

**STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21**

**COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2007
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TABLE OF CONTENTS
Year Ended June 30, 2007

	Page
INTRODUCTORY SECTION	
Title Page	
Table of Contents	iii
Official Roster	1
FINANCIAL SECTION	
Independent Auditors' Report	5
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – All Governmental Funds to the Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes In Fund Balance – All Governmental Funds to the Statement of Activities	14
Major Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
General Fund	15
Impact Aid Special Revenue Fund	17
Statement of Fiduciary Assets and Liabilities – Agency Funds	18
Notes to the Financial Statements	19
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:	
General Fund:	
Combining Balance Sheet	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	47
Budgetary Presentation:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Operating Fund	48
Teacherage Fund	50
Transportation Fund	51
Instructional Materials Fund	52

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TABLE OF CONTENTS
Year Ended June 30, 2007

Nonmajor Governmental Funds:	
Combining Balance Sheet	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	58
Budgetary Presentation:	
Schedule of Revenues, Expenditures, and Changes in	
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Nonmajor Special Revenue Funds:	
Food Services Special Revenue Fund	66
Athletics Special Revenue Fund	67
Title I Special Revenue Fund	68
Entitlement IDEA-B Special Revenue Fund	69
Discretionary IDEA-B Special Revenue Fund	70
Preschool IDEA-B Special Revenue Fund	71
Title V Special Revenue Fund	72
Title III English Language Special Revenue Fund	73
Title II Teacher Quality Special Revenue Fund	74
Title IV Drug Free Schools Special Revenue Fund	75
21 st Century Community Living Centers Special Revenue Fund	76
Title I School Improvement Special Revenue Fund	77
Reading First Special Revenue Fund	78
Impact Aid Special Education Special Revenue Fund	79
Physical Education Classes Special Revenue Fund	80
Incentives for School Improvement Special Revenue Fund	81
Beginning Teacher Mentoring Special Revenue Fund	82
Breakfast for Elementary Students Special Revenue Fund	83
Extended Day Program Special Revenue Fund	84
Medicaid Special Revenue Fund	85
Gear Up Special Revenue Fund	86
School Based Health Special Revenue Fund	87
 Debt Service Fund	 91
 Capital Projects Funds:	
Bond Building Capital Projects Fund	94
Special Capital Outlay – Federal Capital Projects Fund	95
Capital Improvements HB-33 Capital Projects Fund	96
Capital Improvements SB-9 Capital Projects Fund	97
Public School Capital Outlay-20% Capital Projects Fund	98

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TABLE OF CONTENTS
Year Ended June 30, 2007

OTHER SUPPLEMENTAL INFORMATION	
Statement of Capital Assets – By Source	101
Fiduciary Funds:	
Statement of Changes in Assets and Liabilities – All Agency Funds	102
Schedule of Pledged Collateral	104
Cash Reconciliation	105
 SINGLE AUDIT SECTION	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	111
 Report on Compliance With Requirement Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	115
 Summary Schedule of Prior Year Audit Findings	117
Schedule of Findings and Questioned Costs	118
Schedule of Expenditures of Federal Awards	132
Notes to the Schedule of Expenditures of Federal Awards	134
 REQUIRED DISCLOSURE	137

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

OFFICIAL ROSTER
June 30, 2007

Board of Education

David Montoya	Board President
Steve Cata	Board Vice President
Clyde B. Vicenti	Board Secretary
Joanna Dykehouse	Board Member
Connie Gomez	Board Member

School Officials

Dr. Ralph Friedly	Superintendent
Kevin Torres	Director of Finance

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION

FISCAL YEAR 2007

JULY 1, 2006 THROUGH JUNE 30, 2007

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
And the Board of Education of
Dulce Independent School District No. 21

We have audited the accompanying financial statements of the governmental activities, each major fund and respective budgetary comparisons for the general fund and major fund special revenue fund, and the aggregate remaining fund information of Dulce Independent School District No. 21 (District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds and the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of Dulce Independent School District No. 21'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, each major fund, and the aggregate remaining fund information of the Dulce Independent School District No. 21, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparisons of the General Fund and Impact Aid Indian Education Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Dulce Independent School District No. 21, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparisons for the nonmajor governmental funds, and the Bond Building, Capital Improvements HB-33, Capital Improvements SB-9, and Debt Service 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 December 18, 2008, on our consideration of the Dulce Independent School District No. 21'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.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

Hector H. Balderas, State Auditor
And the Board of Education of
Dulce Independent School District No. 21

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations, and is not a required part of the financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



December 18, 2008

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
 <u>ASSETS</u>	
Cash and cash equivalents	\$ 29,462,898
Receivables:	
Delinquent property taxes receivable	324,823
Grant	830,682
Deferred bond issuance costs	147,896
USDA commodities inventory	3,734
 Non-current:	
Non-depreciable assets	532,475
Depreciable capital assets, net	<u>28,480,128</u>
 Total assets	 <u>59,782,636</u>
 <u>LIABILITIES</u>	
Accounts payable	264,536
Accrued interest	76,219
Deferred grant revenue	196,204
Deposits held for others	2,250
Compensated absences	60,520
Noncurrent liabilities:	
Due within one year	1,970,000
Due in more than one year	<u>30,350,635</u>
 Total liabilities	 <u>32,920,364</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	(3,308,032)
Restricted:	
Debt service	78,605
Capital projects	28,921,949
Inventories	3,734
Unrestricted	<u>1,166,016</u>
 Total net assets	 <u>\$ 26,862,272</u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	
Primary government:						
Governmental activities:						
Instruction	\$ 5,753,062	\$ 1,837	\$ 682,883	\$ 680,667	\$ (4,387,675)	
Support Services - Students	999,040	56,322	118,585	118,200	(705,933)	
Support Services - Instruction	288,934	-	34,296	34,185	(220,453)	
Support Services - General Administration	335,606	-	39,836	39,707	(256,063)	
Support Services - School Administration	694,304	-	82,413	82,146	(529,745)	
Central Services	222,271	99,320	26,383	-	(96,568)	
Operations & Maintenance of Plant	3,273,033	-	388,505	-	(2,884,528)	
Student Transportation	226,528	-	163,022	-	(63,506)	
Food Services	440,653	9,182	219,138	-	(212,333)	
Bond interest paid	<u>3,034,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,034,856)</u>	
 Total governmental activities	 <u>\$ 15,268,286</u>	 <u>\$ 166,661</u>	 <u>\$ 1,755,061</u>	 <u>\$ 954,905</u>	 <u>(12,391,659)</u>	
General revenues:						
Property Taxes:						
General purposes						399,639
Debt service						1,611,836
Capital projects						1,546,170
Grants and contributions not restricted						5,969,991
Unrestricted investment earnings						<u>84,798</u>
Total general revenues						<u>9,612,434</u>
Change in net assets						(2,779,225)
Net assets - beginning						<u>29,641,497</u>
Net assets - ending						<u>\$ 26,862,272</u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2007

	General Fund	Impact Aid Indian Education Fund	Debt Service Fund	Bond Building Fund	Capital Improvements HB-33 Fund	Capital Improvements SB-9 Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>								
Pooled cash and investments	\$ 1,272,974	\$ 74,308	\$ (85,446)	\$ 17,157,232	\$ 9,383,605	\$ 1,868,249	\$ (208,024)	\$ 29,462,898
Receivables:								
Delinquent property taxes	32,201	-	152,894	-	9,050	130,678	-	324,823
Grant	-	-	-	-	-	-	830,682	830,682
USDA commodities inventory	-	-	-	-	-	-	3,734	3,734
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 1,305,175	\$ 74,308	\$ 67,448	\$ 17,157,232	\$ 9,392,655	\$ 1,998,927	\$ 626,392	\$ 30,622,137
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES AND FUND BALANCE</u>								
Liabilities:								
Accounts payable	\$ 122,412	\$ -	\$ -	\$ -	\$ 111,361	\$ 29,910	\$ 853	\$ 264,536
Deposits held for others	2,250	-	-	-	-	-	-	2,250
Deferred revenue:								
Federal, state, and local grants	-	74,308	-	-	-	-	121,896	196,204
Delinquent property taxes	720	-	13,933	-	7,483	4,067	-	26,203
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	125,382	74,308	13,933	-	118,844	33,977	122,749	489,193
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund balance:								
Reserved:								
Retirement of long-term debt	-	-	53,515	-	-	-	-	53,515
Inventories	-	-	-	-	-	-	3,734	3,734
Unreserved reported in:								
General fund	1,179,793	-	-	-	-	-	-	1,179,793
Special revenue funds	-	-	-	-	-	-	(14,497)	(14,497)
Capital projects funds	-	-	-	17,157,232	9,273,811	1,964,950	514,406	28,910,399
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	1,179,793	-	53,515	17,157,232	9,273,811	1,964,950	503,643	30,132,944
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	\$ 1,305,175	\$ 74,308	\$ 67,448	\$ 17,157,232	\$ 9,392,655	\$ 1,998,927	\$ 626,392	\$ 30,622,137
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

RECONCILIATION OF THE BALANCE SHEET - ALL
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2007

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

Fund balances - total governmental funds	\$ 30,132,944
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,012,603
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	26,203
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(32,309,478)</u>
Net assets of governmental activities	<u>\$ 26,862,272</u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	General Fund	Impact Aid Indian Education Fund	Debt Service Fund	Bond Building Fund	Capital Improvements HB-33 Fund	Capital Improvements SB-9 Fund	Other Governmental Funds	Total Governmental Funds
Revenues:								
Federal sources:								
Public Law 874	\$ 2,404,080	\$ 665,304	\$ -	\$ -	\$ -	\$ -	\$ 159,535	\$ 3,228,919
Forest reserve	21,045	-	-	-	-	-	-	21,045
Federal flowthrough grants	294,280	-	-	-	-	-	868,428	1,162,708
Federal direct grants	-	-	-	-	-	-	-	-
Food and milk reimbursements	-	-	-	-	-	-	200,965	200,965
USDA Commodities	-	-	-	-	-	-	18,173	18,173
	<u>2,719,405</u>	<u>665,304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,247,101</u>	<u>4,631,810</u>
State sources:								
State equalization guarantee	2,696,009	-	-	-	-	-	-	2,696,009
Transportation	163,022	-	-	-	-	-	-	163,022
State instructional material	54,364	-	-	-	-	-	-	54,364
State grant	28,658	-	-	-	-	-	440,939	469,597
	<u>2,942,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>440,939</u>	<u>3,382,992</u>
Local sources:								
Grant	-	-	-	-	-	-	-	-
District school tax levy	399,639	-	1,611,836	-	24,196	1,521,974	-	3,557,645
Fees and activities	101,157	-	-	-	-	-	65,504	166,661
Earnings from investments	80,560	-	3,264	223,053	534,071	106,689	19,611	967,248
Miscellaneous	3,701	-	-	20,281	-	36	-	24,018
	<u>585,057</u>	<u>-</u>	<u>1,615,100</u>	<u>243,334</u>	<u>558,267</u>	<u>1,628,699</u>	<u>85,115</u>	<u>4,715,572</u>
Total local revenues	<u>585,057</u>	<u>-</u>	<u>1,615,100</u>	<u>243,334</u>	<u>558,267</u>	<u>1,628,699</u>	<u>85,115</u>	<u>4,715,572</u>
Total revenue	<u>6,246,515</u>	<u>665,304</u>	<u>1,615,100</u>	<u>243,334</u>	<u>558,267</u>	<u>1,628,699</u>	<u>1,773,155</u>	<u>12,730,374</u>

