures:				
Current:				
Instruction	\$ -	\$ 90,794	\$ 83,808	\$ 6,986
Support services - Students			11,612	(11,612)
General administration				-
School administration		4,626		4,626
Central services				-
Total expenditures	<u>\$ -</u>	<u>\$ 95,420</u>	<u>\$ 95,420</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(12,627)</u>	<u>(12,627)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (12,627)</u></u>	<u><u>\$ (12,627)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ -	\$ -	\$ 12,261	\$ 12,261
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,261</u>	<u>\$ 12,261</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	\$ -	\$ -	\$ 12,261	\$ 12,261
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>20,205</u>	<u>20,205</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 32,466</u></u>	<u><u>\$ 32,466</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 12,261	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 12,261</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ 58,251	\$ 58,251
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,251</u>	<u>\$ 58,251</u>
Expenditures:				
Current:				
Operation	\$ -	\$ -	\$ 51,150	\$ (51,150)
Capital outlay				-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,150</u>	<u>\$ (51,150)</u>
Net change in fund balance	\$ -	\$ -	\$ 7,101	\$ 7,101
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>20,558</u>	<u>20,558</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,659</u></u>	<u><u>\$ 27,659</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 7,101	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 7,101</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 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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 55,000	\$ 55,000	\$ 50,000	\$ (5,000)
Total revenues	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 50,000</u>	<u>\$ (5,000)</u>
Expenditures:				
Current:				
Operation	\$ -	\$ -	\$ -	\$ -
Capital outlay	<u>55,000</u>	<u>55,000</u>	<u>50,000</u>	<u>5,000</u>
Total expenditures	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 50,000</u>	<u>\$ 5,000</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(6,460)</u>	<u>(6,460)</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (6,460)</u></u>	<u><u>\$ (6,460)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></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, 2009

	<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>
<b>Assets</b>				
Cash and investments:				
Cesar Chavez Charter School	\$ 3,482	\$ 5,028	\$ 6,005	\$ 2,505
Total assets	<u>\$ 3,482</u>	<u>\$ 5,028</u>	<u>\$ 6,005</u>	<u>\$ 2,505</u>
<b>Liabilities</b>				
Deposits held for others:				
Cesar Chavez Charter School	\$ 3,482	\$ 5,028	\$ 6,005	\$ 2,505
Total liabilities	<u>\$ 3,482</u>	<u>\$ 5,028</u>	<u>\$ 6,005</u>	<u>\$ 2,505</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, 2009

	<u>First NM Bank</u>	<u>Total</u>
Checking and CD's	<u>\$ 294,907</u>	<u>\$ 294,907</u>
Total on deposit	\$ 294,907	\$ 294,907
Less: FDIC insurance	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 44,907</u>	<u>\$ 44,907</u>
50 % collateral	\$ 22,454	\$ 22,454
Pledged Collateral; Mora, NM Ind. School 7-1-16	<u>250,000</u>	<u>250,000</u>
Pledged securities over (under) requirement	<u>227,546</u>	<u>227,546</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, 2009

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>First NM Bank</u>			
Agency	Checking	\$ 2,505	\$ 2,505
Operational	Checking	<u>292,402</u>	<u>218,740</u>
Total cash		<u><u>\$ 294,907</u></u>	<u><u>\$ 221,245</u></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, 2009

	<u>Operational</u>	<u>Instructional Materials</u>	<u>Federal Flowthrough</u>	<u>Local Grants</u>
Total cash and investments as of July 1, 2008	\$ 226,391	\$ 18,721	\$ (12,627)	\$ 20,205
Add: Current year receipts	1,874,787	1,456	100,234	12,261
Prior year warrants voided				
Less: Current year expenditures	(1,914,114)	# (6,330)	(100,234)	
Chargebacks/(Overdrafts)				
Receivables/payables	(23,209)			
Transfers				
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments as of June 30, 2009	<u>\$ 163,855</u>	<u>\$ 13,847</u>	<u>\$ (12,627)</u>	<u>\$ 32,466</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, 2009

	<u>Public School Capital Outlay</u>	<u>Special Capital Outlay State</u>	<u>Agency</u>	<u>Total</u>
Total cash and investments as of July 1, 2008	\$ 20,558	\$ (6,460)	\$ 3,482	\$ 270,270
Add: Current year receipts	58,251	50,000	5,028	2,102,017
Prior year warrants voided				-
Less: Current year expenditures	(51,150)	(50,000)	(6,005)	(2,127,833)
Abatements				-
Receivables/payables				(23,209)
Transfers				-
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments as of June 30, 2009	<u>\$ 27,659</u>	<u>\$ (6,460)</u>	<u>\$ 2,505</u>	<u>\$ 221,245</u>

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, 2009

**Findings – Financial Statement Audit**

	<u>Condition</u>	<u>Current Status</u>
08-1	General ledger balances were not reconciled to cash in the bank	Resolved
08-2	Trust fund receipts were not receipted	Resolved
08-3	Teacher employee files were incomplete	Repeated
08-4	Goods and services purchased without appropriate approval.	Repeated
08-5	Expenditures incurred in excess of budgetary authority.	Repeated

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.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.  
P.O. BOX 2828  
SILVER CITY, NEW MEXICO 88062  
TELEPHONE (575) 388-1777  
(575) 538-3795  
FAX (575) 388-5040  
E-MAIL: stonemcgee@qwestoffice.net

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENTAL 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, 2009, 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 October 31, 2009. We have also audited the financial statements of each of the School's general fund sub-funds and capital projects funds presented as other supplementary information as of and for the year ended June 30, 2009 and have issued our report thereon dated October 31, 2009. 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 09-1 and 08-3.