(continued)

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

	General Fund	Impact Aid Indian Education Fund	Debt Service Fund	Bond Building Fund	Capital Improvements HB-33 Fund	Capital Improvements SB-9 Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:								
Current:								
Instruction	2,956,439	525,883	-	-	-	-	1,123,730	4,606,052
Support Services - Students	424,635	139,421	-	-	-	-	235,802	799,858
Support Services - Instruction	232,772	-	-	-	-	-	11,618	244,390
Support Services - General Administration	242,527	-	1,458	-	7	553	24,150	268,695
Support Services - School Administration	508,811	-	-	-	-	-	47,067	555,878
Central Services	177,956	-	-	-	-	-	-	177,956
Operations & Maintenance of Plant	1,038,200	-	-	64,442	156,754	1,308,072	53,008	2,620,476
Student Transportation	181,364	-	-	-	-	-	-	181,364
Food Services	-	-	-	-	-	-	352,798	352,798
Capital outlay	-	-	-	21,376	502,595	229,071	47,800	800,842
Debt service:								
Principal retirement	-	-	2,815,000	-	-	-	-	2,815,000
Bond interest paid	-	-	2,975,768	-	-	-	-	2,975,768
Bond issuance costs	-	-	-	71,544	-	-	-	71,544
Total expenditures	<u>5,762,704</u>	<u>665,304</u>	<u>5,792,226</u>	<u>157,362</u>	<u>659,356</u>	<u>1,537,696</u>	<u>1,895,973</u>	<u>16,470,621</u>
Excess (deficiency) of revenues over expenditures	<u>483,811</u>	<u>-</u>	<u>(4,177,126)</u>	<u>85,972</u>	<u>(101,089)</u>	<u>91,003</u>	<u>(122,818)</u>	<u>(3,740,247)</u>
Other sources:								
Sale of bonds	-	-	-	10,000,000	-	-	-	10,000,000
Bond premium	-	-	-	39,663	-	-	-	39,663
Total other sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,039,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,039,663</u>
Net change in fund balance	483,811	-	(4,177,126)	10,125,635	(101,089)	91,003	(122,818)	6,299,416
Fund balance at beginning of the year	<u>695,982</u>	<u>-</u>	<u>4,230,641</u>	<u>7,031,597</u>	<u>9,374,900</u>	<u>1,873,947</u>	<u>626,461</u>	<u>23,833,528</u>
Fund balance at end of the year	<u>\$ 1,179,793</u>	<u>\$ -</u>	<u>\$ 53,515</u>	<u>\$ 17,157,232</u>	<u>\$ 9,273,811</u>	<u>\$ 1,964,950</u>	<u>\$ 503,643</u>	<u>\$ 30,132,944</u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

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

Year Ended June 30, 2007

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

Net change in fund balance - total governmental funds	\$ 6,299,416
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year	(1,638,183)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(245,781)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar, items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,175,457)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(19,220)</u>
Change in net assets of governmental activities	<u>\$ (2,779,225)</u>

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
Federal sources:				
Public Law 874	\$ 2,404,000	\$ 2,404,000	\$ 2,404,080	\$ 80
Forest reserve	-	-	21,045	21,045
Federal grant	-	-	294,280	294,280
	<u>2,404,000</u>	<u>2,404,000</u>	<u>2,719,405</u>	<u>315,405</u>
State sources:				
State equalization guarantee	2,696,009	2,696,009	2,696,009	-
State instructional material	-	-	217,386	217,386
State grant	-	-	28,658	28,658
	<u>2,696,009</u>	<u>2,696,009</u>	<u>2,942,053</u>	<u>246,044</u>
Local sources:				
District school tax levy	434,000	434,000	452,370	18,370
Fees and activities	-	-	100,657	100,657
Earnings from investments	-	-	80,560	80,560
Miscellaneous	-	-	3,701	3,701
	<u>434,000</u>	<u>434,000</u>	<u>637,288</u>	<u>203,288</u>
Total revenues	<u>5,534,009</u>	<u>5,534,009</u>	<u>6,298,746</u>	<u>764,737</u>

(continued)

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Current:				
Instruction	\$ 3,222,572	\$ 3,216,380	\$ 2,919,683	\$ 296,697
Support Services - Students	2,785,930	695,771	424,072	271,699
Support Services - Instruction	18,250	230,511	176,060	54,451
Support Services - General Administration	125,237	290,096	239,241	50,855
Support Services - School Administration	-	594,111	508,811	85,300
Central Services	-	180,843	177,956	2,887
Operation & Maintenance of Plant	-	938,242	1,019,380	(81,138)
Student Transportation	<u>178,509</u>	<u>184,544</u>	<u>181,364</u>	<u>3,180</u>
Total expenditures	<u>6,330,498</u>	<u>6,330,498</u>	<u>5,646,567</u>	<u>683,931</u>
Excess (deficiency) of revenues over expenditures	(796,489)	(796,489)	652,179	1,448,668
Beginning cash balance budgeted	796,489	796,489	-	(796,489)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>695,982</u>	<u>695,982</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	1,348,161	<u>\$ 1,348,161</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(26,644)	
Change in due from other governments			(26,088)	
Change in payables			(116,136)	
Change in accrued liabilities			500	
Change in deferred property taxes			<u>-</u>	
			<u>\$ 1,179,793</u>	

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21
IMPACT AID INDIAN EDUCATION SPECIAL REVENUE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Public Law 874	\$ -	\$ 668,490	\$ 612,040	\$ (56,450)
Expenditures:				
Current:				
Instruction	-	528,929	525,883	3,046
Support Services - Students	-	139,561	139,421	140
	<u>-</u>	<u>668,490</u>	<u>665,304</u>	<u>3,186</u>
Excess (deficiency) of revenues over expenditures	-	-	(53,264)	(53,264)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(53,264)	<u>\$ (53,264)</u>
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>53,264</u>	
			<u>\$ -</u>	

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

AGENCY FUNDS
Statement of Fiduciary Assets and Liabilities
June 30, 2007

ASSETS

Pooled cash and investments	\$ <u>84,678</u>
-----------------------------	------------------

LIABILITIES

Deposits held for others	\$ <u>84,678</u>
--------------------------	------------------

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE	PAGE
I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES	
A. Reporting Entity	20
1. Blended Component Units	
2. Discretely Presented Component Units	
B. Government-Wide and Fund Financial Statements	21
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	21
1. Major Funds	22
D. Assets, Liabilities, and Net Assets or Equity	23
II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS	
A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities	29
B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities	30
III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	32
IV. DETAILED NOTES ON ALL FUNDS	33
V. OTHER INFORMATION	
A. Risk Management	42
B. Contingent Liabilities	42
C. Budgetary Violations	42
D. Employee Retirement Plan	43
E. Post-Retirement Health Care Benefits	43

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Dulce Independent School District (District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Village of Dulce, New Mexico and the surrounding areas. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

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

GAAP requires that financial statements present the District (primary government) and its component units. The district does not have any component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*.

1. Blended Component Units

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

2. Discretely Presented Component Units

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

The summary of significant accounting policies of the District is presented to assist in the understanding of the Association's financial statements. The financial statements and notes are the representation of Dulce Independent School District's management who is responsible for their integrity and objectivity. The financial statements of the Association conform to Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectable amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The government reports the following major governmental funds:

General Fund – The general fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Impact Aid Indian Education – To provide financial assistance to local educational agencies (LEA’S) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), where there is a significant number of children who reside on Federal (including Indian) lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3 (b); where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Bond Building Capital Projects Fund – This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

Capital Improvements HB-33 Fund – This fund provides financing for the purchase of equipment and capital improvements to the School District property. Funding is received from a 5 mill property levy and interest earned on investments, under House Bill 33.

Capital Improvements SB-9 Fund – This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources – which are legally restricted to expenditures for specified purposes.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Similar to private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. *Deposits and investments*

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

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds for the District must follow the above investment policies.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the school district. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

The School District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, Capital Improvements HB-33 Fund, Capital Improvements SB-9 Fund, and Debt Service Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the School District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the School District has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. A receivable and deferred revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the district has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not be collected, as prescribed in GASB 34. An allowance for refunds and uncollectibles has not been recorded.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. *Inventories*

USDA Commodities are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. *Capital assets*

Capital assets, which include property, plant, and equipment (software), are reported in the applicable governmental-wide financial statements. Beginning July 1, 2005, the threshold for defining Capital assets by the government was raised from \$1,000 to assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The costs of library books are not depreciated unless the individual cost is in excess of \$5,000. Software costs have been included with the cost of computer equipment and are capitalized with that equipment. The District does not develop software for internal use or any other use.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. *Compensated absences*

It is the School District's policy to permit employees to accumulate earned but unused vacation, which will be paid to employees upon separation from the District's service. Twelve-month employees that are full time are entitled to two weeks paid vacation per year. Vacation days may not accrue from one year to the next without the prior approval of the superintendent, and is accrued when incurred in the government-wide financial statements.

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

6. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as capital projects expenditures.

7. *Fund balance*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. *Net assets*

Net assets are presented on the statement of net assets and may be presented in any of three components.

a. Invested in capital assets, net of related debt

This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not be included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

b. Restricted net assets

Net assets are reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

c. Unrestricted net assets

Unrestricted net assets consist of net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

In the governmental environment, net assets often are designated to indicate that management does not consider them to be available for general operations. In contrast to restricted net assets, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

9. *Indirect Costs*

The School District’s General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. *Estimates*

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

11. *Revenues*

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost".

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$2,696,009 in state equalization guarantee distributions during the year ended June 30, 2007.

Transportation Distribution: School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$163,022 in transportation distributions during the year ended June 30, 2007.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.” The details of the \$29,012,603 difference are as follows:

Capital assets	\$ 43,237,334
Accumulated depreciation	<u>(14,224,731)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 29,012,603</u>

Another element of the reconciliation states “other assets are not available to pay to current-period expenditures and therefore are deferred in the funds.” The details of the \$26,203 difference are as follows:

Property taxes receivable	<u>\$ 26,203</u>
---------------------------	------------------

The final adjustment in the reconciliation indicates that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The \$32,309,478 difference is detailed as follows:

Bonds payable	\$ (32,285,000)
Accrued interest payable	(76,219)
Accrued vacation payable	(60,520)
Bond premiums	(40,152)
Amortization of bond premiums	4,517
Bond issue costs	187,836
Amortization of bond issue costs	<u>(39,940)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (32,309,478)</u>

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities
(continued)

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,638,183 difference are as follows:

Capital outlay	\$ 800,842
Depreciation expense	<u>(2,439,025)</u>
Net adjustment to changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,638,183)</u>

The second element in the reconciliation indicates “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The adjustment of \$245,781 is detailed as follows:

Reduction in revenue:	
Deferred grant revenue in 2006	\$ (245,781)
Deferred property taxes in 2006	(26,203)
Amounts to be included in revenue:	
Deferred property taxes in 2007	<u>26,203</u>
Net adjustment to change in net assets of governmental activities for revenues that are not recorded in the funds	<u>\$ (245,781)</u>

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities
(continued)

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$7,175,457 difference are as follows:

Principal repayments:	
General obligation debt	\$ 2,815,000
Proceeds of bonds	(10,000,000)
Premium received	(39,663)
Amortization of bond premium	4,468
Bond issuance costs	71,544
Amortization of bond issuance costs	<u>(26,806)</u>
Net adjustment to decrease change in net assets of governmental activities	<u>\$ (7,175,457)</u>

The final element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$19,220 difference are as follows:

Accrued interest:	
June 30, 2007	\$ (76,219)
June 30, 2006	43,937
Compensated absences:	
June 30, 2007	(60,520)
June 30, 2006	<u>73,582</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (19,220)</u>

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series', this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

6. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2007 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	\$ 6,330,498	\$ 6,330,498
Special Revenue Fund	1,227,542	2,814,619
Debt Service Fund	3,289,498	3,289,498
Capital Projects Fund	19,811,454	17,828,854
Totals	\$ 30,658,992	\$ 30,263,469

B. Deficit fund equity

There was one deficit fund balance as of June 30, 2007. The \$32,302 fund balance deficit in the Food Service Special Revenue Fund will be covered by the General Fund.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2007, the carrying amount of the District's deposits was \$18,511,517 and the bank balance was \$18,819,718. Of this balance \$100,000 was covered by federal depository insurance and \$16,495,263 was covered by collateral held in joint safekeeping by a third party. The remaining \$2,224,455 not covered by pledged collateral is comprised of amounts in excess of those required to be collateralized under State law.

The collateral pledged is listed on Page 104 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the direct obligations of the United States government or are agencies sponsored by the United States government. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary. At June 30, 2007, the District had \$8,490,102 being held by the New Mexico State Treasurer.

1. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2007, \$18,719,718 of the District's bank balance of \$18,819,718 was exposed to custodial risk as follows:

Uninsured and uncollateralized	\$	2,224,455
Uninsured and collateral held by pledging bank's trust dept not in the city's name		16,495,263
Total uninsured		18,719,718
Insured (FDIC)		100,000
Total deposits	\$	18,819,718
 State of New Mexico collateral requirement:		
50% of uninsured public fund bank deposits	\$	418,878
102% of uninsured public fund bank deposits		18,239,601
Pledged security		16,495,263
Over collateralization	\$	(2,163,216)

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

2. Credit Risk, Concentration of Credit Risk, and Interest Rate Risk – Specific Identification

As of June 30, 2007, the district had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasury Pool	less than 1 year	\$ 8,490,102
Federal Agencies:		
Freddie Mac Discount Notes	less than 1 year	1,016,288
Fannie Mae Discount Notes	less than 1 year	1,529,419
Repurchase agreements	less than 1 year	<u>17,981,962</u>
Total		<u>\$ 29,017,771</u>

a. Interest Rate Risk

The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the current maturities of all investments limits the effects any interest rate risk.

b. Credit Risk

Investments made by the State Treasury Pool carry a rating of no less than “AA” as required by state law. The district has no investment policy that would further limit its investment choices. As of June 30, 2007, district’s investment in the Federal Agencies were rated AAA.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

c. *Concentration of Credit Risk*

The district places no limit on the amount the district may invest in any one issuer. More than 5 percent of the district's investments are in State Treasury Pool, Freddie Mac Discount Notes, Fannie Mae Discount Notes, and Wells Fargo Repurchase agreements. These investments are 29.3%, 3.5%, 5.3%, and 62.0%, respectively, of the district's total investments. The Federal Agencies and money market investments are accounted for in the Bond Building Capital Projects Fund.

<u>Investment</u>	<u>Fair Value</u>	<u>Percentage of Total Investments</u>
State Treasury Pool	\$ 8,490,102	29.2%
Federal Agencies:		
Freddie Mac Discount Notes	1,016,288	3.5%
Fannie Mae Discount Notes	1,529,419	5.3%
Repurchase agreements	<u>17,981,962</u>	<u>62.0%</u>
Total	<u>\$ 29,017,771</u>	<u>100.0%</u>

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

B. Fair Value of Investments

GASB Statement 31 defines “fair value” as the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments in participating interest-earning investment contracts should be reported at fair value. Participating contracts are investments whose value is affected by market (interest rate) changes. If these contracts are negotiable or transferable, or their redemption value considers market rates, they should be considered participating. The change in fair value is calculated as follows:

Fair value at June 30, 2007	\$	2,545,707
Add: Proceeds from investments sold in 2007		3,750,345
Less: Cost of investments purchased 2007		(645,296)
Less: Fair value at June 30, 2006		<u>(5,422,800)</u>
Net increase in fair value of investments	\$	<u>227,956</u>

C. Receivables

Receivables as of year-end for the government’s individual major funds and non-major funds in the aggregate, including the following:

	<u>General</u>	<u>Debt Service</u>	<u>HB-33 Capital Improvements</u>	<u>SB-9 Capital Improvements</u>	<u>Other Governmental Funds</u>
Receivables:					
Delinquent property taxes	\$ 32,201	\$ 152,897	\$ 9,050	\$ 130,678	\$ -
Grant	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>830,682</u>
Total	<u>\$ 32,201</u>	<u>\$ 152,897</u>	<u>\$ 9,050</u>	<u>\$ 130,678</u>	<u>\$ 830,682</u>

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

C. Receivables (continued)

	<u>Unavailable</u>	<u>Unearned</u>
Grant drawdowns prior to meeting all eligibility requirements		
P.L. 81-874 Indian Ed	\$ -	\$ 74,308
Other Governmental Funds	-	121,783
Delinquent property taxes		
General Fund	720	-
Debt Service Fund	13,933	-
HB-33 Capital Improvements	7,483	-
SB-9 Capital Improvements	<u>4,067</u>	<u>-</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 26,203</u>	<u>\$ 196,091</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 70,141	\$ -	\$ -	\$ -	\$ 70,141
Construction in progress	<u>-</u>	<u>462,334</u>	<u>-</u>	<u>-</u>	<u>462,334</u>
Total capital assets, not being depreciated	<u>\$ 70,141</u>	<u>\$ 462,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,475</u>
Capital assets, being depreciated:					
Land improvements	-	4,350	-	663,496	667,846
Buildings and improvements	38,213,383	219,938	-	(508,807)	37,924,514
Equipment	<u>4,152,968</u>	<u>114,220</u>	<u>-</u>	<u>(154,689)</u>	<u>4,112,499</u>
Total capital assets being depreciated	42,366,351	338,508	-	-	42,704,859
Less accumulated depreciation for:					
Land improvements	-	(30,854)	-	(131,258)	(162,112)
Buildings and improvements	(9,370,621)	(1,711,905)	-	(203,496)	(11,286,022)
Equipment	<u>(2,415,085)</u>	<u>(696,266)</u>	<u>-</u>	<u>334,754</u>	<u>(2,776,597)</u>
Total accumulated depreciation	<u>(11,785,706)</u>	<u>(2,439,025)</u>	<u>-</u>	<u>-</u>	<u>(14,224,731)</u>
Total capital assets being depreciated, net	<u>\$ 30,580,645</u>	<u>\$ (2,100,517)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,480,128</u>

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets (continued)

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

<u>Depreciation Allocation to Functions</u>	
Instruction	\$ 1,147,009
Support Services - Students	199,182
Support Services - Instruction	57,606
Support Services - General Administration	66,911
Support Services - School Administration	138,426
Central Services	44,315
Operations & Maintenance of Plant	652,557
Student Transportation	45,164
Food Services	<u>87,855</u>
Total Depreciation Expense	<u>\$ 2,439,025</u>

Construction commitments

The District is involved in several long-term construction projects as part of their master plan for upgrading the district buildings. The amount of \$28,921,949 in the capital projects fund designated for subsequent years expenditures are committed for funding these projects. Interest on construction projects is not capitalized.

E. Inter-Fund Receivables and Payables

There were not any inter-fund loans at June 30, 2007.

F. Inter-Fund Transfers

There were not any inter-fund transfers at June 30, 2007.

**STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Debt

General Obligation Bonds

General Obligation Bonds – The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the School District boundaries. The details of the bonds and notes as of June 30, 2007 are as follows:

<u>General Obligation Bonds</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance Outstanding</u>	<u>Amount Due Within One Year</u>
Series 2001	\$ 8,000,000	4.50% to 6.00%	\$ 3,900,000	\$ 710,000
Series 2001	2,000,000	2.95% to 4.35%	970,000	225,000
Series 2002	5,000,000	4.00% to 4.125%	3,240,000	480,000
Series 2003	4,000,000	3.85% to 4.35%	3,210,000	305,000
Series 2004	6,000,000	3.00% to 3.65%	4,215,000	-
Series 2006	7,000,000	3.65% to 4.00%	6,750,000	250,000
Series 2007	10,000,000	4.00% to 4.25%	10,000,000	-
Total	\$ 42,000,000		\$ 32,285,000	\$ 1,970,000

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

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>General Obligation Bonds</u>			
<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	\$ 1,970,000	\$ 1,251,532	\$ 3,221,532
2009	2,760,000	1,149,325	3,909,325
2010	3,115,000	1,030,638	4,145,638
2011	3,810,000	8,892,554	12,702,554
2012	4,305,000	725,035	5,030,035
2013 - 2017	16,325,000	1,419,759	17,744,759
Total	\$ 32,285,000	\$ 14,468,843	\$ 46,753,843

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

IV. DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Debt (continued)

Changes in long term debt – During the year ended June 30, 2007 the following changes occurred in liabilities reported in the general obligation bonds account group:

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2007</u>	Amount Due <u>Within One Year</u>
Compensated absences	\$ 73,582	\$ 49,343	\$ (62,405)	\$ 60,520	\$ 60,520
Bonds payable	<u>25,100,000</u>	<u>10,000,000</u>	<u>(2,815,000)</u>	<u>32,285,000</u>	<u>1,970,000</u>
	<u>\$ 25,173,582</u>	<u>\$ 10,049,343</u>	<u>\$ (2,877,405)</u>	<u>\$ 32,345,520</u>	<u>\$ 2,030,520</u>

	Balance <u>June 30, 2007</u>
Bonds payable	\$ 32,285,000
Unamortized:	
Bond premiums	40,152
Accumulated amortization of bond premiums	<u>(4,517)</u>
Total non-current liabilities	<u>\$ 32,320,635</u>

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The liquidation of bonds payable is done with resources from the debt service fund.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

V. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2007.

B. Contingent Liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Budgetary Violations

The District exceeded its legal budget in individual funds as referenced in Finding 2007-4 and 2007-5 on pages 122 and 123. The District is aware of legal binding of budgets and has implemented a system of checks that will help prevent any further violations of budgetary control.

**STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

V. OTHER INFORMATION (continued)

D. Employee Retirement Plan

Plan Description - Substantially all of Dulce Independent School District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained by writing to:

ERB
P.O. Box 26129
Santa Fe, New Mexico 87502-6129
www.nmerb.org

Funding Policy - Plan members are required to contribute 7.75% of their gross salary. Dulce Independent School District is required to contribute 10.15% of the gross covered salary. Effective July 1, 2007, plan members are required to contribute 7.42% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and Dulce Independent School District are established in Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. Dulce Independent School District's contributions to the ERB for the years ended June 30, 2007, 2006 and 2005 were \$460,103, \$370,763, and \$329,493, respectively, equal to the amount of the required contribution for the year. The contribution rates will increase each year as follows:

<u>Fiscal Year</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>
2007-2008	10.900%	7.825%
2008-2009	11.650%	7.900%
2009-2010	12.460%	7.900%
2010-2011	13.150%	7.900%
2011-2012	13.900%	7.900%

E. Post-Retirement Health Care Benefits

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

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

V. OTHER INFORMATION (continued)

D. Post-Retirement Health Care Benefits (continued)

Eligible retirees are:

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to:

Retiree Health Care Authority
4308 Carlisle NE, Suite 104
Albuquerque, NM 87107

Funding Policy – The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

Dulce Independent School District's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$58,998, \$51,273 and \$51,390, respectively, which equal the required contributions for each year.

GENERAL FUNDS

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

GENERAL FUND
Combining Balance Sheet
June 30, 2007

	General Funds				Total General <u>Fund</u>
	Operational <u>Fund</u>	Teacherage <u>Fund</u>	Transportation <u>Fund</u>	Instructional Materials <u>Fund</u>	
<u>ASSETS</u>					
Pooled cash and investments	\$ 1,082,526	\$ 76,809	\$ 109,069	\$ 4,570	\$ 1,272,974
Receivables:					
Delinquent property taxes	32,201	-	-	-	32,201
Total assets	\$ 1,114,727	\$ 76,809	\$ 109,069	\$ 4,570	\$ 1,305,175
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable	\$ 119,077	\$ -	\$ -	\$ 3,335	\$ 122,412
Deposits held for others	-	2,250	-	-	2,250
Deferred revenue:					
Delinquent property taxes	720	-	-	-	720
Total liabilities	119,797	2,250	-	3,335	125,382
Fund balance:					
Unreserved and reported in:					
Undesignated	994,930	74,559	109,069	1,235	1,179,793
Total liabilities and fund balance	\$ 1,114,727	\$ 76,809	\$ 109,069	\$ 4,570	\$ 1,305,175

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

GENERAL FUND
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	<u>General Funds</u>				
	<u>Operational Fund</u>	<u>Teacherage Fund</u>	<u>Transportation Fund</u>	<u>Instructional Materials Fund</u>	<u>Total General Fund</u>
Revenues:					
Federal sources:					
Public Law 874	\$ 2,404,080	\$ -	\$ -	\$ -	\$ 2,404,080
Forest reserve	21,045	-	-	-	21,045
Federal flowthrough grants	<u>294,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,280</u>
Total federal revenues	<u>2,719,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,719,405</u>
State sources:					
State equalization guarantee	2,696,009	-	-	-	2,696,009
Transportation	-	-	163,022	-	163,022
State instructional material	-	-	-	54,364	54,364
State grant	<u>23,070</u>	<u>-</u>	<u>-</u>	<u>5,588</u>	<u>28,658</u>
Total state revenues	<u>2,719,079</u>	<u>-</u>	<u>163,022</u>	<u>59,952</u>	<u>2,942,053</u>
Local sources:					
District school tax levy	399,639	-	-	-	399,639
Fees and activities	1,837	99,320	-	-	101,157
Earnings from investments	75,979	3,647	774	160	80,560
Miscellaneous	<u>3,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,701</u>
Total local revenues	<u>481,156</u>	<u>102,967</u>	<u>774</u>	<u>160</u>	<u>585,057</u>
Total revenue	<u>5,919,640</u>	<u>102,967</u>	<u>163,796</u>	<u>60,112</u>	<u>6,246,515</u>
Expenditures:					
Current:					
Instruction	2,902,691	-	-	53,748	2,956,439
Support Services - Students	424,635	-	-	-	424,635
Support Services - Instruction	227,517	-	-	5,255	232,772
Support Services - General Administration	242,527	-	-	-	242,527
Support Services - School Administration	508,811	-	-	-	508,811
Central Services	177,956	-	-	-	177,956
Operations & Maintenance of Plant	967,215	70,985	-	-	1,038,200
Student Transportation	<u>21,742</u>	<u>-</u>	<u>159,622</u>	<u>-</u>	<u>181,364</u>
Total expenditures	<u>5,473,094</u>	<u>70,985</u>	<u>159,622</u>	<u>59,003</u>	<u>5,762,704</u>
Excess of revenues over expenditures	446,546	31,982	4,174	1,109	483,811
Fund balance at beginning of the year	<u>548,384</u>	<u>42,577</u>	<u>104,895</u>	<u>126</u>	<u>695,982</u>
Fund balance at end of the year	<u>\$ 994,930</u>	<u>\$ 74,559</u>	<u>\$ 109,069</u>	<u>\$ 1,235</u>	<u>\$ 1,179,793</u>

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

OPERATIONAL FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Public Law 874	\$ 2,404,000	\$ 2,404,000	\$ 2,404,080	\$ 80
Forest reserve	-	-	21,045	21,045
Federal grant	-	-	294,280	294,280
Total federal revenues	<u>2,404,000</u>	<u>2,404,000</u>	<u>2,719,405</u>	<u>315,405</u>
State sources:				
State equalization guarantee	2,696,009	2,696,009	2,696,009	-
State grant	-	-	23,070	23,070
Total state revenues	<u>2,696,009</u>	<u>2,696,009</u>	<u>2,719,079</u>	<u>23,070</u>
Local sources:				
District school tax levy	434,000	434,000	452,370	18,370
Fees and activities	-	-	1,837	1,837
Earnings from investments	-	-	75,979	75,979
Miscellaneous	-	-	3,701	3,701
Total local revenues	<u>434,000</u>	<u>434,000</u>	<u>533,887</u>	<u>99,887</u>
Total revenues	<u>5,534,009</u>	<u>5,534,009</u>	<u>5,972,371</u>	<u>438,362</u>

(continued)

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

OPERATIONAL FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive <u>(Negative)</u>
Expenditures:				
Current:				
Instruction	3,162,493	3,161,393	2,867,112	294,281
Support Services - Students	2,785,930	695,771	424,072	271,699
Support Services - Instruction	18,250	225,419	172,963	52,456
Support Services - General Administration	-	287,263	239,241	48,022
Support Services - School Administration	-	585,857	508,811	77,046
Central Services	-	180,843	177,956	2,887
Operation & Maintenance of Plant	-	813,899	948,395	(134,496)
Student Transportation	-	16,228	21,742	(5,514)
	<u>5,966,673</u>	<u>5,966,673</u>	<u>5,360,292</u>	<u>606,381</u>
Excess (deficiency) of revenues over expenditures	(432,664)	(432,664)	612,079	1,044,743
Beginning cash balance budgeted	432,664	432,664	-	(432,664)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>548,384</u>	<u>548,384</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	1,160,463	<u>\$ 1,160,463</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(26,644)	
Change in due from other governments			(26,088)	
Change in payables			<u>(112,801)</u>	
			<u>\$ 994,930</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TEACHERAGE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Fees and activities	\$ -	\$ -	\$ 98,820	\$ 98,820
Earnings from investments	-	-	3,647	3,647
	-	-	102,467	102,467
Expenditures:				
Current:				
Support Services - General Administration	125,237	2,833	-	2,833
Operation & Maintenance of Plant	-	122,404	70,985	51,419
	125,237	125,237	70,985	54,252
Excess (deficiency) of revenues over expenditures	(125,237)	(125,237)	31,482	156,719
Beginning cash balance budgeted	125,237	125,237	-	(125,237)
Fund balance at beginning of the year	-	-	42,577	42,577
Fund balance at end of the year	\$ -	\$ -	74,059	\$ 74,059
RECONCILIATION TO GAAP BASIS:				
Change in accrued liabilities			500	
			\$ 74,559	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TRANSPORTATION FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State sources:				
State instructional material	\$ -	\$ -	\$ 163,022	\$ 163,022
Local sources:				
Earnings from investments	-	-	774	774
Total revenues	-	-	163,796	163,796
Expenditures:				
Current:				
Support Services - School Administration	-	8,254	-	8,254
Operation & Maintenance of Plant	-	1,939	-	1,939
Student Transportation	178,509	168,316	159,622	8,694
Total expenditures	178,509	178,509	159,622	18,887
Excess (deficiency) of revenues over expenditures	(178,509)	(178,509)	4,174	182,683
Beginning cash balance budgeted	178,509	178,509	-	(178,509)
Fund balance at beginning of the year	-	-	104,895	104,895
Fund balance at end of the year	\$ -	\$ -	109,069	\$ 109,069
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			-	
			\$ 109,069	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

INSTRUCTIONAL MATERIALS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State instructional material	\$ -	\$ -	\$ 54,364	\$ 54,364
State grant	<u>-</u>	<u>-</u>	<u>5,588</u>	<u>5,588</u>
Total state revenues	-	-	59,952	59,952
Local sources:				
Earnings from investments	<u>-</u>	<u>-</u>	<u>160</u>	<u>160</u>
Total revenues	<u>-</u>	<u>-</u>	<u>60,112</u>	<u>60,112</u>
Expenditures:				
Current:				
Instruction	60,079	54,987	52,571	2,416
Support Services - Instruction	<u>-</u>	<u>5,092</u>	<u>3,097</u>	<u>1,995</u>
Total expenditures	<u>60,079</u>	<u>60,079</u>	<u>55,668</u>	<u>4,411</u>
Excess (deficiency) of revenues over expenditures	(60,079)	(60,079)	4,444	64,523
Beginning cash balance budgeted	60,079	60,079	-	(60,079)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>126</u>	<u>126</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	4,570	<u>\$ 4,570</u>
RECONCILIATION TO GAAP BASIS:				
Change in payables			<u>(3,335)</u>	
			<u>\$ 1,235</u>	

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds								
	Food Service Fund	Athletics Fund	Title I Fund	Entitlement IDEA-B Fund	Discretionary IDEA-B Fund	Competitive IDEA-B Fund	Preschool IDEA-B Fund	Title II (Math/Science) Fund	Technology Literacy Challenge Fund
ASSETS									
Pooled cash and investments	\$ (36,035)	\$ 21,538	\$ (212,927)	\$ (44,675)	\$ (25,684)	\$ (1,908)	\$ -	\$ 727	\$ 6,037
Receivables:									
Grant	-	-	213,047	44,675	25,684	1,908	-	-	-
USDA commodities inventory	3,734	-	-	-	-	-	-	-	-
Total assets	<u>\$ (32,301)</u>	<u>\$ 21,538</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727</u>	<u>\$ 6,037</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ 120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue:									
Federal, state, and local grants	-	-	-	-	-	-	727	6,037	-
Total liabilities	-	-	120	-	-	-	727	6,037	-
Fund balance:									
Reserved:									
Inventories	3,734	-	-	-	-	-	-	-	-
Unreserved and reported in:									
Special revenues funds	(36,035)	21,538	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Total fund balance	<u>(32,301)</u>	<u>21,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ (32,301)</u>	<u>\$ 21,538</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727</u>	<u>\$ 6,037</u>

(continued)

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds								
	Title V Fund	Title III English Language Fund	Title II Teacher Quality Fund	Title IV Drug Free Schools Fund	21st Century Community Living Centers Fund	Title I School Improvement Fund	Reading First Fund	Impact Aid Special Education Fund	Rural Education Achievement Fund
ASSETS									
Pooled cash and investments	\$ (5,127)	\$ (12,110)	\$ (28,832)	\$ (2,481)	\$ (36,035)	\$ (76,917)	\$ (48,389)	\$ 23,449	\$ 89
Receivables:									
Grant	5,127	12,110	28,832	2,481	36,035	76,917	48,389	-	-
USDA commodities inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,449</u>	<u>\$ 89</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue:									
Federal, state, and local grants	-	-	-	-	-	-	-	23,449	89
Total liabilities	-	-	-	-	-	-	-	23,449	89
Fund balance:									
Reserved:									
Inventories	-	-	-	-	-	-	-	-	-
Unreserved and reported in:									
Special revenues funds	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Total fund balance	-	-	-	-	-	-	-	-	-
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,449</u>	<u>\$ 89</u>

(continued)

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007

	Special Revenue Funds								
	Physical Education Classes - Fund	Full Day Kindergarten Fund	Incentives for School Improvement Fund	Libraries GO Bond Fund	Indian Education Act Fund	Beginning Teacher Mentoring Fund	Breakfast for Elementary Students Fund	Extended Day Program Fund	Medicaid Fund
ASSETS									
Pooled cash and investments	\$ (42,582)	\$ 5	\$ 18,842	\$ (3,521)	\$ (4,200)	\$ (5,152)	\$ 9,320	\$ (261,513)	\$ 18,413
Receivables:									
Grant	42,582	-	-	3,521	4,200	5,152	-	261,611	-
USDA commodities inventory	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 18,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,320</u>	<u>\$ 98</u>	<u>\$ 18,413</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98	\$ -
Deferred revenue:									
Federal, state, and local grants	-	5	18,842	-	-	-	9,320	-	18,413
Total liabilities	-	5	18,842	-	-	-	9,320	98	18,413
Fund balance:									
Reserved:									
Inventories	-	-	-	-	-	-	-	-	-
Unreserved and reported in:									
Special revenues funds	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-
Total fund balance	-	-	-	-	-	-	-	-	-
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 18,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,320</u>	<u>\$ 98</u>	<u>\$ 18,413</u>

(continued)

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>		Total Nonmajor Governmental Funds
	Gear Up Fund	School Based Health Center Fund	Total Nonmajor Special Revenue Funds	Special Capital Outlay - Federal Fund	Public School Capital Outlay - 20% Fund	
<u>ASSETS</u>						
Pooled cash and investments	\$ (18,345)	\$ 45,014	\$ (722,999)	\$ 310,241	\$ 204,734	\$ (208,024)
Receivables:						
Grant	18,411	-	830,682	-	-	830,682
USDA commodities inventory	-	-	3,734	-	-	3,734
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 66</u>	<u>\$ 45,014</u>	<u>\$ 111,417</u>	<u>\$ 310,241</u>	<u>\$ 204,734</u>	<u>\$ 626,392</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts payable	\$ 66	\$ -	\$ 284	\$ -	\$ 569	\$ 853
Deferred revenue:						
Federal, state, and local grants	-	45,014	121,896	-	-	121,896
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>66</u>	<u>45,014</u>	<u>122,180</u>	<u>-</u>	<u>569</u>	<u>122,749</u>
Fund balance:						
Reserved:						
Inventories	-	-	3,734	-	-	3,734
Unreserved and reported in:						
Special revenues funds	-	-	(14,497)	-	-	(14,497)
Capital projects funds	-	-	-	310,241	204,165	514,406
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>-</u>	<u>-</u>	<u>(10,763)</u>	<u>310,241</u>	<u>204,165</u>	<u>503,643</u>
Total liabilities and fund balance	<u>\$ 66</u>	<u>\$ 45,014</u>	<u>\$ 111,417</u>	<u>\$ 310,241</u>	<u>\$ 204,734</u>	<u>\$ 626,392</u>

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	Special Revenue Funds												
	Food Service Fund	Athletics Fund	Title I Fund	Entitlement IDEA-B Fund	Discretionary IDEA-B Fund	Competitive IDEA-B Fund	Preschool IDEA-B Fund	Title II (Math/Science) Fund	Technology Literacy Challenge Fund	Title V Fund	Title III English Language Fund	Title II Teacher Quality Fund	Title IV Drug Free Schools Fund
Revenues:													
Federal sources:													
Public Law 874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal flowthrough grants	-	-	334,840	100,803	43,929	-	-	-	-	7,352	12,110	37,066	2,481
Federal direct grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Food and milk reimbursements	200,965	-	-	-	-	-	-	-	-	-	-	-	-
USDA Commodities	18,173	-	-	-	-	-	-	-	-	-	-	-	-
Total federal revenues	219,138	-	334,840	100,803	43,929	-	-	-	-	7,352	12,110	37,066	2,481
State sources:													
State grant	-	-	-	-	-	-	-	-	-	-	-	-	-
Local sources:													
Fees and activities	9,182	56,322	-	-	-	-	-	-	-	-	-	-	-
Earnings from investments	2,891	1,347	-	-	-	-	-	-	-	-	-	-	-
Total local revenues	12,073	57,669	-	-	-	-	-	-	-	-	-	-	-
Total revenue	231,211	57,669	334,840	100,803	43,929	-	-	-	-	7,352	12,110	37,066	2,481
Expenditures:													
Current:													
Instruction	-	49,184	265,789	42,509	43,929	-	-	-	-	7,352	12,110	35,806	1,049
Support Services - Students	-	-	512	58,294	-	-	-	-	-	-	-	-	1,432
Support Services - Instruction	-	-	501	-	-	-	-	-	-	-	-	-	-
Support Services - General Administration	-	-	23,898	-	-	-	-	-	-	-	-	-	-
Support Services - School Administration	-	-	44,140	-	-	-	-	-	-	-	-	1,260	-
Operations & Maintenance of Plant	-	-	-	-	-	-	-	-	-	-	-	-	-
Food Services	352,798	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	352,798	49,184	334,840	100,803	43,929	-	-	-	-	7,352	12,110	37,066	2,481
Excess (deficiency) of revenues over expenditures	(121,587)	8,485	-	-	-	-	-	-	-	-	-	-	-
Fund balance at beginning of the year	89,286	13,053	-	-	-	-	-	-	-	-	-	-	-
Fund balance (deficit) at end of the year	\$ (32,301)	\$ 21,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(continued)

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	Special Revenue Funds												
	Community Living Centers Fund	Title I School Improvement Fund	Reading First Fund	Impact Aid Special Education Fund	Rural Education Achievement Fund	Physical Education Classes - Fund	Full Day Kindergarten Fund	Incentives for School Improvement Fund	Libraries GO Bond Fund	Indian Education Act Fund	Beginning Teacher Mentoring Fund	Breakfast for Elementary Students Fund	Extended Day Program Fund
Revenues:													
Federal sources:													
Public Law 874	\$ -	\$ -	\$ -	\$ 83,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal flowthrough grants	199,464	76,917	53,466	-	-	-	-	-	-	-	-	-	-
Federal direct grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Food and milk reimbursements	-	-	-	-	-	-	-	-	-	-	-	-	-
USDA Commodities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total federal revenues	<u>199,464</u>	<u>76,917</u>	<u>53,466</u>	<u>83,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
State sources:													
State grant	-	-	-	-	-	52,030	-	-	-	-	5,152	-	261,611
Local sources:													
Fees and activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings from investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total local revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>199,464</u>	<u>76,917</u>	<u>53,466</u>	<u>83,816</u>	<u>-</u>	<u>52,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,152</u>	<u>-</u>	<u>261,611</u>
Expenditures:													
Current:													
Instruction	199,464	76,917	48,692	80	-	52,030	-	-	-	-	5,152	-	261,611
Support Services - Students	-	-	2,922	83,669	-	-	-	-	-	-	-	-	-
Support Services - Instruction	-	-	-	-	-	-	-	-	-	-	-	-	-
Support Services - General Administration	-	-	252	-	-	-	-	-	-	-	-	-	-
Support Services - School Administration	-	-	1,600	67	-	-	-	-	-	-	-	-	-
Operations & Maintenance of Plant	-	-	-	-	-	-	-	-	-	-	-	-	-
Food Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>199,464</u>	<u>76,917</u>	<u>53,466</u>	<u>83,816</u>	<u>-</u>	<u>52,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,152</u>	<u>-</u>	<u>261,611</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balance at beginning of the year	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund balance (deficit) at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended June 30, 2007

	Special Revenue Funds			Total Nonmajor Special Revenue Funds	Capital Projects Funds		Total Nonmajor Governmental Funds
	Medicaid Fund	Gear Up Fund	School Based Health Center Fund		Special Capital Outlay - Federal Fund	Public School Capital Outlay - 20% Fund	
Revenues:							
Federal sources:							
Public Law 874	\$ -	\$ -	\$ -	\$ 83,816	\$ 75,719	\$ -	\$ 159,535
Federal flowthrough grants	-	-	-	868,428	-	-	868,428
Federal direct grants	-	-	-	-	-	-	-
Food and milk reimbursements	-	-	-	200,965	-	-	200,965
USDA Commodities	-	-	-	18,173	-	-	18,173
Total federal revenues	-	-	-	1,171,382	75,719	-	1,247,101
State sources:							
State grant	-	19,856	102,290	440,939	-	-	440,939
Local sources:							
Fees and activities	-	-	-	65,504	-	-	65,504
Earnings from investments	-	-	-	4,238	1,769	13,604	19,611
Total local revenues	-	-	-	69,742	1,769	13,604	85,115
Total revenue	-	19,856	102,290	1,682,063	77,488	13,604	1,773,155
Expenditures:							
Current:							
Instruction	-	19,856	2,200	1,123,730	-	-	1,123,730
Support Services - Students	-	-	88,973	235,802	-	-	235,802
Support Services - Instruction	-	-	11,117	11,618	-	-	11,618
Support Services - General Administration	-	-	-	24,150	-	-	24,150
Support Services - School Administration	-	-	-	47,067	-	-	47,067
Operations & Maintenance of Plant	-	-	-	-	-	53,008	53,008
Food Services	-	-	-	352,798	-	-	352,798
Capital outlay	-	-	-	-	47,800	-	47,800
Total expenditures	-	19,856	102,290	1,795,165	47,800	53,008	1,895,973
Excess (deficiency) of revenues over expenditures	-	-	-	(113,102)	29,688	(39,404)	(122,818)
Fund balance at beginning of the year	-	-	-	102,339	280,553	243,569	626,461
Fund balance (deficit) at end of the year	\$ -	\$ -	\$ -	\$ (10,763)	\$ 310,241.0	\$ 204,165	\$ 503,643

BUDGETARY PRESENTATION

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007

FOOD SERVICES

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

ATHLETICS

This fund provides financing for school athletic activities. Funding is provided by fees from patrons.

TITLE I

To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

ENTITLEMENT/DISCRETIONARY/COMPETITIVE IDEA-B

The Entitlement/Discretionary/Competitive IDEA-B program is to provide grants to states, that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

PRESCHOOL IDEA-B

The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

TITLE II MATH/SCIENCE

The Title II math, science and core academic areas project provides funds to carry out a math skills control system for grades kindergarten through eighth. The project is funded by the Federal Government through the State of New Mexico Department of Education, under the Elementary and Secondary Education Act of 1965, Title II, Part A, Public Law 100-297, as amended, Public Law 101-589.

TECHNOLOGY LITERACY CHALLENGE

The technology fund provides financing to purchase computers and software for a District-wide student information system and software licensing for computer labs within the District. The program is funded through the Office of Technology for the State of New Mexico. Authorized by the IASA Improving America School Act PL 103-382.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007

TITLE V

To assist State and Local educational agencies in the reform of elementary and secondary education. Authorized by the Elementary and Secondary Education Act of 1965, Title VI, as amended, 20 U.S.C. 7301-7373.

TITLE III ENGLISH LANGUAGE

To ensure that limited English proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same standards as all children and youth are expected to meet; to provide assistance to Native American, Native Hawaiian, Native American Pacific Islander, and Alaskan native children with certain modifications relative to the unique status of native American language under Federal Law; to develop to the extent possible, the native language skills of such children. The fund is authorized through the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101,3129.

TITLE II TEACHER QUALITY

To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in the academic achievement. Authorization is granted through the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A, Public Law 107-110.

TITLE IV DRUG FREE SCHOOLS

To offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents, and coordinated with related Federal, State, and community efforts and resources. Authorized by Elementary and Secondary Education Act, Title IV, Part A, Subpart 1, as amended. 20 U.S.C. 7111-7118.

21ST CENTURY COMMUNITY LIVING CENTERS

After school adolescence care, providing the community with responsible Child Care, while providing the children and their families with referral services, drug prevention education, academic help, and character building (social skill) activities. Funding is provided by the Department of Education under the Elementary and Secondary Education Act of 1965, Title X, part I Section 10901, Public Law 103-382 Stat. 3844, 20 U.S.C. 8241.

TITLE I SCHOOL IMPROVEMENT

To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007

READING FIRST

To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorization is granted by Elementary and Secondary Education Act of 1965 (ESEA), as amended, Public Law 107-110.

IMPACT AID SPECIAL EDUCATION

To provide financial assistance to local educational agencies (LEA'S) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), where there is a significant number of children who reside on Federal (including Indian) lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3 (b)); where there is a significant decrease (Section 3(c)) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a)), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

RURAL EDUCATION ACHIEVEMENT

To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorization is granted by Elementary and Secondary Education Act of 1965 (ESEA), as amended, Public Law 107-110.

PHYSICAL EDUCATION CLASSES

To provide for the physical fitness of students.

FULL DAY KINDERGARTEN

Funds intended to further the literacy of children starting at the kindergarten level and continuing the second grade.

INCENTIVES FOR SCHOOL IMPROVEMENTS

State funding awarded to five School Districts in the state for achieving improved test scores of the students in their districts. The funds were used to purchase supplies and other textbooks for the school district. Authority for creation is NMSA 25-13A-1.

LIBRARY GO BOND

Funding made available to update and expand library collections.

**STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21**

**NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2007**

INDIAN EDUCATION ACT

To help support the educational reform initiatives outlined in the schools' Educational Plan for Student Success (EPSS). More specifically, the grant expenditures must support how the identified EPSS focus areas/activities/strategies will be deployed for addressing the needs of American Indian students to ensure improved academic performance and closing of the achievement gap.

BEGINNING TEACHER MENTORING

Funds to assist school districts in the design, implementation, and evaluation of beginning teacher mentoring programs. Funding is provided through the 2000 legislative session, with appropriated funds from the General Appropriations Act.

BREAKFAST FOR ELEMENTARY STUDENTS

To provide elementary students with the nutrition necessary to facilitate learning.

EXTENDED DAY PROGRAM

To provide for after school education of students.

MEDICAID

To assist schools in offering key health and health-related services that are designed to integrate and maintain active learning for Medicaid-eligible children with disabilities and special health care needs.

GEAR UP

Local funding used to provide educational services to students during the summer, to be used to prepare students for the up-coming academic school year.

SCHOOL BASED HEALTH

To provide quality direct care through integrated primary care and behavioral health services, as well as coordination for these services, through a Level Two School Based Health Center.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

FOOD SERVICE SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
Federal sources:				
Food and milk reimbursements	\$ 314,000	\$ 314,000	\$ 200,965	\$ (113,035)
USDA Commodities	<u>-</u>	<u>18,173</u>	<u>18,173</u>	<u>-</u>
Total federal revenues	<u>314,000</u>	<u>332,173</u>	<u>219,138</u>	<u>(113,035)</u>
Local sources:				
Fees and activities	7,500	7,500	9,139	1,639
Earnings from investments	<u>3,500</u>	<u>3,500</u>	<u>2,934</u>	<u>(566)</u>
Total local revenues	<u>11,000</u>	<u>11,000</u>	<u>12,073</u>	<u>1,073</u>
Total revenues	325,000	343,173	231,211	(111,962)
Expenditures:				
Current:				
Food Services Operations	<u>395,627</u>	<u>413,800</u>	<u>351,597</u>	<u>62,203</u>
Excess (deficiency) of revenues over expenditures	(70,627)	(70,627)	(120,386)	(49,759)
Beginning cash balance budgeted	70,627	70,627	-	(70,627)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>89,286</u>	<u>89,286</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>(31,100)</u>	<u>\$ (31,100)</u>
RECONCILIATION TO GAAP BASIS:				
Change in inventory			<u>(1,201)</u>	
			<u>\$ (32,301)</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

ATHLETICS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources:				
Fees and activities	\$ 47,600	\$ 47,600	\$ 56,322	\$ 8,722
Earnings from investments	<u>400</u>	<u>400</u>	<u>1,347</u>	<u>947</u>
Total revenues	48,000	48,000	57,669	9,669
Expenditures:				
Current:				
Instruction	<u>49,184</u>	<u>49,184</u>	<u>49,184</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(1,184)	(1,184)	8,485	9,669
Beginning cash balance budgeted	1,184	1,184	-	(1,184)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>13,053</u>	<u>13,053</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	21,538	<u>\$ 21,538</u>
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>-</u>	
			<u>\$ 21,538</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TITLE I SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Federal grant	\$ 334,228	\$ 393,622	\$ 156,310	\$ (237,312)
Expenditures:				
Current:				
Instruction	250,159	309,553	267,994	41,559
Support Services - Students	-	512	512	-
Support Services - Instruction	-	505	501	4
Support Services - General Administration	24,314	17,450	23,898	(6,448)
Support Services - School Administration	59,755	65,602	44,140	21,462
	334,228	393,622	337,045	56,577
Excess (deficiency) of revenues				
over expenditures	-	-	(180,735)	(180,735)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(180,735)	\$ (180,735)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			178,530	
Change in payables			2,205	
			\$ -	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

ENTITLEMENT IDEA-B SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ 128,822	\$ 128,822	\$ 30,608	\$ (98,214)
Expenditures:				
Current:				
Instruction	52,594	52,596	42,509	10,087
Support Services - Students	76,228	76,226	58,294	17,932
	<u>128,822</u>	<u>128,822</u>	<u>100,803</u>	<u>28,019</u>
Excess (deficiency) of revenues over expenditures	-	-	(70,195)	(70,195)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(70,195)	<u>\$ (70,195)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			44,675	
Change in deferred revenue			<u>25,520</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

DISCRETIONARY IDEA-B SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Federal grant	\$ 55,345	\$ 55,345	\$ -	\$ (55,345)
Expenditures:				
Current:				
Instruction	51,345	51,345	43,929	7,416
Support Services - School Administration	1,000	1,000	-	1,000
Operation & Maintenance of Plant	3,000	3,000	-	3,000
	55,345	55,345	43,929	11,416
Excess (deficiency) of revenues				
over expenditures	-	-	(43,929)	(43,929)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(43,929)	\$ (43,929)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			25,684	
Change in deferred revenue			18,245	
			\$ -	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

PRESCHOOL IDEA-B SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal sources:				
Federal grant	\$ 6,050	\$ 6,050	\$ -	\$ (6,050)
Expenditures:				
Current:				
Instruction	6,050	6,050	-	6,050
Excess of revenues over expenditures	-	-	-	-
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	-	\$ -
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			-	
			\$ -	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TITLE V SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
Federal sources:				
Federal grant	\$ 4,933	\$ 7,352	\$ 2,225	\$ (5,127)
 Expenditures:				
Current:				
Instruction	<u>4,933</u>	<u>7,352</u>	<u>7,352</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	(5,127)	(5,127)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(5,127)	<u>\$ (5,127)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>5,127</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21
TITLE III ENGLISH LANGUAGE SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ 12,222	\$ 1,000	\$ (11,222)
Expenditures:				
Current:				
Instruction	<u>-</u>	<u>12,222</u>	<u>12,110</u>	<u>112</u>
Excess (deficiency) of revenues over expenditures	-	-	(11,110)	(11,110)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(11,110)	<u>\$ (11,110)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>11,110</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TITLE II TEACHER QUALITY SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ 55,133	\$ 55,133	\$ 9,640	\$ (45,493)
Expenditures:				
Current:				
Instruction	55,133	53,873	35,806	18,067
Support Services - School Administration	<u> -</u>	<u> 1,260</u>	<u> 1,260</u>	<u> -</u>
Total expenditures	<u> 55,133</u>	<u> 55,133</u>	<u> 37,066</u>	<u> 18,067</u>
Excess (deficiency) of revenues over expenditures	-	-	(27,426)	(27,426)
Fund balance at beginning of the year	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Fund balance at end of the year	<u> -</u>	<u> -</u>	(27,426)	<u> (27,426)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u> 27,426</u>	
			<u> -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21
TITLE IV DRUG FREE SCHOOLS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ 5,416	\$ 6,839	\$ 5,447	\$ (1,392)
Expenditures:				
Current:				
Instruction	3,416	4,839	1,049	3,790
Support Services - Students	2,000	2,000	1,432	568
Total expenditures	5,416	6,839	2,481	4,358
Excess of revenues over expenditures	-	-	2,966	2,966
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	2,966	\$ 2,966
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(2,966)	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

21ST CENTURY COMMUNITY LIVING CENTERS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ 183,040	\$ 201,600	\$ 210,652	\$ 9,052
Expenditures:				
Current:				
Instruction	<u>183,040</u>	<u>201,600</u>	<u>199,763</u>	<u>1,837</u>
Excess of revenues over expenditures	-	-	10,889	10,889
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	10,889	<u>\$ 10,889</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			(11,189)	
Change in payables			<u>300</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

TITLE I SCHOOL IMPROVEMENT SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ 74,015	\$ 5,025	\$ (68,990)
Expenditures:				
Current:				
Instruction	-	74,015	76,917	(2,902)
Excess (deficiency) of revenues over expenditures	-	-	(71,892)	(71,892)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(71,892)	<u>\$ (71,892)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>71,892</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

READING FIRST SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal grant	\$ -	\$ 115,636	\$ 23,276	\$ (92,360)
Expenditures:				
Current:				
Instruction	-	97,436	51,039	46,397
Support Services - Students	-	15,948	2,922	13,026
Support Services - General Administration	-	252	252	-
Support Services - School Administration	-	2,000	1,600	400
Total expenditures	-	115,636	55,813	59,823
Excess (deficiency) of revenues over expenditures	-	-	(32,537)	(32,537)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(32,537)	\$ (32,537)
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			30,190	
Change in payables			2,347	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21
IMPACT AID SPECIAL EDUCATION SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal direct grant	\$ -	\$ 96,523	\$ 79,591	\$ (16,932)
Expenditures:				
Current:				
Instruction	-	-	80	(80)
Support Services - Students	-	96,453	83,669	12,784
Support Services - School Administration	-	70	67	3
Total expenditures	-	96,523	83,816	12,707
Excess (deficiency) of revenues over expenditures	-	-	(4,225)	(4,225)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	\$ -	\$ -	(4,225)	\$ (4,225)
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			4,225	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21
PHYSICAL EDUCATION CLASSES - SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State grant	\$ -	\$ 54,916	\$ 9,449	\$ (45,467)
 Expenditures:				
Current:				
Instruction	<u>-</u>	<u>54,916</u>	<u>52,030</u>	<u>2,886</u>
 Excess (deficiency) of revenues over expenditures	-	-	(42,581)	(42,581)
 Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(42,581)	<u>\$ (42,581)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>42,581</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

INCENTIVES FOR SCHOOL IMPROVEMENT SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State grant	\$ -	\$ -	\$ 18,241	\$ 18,241
Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	18,241	18,241
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	18,241	<u>\$ 18,241</u>
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>(18,241)</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21
BEGINNING TEACHER MENTORING SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State grant	\$ 5,152	\$ 5,152	\$ -	\$ (5,152)
Expenditures:				
Current:				
Instruction	<u>5,152</u>	<u>5,152</u>	<u>5,152</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	(5,152)	(5,152)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(5,152)	<u>\$ (5,152)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			<u>5,152</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

BREAKFAST FOR ELEMENTARY STUDENTS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State grant	\$ 4,612	\$ 4,612	\$ 4,612	\$ -
Expenditures:				
Current:				
Instruction	<u>4,612</u>	<u>4,612</u>	<u>-</u>	<u>4,612</u>
Excess of revenues over expenditures	-	-	4,612	4,612
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	4,612	<u>\$ 4,612</u>
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>(4,612)</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

EXTENDED DAY PROGRAM SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
State sources:				
State grant	\$ -	\$ 400,000	\$ -	\$ (400,000)
Expenditures:				
Current:				
Instruction	-	400,000	261,513	138,487
Excess (deficiency) of revenues over expenditures	-	-	(261,513)	(261,513)
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(261,513)	<u>\$ (261,513)</u>
RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			261,611	
Change in payables			<u>(98)</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

MEDICAID SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
State sources:				
State grant	\$ -	\$ -	\$ 18,413	\$ 18,413
 Expenditures:				
Current:				
Instruction	-	-	-	-
Excess of revenues over expenditures	-	-	18,413	18,413
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	18,413	<u>\$ 18,413</u>
 RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>(18,413)</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

GEAR UP SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive <u>(Negative)</u>
Revenues:				
State sources:				
State grant	\$ -	\$ 31,900	\$ 248	\$ (31,652)
 Expenditures:				
Current:				
Instruction	<u>-</u>	<u>31,900</u>	<u>19,789</u>	<u>12,111</u>
Excess (deficiency) of revenues over expenditures	-	-	(19,541)	(19,541)
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	(19,541)	<u>\$ (19,541)</u>
 RECONCILIATION TO GAAP BASIS:				
Change in grant receivable			18,411	
Change in payables			(66)	
Change in deferred revenue			<u>1,196</u>	
			<u>\$ -</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHOOL BASED HEALTH CENTER SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State sources:				
State grant	\$ -	\$ 33,406	\$ 113,898	\$ 80,492
Expenditures:				
Current:				
Instruction	-	-	2,200	(2,200)
Support Services - Students	-	28,406	88,973	(60,567)
Support Services - Instruction	-	5,000	11,117	(6,117)
Total expenditures	-	33,406	102,290	(68,884)
Excess of revenues over expenditures	-	-	11,608	11,608
Fund balance at beginning of the year	-	-	-	-
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	11,608	<u>\$ 11,608</u>
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			(11,608)	
			<u>\$ -</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

DEBT SERVICE FUND
June 30, 2007

DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

DEBT SERVICES FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	Final Budget Positive (Negative)
Revenues:				
Local sources:				
District school tax levy	\$ 1,759,840	\$ 1,759,840	\$ 1,759,839	\$ (1)
Expenditures:				
Current:				
Support Services - General Administration	1,500	1,500	1,458	42
Debt service:				
Principal retirement	2,355,000	2,355,000	2,815,000	(460,000)
Bond interest paid	932,998	932,998	2,975,768	(2,042,770)
Total debt service	<u>3,287,998</u>	<u>3,287,998</u>	<u>5,790,768</u>	<u>(2,502,770)</u>
Non-operating reserves	<u>2,475,585</u>	<u>2,475,585</u>	-	<u>2,475,585</u>
Total expenditures	<u>5,765,083</u>	<u>5,765,083</u>	<u>5,792,226</u>	<u>(27,143)</u>
Excess (deficiency) of revenues over expenditures	(4,005,243)	(4,005,243)	(4,029,123)	(23,880)
Beginning cash balance budgeted	<u>4,005,243</u>	<u>4,005,243</u>	-	<u>(4,005,243)</u>
Fund balance at beginning of the year	-	-	4,230,641	4,230,641
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	201,518	<u>\$ 201,518</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(58,784)	
Change in due from other governments			<u>(89,219)</u>	
			<u>\$ 53,515</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

CAPITAL PROJECTS FUNDS
June 30, 2007

BOND BUILDING FUND

This fund provides financing for the construction of buildings, the purchase of equipment, and the acquisition and improvement of land. Funding is provided by the sale of general obligation bonds, which have been approved by the voters of the district.

SPECIAL CAPITAL OUTLAY - FEDERAL

To maintain school facilities owned by the Department of Education and operated by Board of Education agencies and transfer these facilities to local agencies where appropriate. These funds are authorized by the Elementary and Secondary Education Act of 1965, Title VIII, Section 8008 as amended.

CAPITAL IMPROVEMENTS HB-33

This fund provides financing for the purchase of equipment and capital improvements to the School District property. Funding is received from a 5 mill property levy and interest earned on investments, under House Bill 33.

CAPITAL IMPROVEMENTS SB-9

This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

PUBLIC SCHOOL CAPITAL OUTLAY – 20%

A capital projects fund to capture the 20% of eligible federal (Forest Reserve and Impact Aid) and local revenue (local taxes) that must be budgeted in Capital Outlay. Provides financing for the construction and improvement of buildings and land, and the purchase of equipment.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

BOND BUILDING CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Earnings from investments	\$ -	\$ -	\$ 263,615	\$ 263,615
Expenditures:				
Current:				
Operation & Maintenance of Plant	-	72,184	116,604	(44,420)
Capital outlay:				
Buildings and improvements	7,275,000	7,202,816	21,376	7,181,440
Total expenditures	7,275,000	7,275,000	137,980	7,137,020
Excess (deficiency) of revenues over expenditures	(7,275,000)	(7,275,000)	125,635	7,400,635
Other sources:				
Sale of bonds	7,275,000	7,275,000	10,000,000	2,725,000
Net change in fund balance	-	-	10,125,635	10,125,635
Beginning cash balance budgeted	-	-	-	-
Fund balance at beginning of the year	-	-	7,031,597	7,031,597
Fund balance at end of the year	\$ -	\$ -	17,157,232	\$ 17,157,232
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			-	
			\$ 17,157,232	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SPECIAL CAPITAL OUTLAY - FEDERAL CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal sources:				
Federal direct grant	\$ 264,484	\$ 264,484	\$ 75,719	\$ (188,765)
Local sources:				
Earnings from investments	<u>-</u>	<u>-</u>	<u>1,769</u>	<u>1,769</u>
Total revenues	264,484	264,484	77,488	(186,996)
Expenditures:				
Capital outlay:				
Buildings and improvements	<u>264,484</u>	<u>264,484</u>	<u>47,800</u>	<u>216,684</u>
Excess of revenues over expenditures	-	-	29,688	29,688
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>280,553</u>	<u>280,553</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	310,241	<u>\$ 310,241</u>
RECONCILIATION TO GAAP BASIS:				
Change in deferred revenue			<u>-</u>	
			<u>\$ 310,241</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

CAPITAL IMPROVEMENTS HB-33 CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive <u>(Negative)</u>
Revenues:				
Local sources:				
District school tax levy	\$ 9,101,657	\$ 9,101,657	\$ 24,568	\$ (9,077,089)
Earnings from investments	<u>-</u>	<u>-</u>	<u>534,071</u>	<u>534,071</u>
Total revenues	<u>9,101,657</u>	<u>9,101,657</u>	<u>558,639</u>	<u>(8,543,018)</u>
Expenditures:				
Current:				
Support Services - General Administration	1,200	1,200	7	1,193
Operation & Maintenance of Plant	<u>500,000</u>	<u>500,000</u>	<u>156,754</u>	<u>343,246</u>
Total current expenses	<u>501,200</u>	<u>501,200</u>	<u>156,761</u>	<u>344,439</u>
Capital outlay:				
Land and improvements	323,818	323,818	7,931	315,887
Buildings and improvements	8,000,000	8,000,000	383,303	7,616,697
Equipment	50,000	50,000	-	50,000
Construction in progress	<u>226,639</u>	<u>226,639</u>	<u>-</u>	<u>226,639</u>
Total capital outlay	<u>8,600,457</u>	<u>8,600,457</u>	<u>391,234</u>	<u>8,209,223</u>
Total expenditures	<u>9,101,657</u>	<u>9,101,657</u>	<u>547,995</u>	<u>8,553,662</u>
Excess of revenues over expenditures	-	-	10,644	10,644
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>9,374,900</u>	<u>9,374,900</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	9,385,544	<u>\$ 9,385,544</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			188	
Change in due from other governments			(560)	
Change in payables			<u>(111,361)</u>	
			<u>\$ 9,273,811</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

CAPITAL IMPROVEMENTS SB-9 CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources:				
District school tax levy	\$ 3,062,386	\$ 3,073,476	\$ 1,731,977	\$ (1,341,499)
Earnings from investments	-	-	106,689	106,689
Miscellaneous	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>
Total revenues	<u>3,062,386</u>	<u>3,073,476</u>	<u>1,838,702</u>	<u>(1,234,774)</u>
Expenditures:				
Current:				
Support Services - General Administration	1,400	1,400	1,294	106
Operation & Maintenance of Plant	<u>850,000</u>	<u>1,250,571</u>	<u>1,314,197</u>	<u>(63,626)</u>
Total current expenses	<u>851,400</u>	<u>1,251,971</u>	<u>1,315,491</u>	<u>(63,520)</u>
Capital outlay:				
Land and improvements	298,600	298,600	48,183	250,417
Buildings and improvements	1,332,386	947,386	-	947,386
Equipment	80,000	195,519	121,040	74,479
Construction in progress	<u>500,000</u>	<u>380,000</u>	<u>30,894</u>	<u>349,106</u>
Total capital outlay	<u>2,210,986</u>	<u>1,821,505</u>	<u>200,117</u>	<u>1,621,388</u>
Total expenditures	<u>3,062,386</u>	<u>3,073,476</u>	<u>1,515,608</u>	<u>1,557,868</u>
Excess of revenues over expenditures	-	-	323,094	323,094
Fund balance at beginning of the year	<u>-</u>	<u>-</u>	<u>1,873,947</u>	<u>1,873,947</u>
Fund balance at end of the year	<u>\$ -</u>	<u>\$ -</u>	2,197,041	<u>\$ 2,197,041</u>
RECONCILIATION TO GAAP BASIS:				
Change in property tax receivable			(105,741)	
Change in due from other governments			(104,262)	
Change in payables			<u>(22,088)</u>	
			<u>\$ 1,964,950</u>	

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

PUBLIC SCHOOL CAPITAL OUTLAY - 20% CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Local sources:				
Earnings from investments	\$ -	\$ -	\$ 13,604	\$ 13,604
Expenditures:				
Current:				
Operation & Maintenance of Plant	75,000	100,000	71,570	28,430
Capital outlay:				
Equipment	32,927	7,927	-	7,927
Total expenditures	107,927	107,927	71,570	36,357
Excess (deficiency) of revenues over expenditures	(107,927)	(107,927)	(57,966)	49,961
Beginning cash balance budgeted	107,927	107,927	-	(107,927)
Fund balance at beginning of the year	-	-	243,569	243,569
Fund balance at end of the year	\$ -	\$ -	185,603	\$ 185,603
RECONCILIATION TO GAAP BASIS:				
Change in payables			18,562	
			\$ 204,165	

OTHER SUPPLEMENTAL INFORMATION

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF CAPITAL ASSETS - BY SOURCE

June 30, 2007

Capital assets:

Land and improvements	\$ 737,987
Buildings and improvements	37,924,514
Equipment (software)	4,112,499
Construction in progress	<u>462,334</u>
 Total Capital assets	 <u>\$ 43,237,334</u>

Investment in Capital assets from:

General Fund	\$ 362,678
Special revenue funds:	
Federal Projects	13,544
State Projects	1,134
Cafeteria	12,806
Capital projects funds:	
Bond Building Fund	25,258,088
Public School Outlay - Federal	47,800
HB-33 Capital Improvements	15,762,662
SB-9 Capital Improvements	653,758
Capital Outlay 20%	446,197
Capital Outlay	<u>678,667</u>
 Total investment in Capital assets	 <u>\$ 43,237,334</u>

See accompanying notes.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

FIDUCIARY FUNDS

Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2007

Activity		Balance		Balance	
Fund	ASSETS	June 30, 2006	Receipts	Disbursements	June 30, 2007
6011	Class of 2011	\$ 1,288	\$ 441	\$ -	\$ 1,729
6012	Class of 2012	142	712	56	798
6013	Class of 2013	-	228	172	56
6100	Class of 2010	1,656	1,808	-	3,464
6101	Class of 2001	499	-	-	499
6103	Class of 2003	1,289	-	-	1,289
6104	Class of 2004	2,599	-	-	2,599
6105	Class of 2005	1,276	-	-	1,276
6106	Class of 2006	884	-	76	808
6107	Class of 2007	1,300	7,241	4,938	3,603
6108	Class of 2008	3,393	9,195	10,373	2,215
6109	Class of 2009	2,021	2,289	468	3,842
6110	Soccer	561	-	490	71
6111	Coke	32	-	-	32
6112	MS Activity	556	7,602	6,566	1,592
6113	MH BB Shoes	707	-	278	429
6114	MS Student Council	1,359	8,574	7,828	2,105
6115	Earth shuttle	251	-	-	251
6116	Art Club	418	25	-	443
6117	Closeup	895	3,471	1,454	2,912
6118	French club	256	50	1,085	(779)
6119	FFA	3,090	637	1,072	2,655
6120	HS Library	1,581	5,497	1,313	5,765
6121	HS Cheerleaders	369	-	-	369
6122	Elem. Computer	1,565	-	-	1,565
6123	HS Student Council	2,142	1,731	3,251	622
6124	Home Ec	121	-	-	121
6125	Elementary Library	5,318	9,579	7,583	7,314
6126	Dreams Yearbook	1,130	350	1,390	90
6127	Science Club HS	295	-	-	295
6128	Ski Club Elem	82	-	-	82
6129	Tribal donation	-	80	27	53
6130	MS Water	3,572	1,140	3,173	1,539
6131	Natural Helpers	895	-	585	310
6132	Yearbook	2,724	-	-	2,724
6133	Girls Track HS	\$ 714	\$ 2,993	\$ 1,352	\$ 2,355

(Continued)

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

FIDUCIARY FUNDS

Schedule of Changes in Assets and Liabilities - All Agency Funds
Year Ended June 30, 2007

Activity		Balance				Balance
Fund	ASSETS	June 30, 2006	Receipts	Disbursements		June 30, 2007
6134	Dreams	\$ 185	\$ 666	\$ 699		\$ 152
6135	Voc. Donation	84	-	-		84
6136	VSP	424	-	-		424
6137	Honor	114	76	-		190
6138	EmpathyBoth	-	11,043	9,028		2,015
6139	Textbook/both	50	-	-		50
6140	Football Club/hs	2,627	1,600	364		3,863
6141	Elem Act	861	4,371	2,749		2,483
6142	H.S. Activity	2,411	1,542	1,736		2,217
6143	Indian club/Elem	25	-	-		25
6144	Elem Student Council	1	-	118		(117)
6145	Journalism	-	1,200	-		1,200
6146	HS Boys BB Shoes	450	-	432		18
6147	Elementary Social	53	-	-		53
6148	Elem School Improv	-	500	500		-
6149	Tsunami	722	-	-		722
6150	Cinco De Mayo	97	-	-		97
6151	Admin	44	-	70		(26)
6152	Chess Club	222	1	-		223
6153	Hat Club	23	-	-		23
6154	Mid School Band	150	796	796		150
6156	Athl/girls BB shoes	-	110	-		110
6157	HS Boys Basketball	383	8,756	3,810		5,329
6158	HS Volleyball	1,622	50	1,372		300
6159	HS Girls Basketball	320	2,267	2,768		(181)
6160	Dedication	1,875	-	-		1,875
6161	Catch the dream	300	-	-		300
6162	HS Ski	128	-	-		128
6163	Rodeo	3,360	-	-		3,360
6164	MS Science	1	3,200	1,300		1,901
6165	HS Indian Club	1,707	-	-		1,707
6166	HS Yearbook	-	910	-		910
		<u> </u>	<u> </u>	<u> </u>		<u> </u>
	Pooled cash and investments	\$ 63,219	\$ 100,731	\$ 79,272		\$ 84,678
		<u> </u>	<u> </u>	<u> </u>		<u> </u>
	LIABILITIES					
	<u>Deposits held for others</u>	\$ 63,219	\$ 100,731	\$ 79,272		\$ 84,678
		<u> </u>	<u> </u>	<u> </u>		<u> </u>

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF PLEDGED COLLATERAL
June 30, 2007

	Wells Fargo Bank	Wells Fargo Bank Repo Account	Total
Cash on deposit at June 30, 2007	\$ 837,756	\$ 17,981,962	\$ 18,819,718
Less FDIC coverage	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Uninsured funds	<u>\$ 837,756</u>	<u>\$ 17,881,962</u>	<u>\$ 18,719,718</u>
50% collateral requirement	\$ 418,878	\$ -	\$ 418,878
102% collateral requirement (Repo Account)	<u>-</u>	<u>18,239,601</u>	<u>18,239,601</u>
Amount requiring pledged collateral	418,878	18,239,601	18,658,479
Pledged collateral	<u>1,212,134</u>	<u>15,283,129</u>	<u>16,495,263</u>
Excess of pledged collateral	<u>\$ 793,256</u>	<u>\$ (2,956,472)</u>	<u>\$ (2,163,216)</u>

Pledged collateral of financial institutions consists of the following at June 30, 2007

	Maturity	CUSIP #	Market Value
Wells Fargo Bank:			
FNCL	5/1/2036	31410BP99	\$ 743,909
FNCL	5/1/2036	31410BP99	<u>468,225</u>
			<u>\$ 1,212,134</u>

The above securities are held at Federal Home Loan Bank in Dallas, TX.

Wells Fargo Bank (Repo Account):			
FHLN	9/7/2007	3133XER35	\$ 507,586
FHLN	7/9/2013	31339XVU5	478,350
FHLN	12/28/2007	3133XD6F3	513,247
FHLN	8/14/2008	31339YWJ7	746,625
FHLN	11/23/2011	3133XKR31	768,358
FMN	5/20/2010	3136F3SU1	405,077
GTC	11/15/2009	383752EE8	382,857
FHLN	7/30/2008	31339YQF2	438,108
FHLN	10/26/2007	3133X96S4	499,629
FHLN	11/7/2008	3133XHPF3	503,522
FMN	10/5/2007	3136F2NT1	252,672
FHLN	7/24/2018	31339YFB3	317,831
SMN	10/3/2022	863871AM1	150,850
FHLN	5/7/2009	3133XHGU0	824,333
FHLN	10/6/2008	3133X1DN4	892,798
FHLN	12/30/2009	31339XUC6	995,000
FHLN	4/28/2010	3133MXXE4	997,200
FHLN	11/9/2010	3133XKMG7	1,002,676
FHLN	12/15/2010	3133XKZ99	998,203
FHLN	10/30/2008	3133MXXW4	991,900
FHLN	3/18/2008	31339XBZ6	985,294
FHLN	7/16/2013	31339Y5K4	986,600
FHLN	2/12/2008	3133XJV96	644,413
			<u>\$ 15,283,129</u>

The above securities are held at Federal Home Loan Bank in Dallas, TX.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

CASH RECONCILIATION
June 30, 2007

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>	<u>Net Cash End of Period</u>	<u>Adjustments to the report</u>	<u>Total Cash on Report</u>
Operations	\$ 519,982	\$ 6,019,663	\$ (5,457,369)	\$ -	\$ 1,082,276	\$ 250	\$ 1,082,526
Teacherage	45,327	102,466	(70,984)	-	76,809	-	76,809
Transportation	104,895	163,796	(159,622)	-	109,069	-	109,069
Instructional Materials	126	60,112	(55,668)	-	4,570	-	4,570
Food Services	84,351	213