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 none of the significant deficiencies described above are material weaknesses.

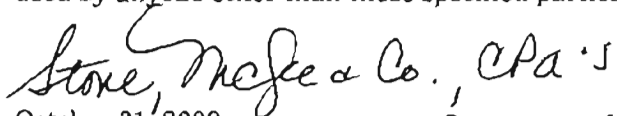
#### Compliance and Other Matters

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, 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 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 findings 08-4 through 09-2.

Cesar Chavez High School Charter School, a component unit of Deming Public School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Cesar Chavez High School Charter School, a component unit of Deming Public School's responses and, accordingly, we express no opinion on them.

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.

  
October 31, 2009

Stone, McGee & Co.  
Certified Public Accountants

Cesar Chavez High School Charter School  
Component unit of Deming Public Schools  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Fiscal Year Ended June 30, 2009

**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. Neither is considered a material weakness.
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**

**09-1 Payroll Records**

Condition - The School has not managed its payroll reporting system in accordance with Internal Revenue Service regulations. Payroll reports have not been timely filed, and payroll tax deposits have not been made within the required time frame.

Criteria – Internal Revenue Service regulations require deposit of payroll taxes within three banking days of the date of the payroll. New Mexico regulations require deposit of state withholding monthly.

Effect – The School has incurred penalties for late filing of reports, and federal and state regulations have been violated.

Cause – The School's accountant had some difficulty in submitting the New Mexico deposits on-line, and was unaware of the three day deposit rule for federal deposits.

Recommendation – We recommend that the School comply with the payroll tax deposit deadlines promulgated by regulations.

Agency Response – The School is now aware of the required deadlines, and will comply with them in the future.

### 08-3 Employee Files

Condition – In a test of 25 employee files, we noted 4 instances of no W-4 on file, 3 instances of no I-9 on file, and 10 instances where portions or all of the employee file were unavailable. In addition, in a test of 8 certified personnel files, we noted 4 instances where teaching certificates were not on file, 3 instances where transcripts were either unavailable or did not support the education level claimed, and 3 instances where the file could not be located.

Criteria – The New Mexico public Education Department's *Manual of Procedures* requires that certified personnel be paid in accordance with an approved salary schedule, which matches pay rates to experience, and that experience be verified by School personnel. Internal Revenue Service regulations require that W-4s and I-9s be maintained for all employees, and available for inspection.

Effect – Certified personnel may have been paid incorrect amounts, and there is an increased likelihood that experience not earned could be claimed as a means of increasing the pay rate. In addition, the School is at risk of substantial fines for failure to maintain W-4s and I-9s.

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

Recommendation – We recommend that as a final step in the contracting process, the Director compare contract amounts to the approved salary schedule, and inspect personnel files to insure that experience has been verified. We further recommend that all employee records be maintained in one file, for ease of inspection and production.

Agency Response – The recommendation will be adopted.

### OTHER INSTANCES OF NONCOMPLIANCE

#### 08-4 Purchasing Procedures

Condition – In a test of 41 purchase vouchers, we noted 21 instances where the purchase order date was either missing or subsequent to the date of the purchase, and 6 instances where the invoice 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 personnel prior to purchase, and that vouchers be approved for payment prior to payment.

Effect – The controls established by budgetary management and managerial authorization for purchasing have been compromised, and New Mexico statutes have been violated.

Cause – The School has not established an adequate internal control system over purchasing to insure compliance with regulations.

Recommendation – We recommend that the School revisit its purchasing procedures to insure compliance with purchasing regulations.

Agency Response – We have established purchasing procedures, and the majority of these transactions occurred early in the year. We believe the system is now operational.



09-2 Budgetary Controls

Condition – The School incurred expenditures in the following funds and functions;

General Fund:	
Instruction	\$ 5,740
Support Services – Students	87,882
Operation of Plant	99,685
TANF/GRADS:	
Operation	40,000
Public School Capital Outlay;	
Operation of Plant	51,150

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that expenditures not exceed budgetary authority. The function is the legal level of budgetary control.

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 adjustments at year end to alleviate these budget overruns.

Recommendation – We recommend that the District adhere to their policy of reviewing year end expenditures and requesting budget adjustments where necessary.

Agency Response – The policy is currently in place, but was not complied with during the 2008-2009 fiscal year. The School intends to comply with the policy in future years.

**OTHER – FINANCIAL STATEMENT PREPARATION**

The financial statements were prepared by Stone, McGee & Co., CPA's

**EXIT CONFERENCE**

The contents of this report were discussed on November 5, 2009. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Gloria Lopez	Council President	Cesar Chavez High School
Arlene Trujillo	Director	Cesar Chavez High School
Chris Masters	Accountant	Cesar Chavez High School
Bayne Anderson	Board Secretary	Deming Public Schools
Harvielee Moore	Superintendent	Deming Public Schools
Ted Burr	Assoc. Supt. of Finance	Deming Public Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPA's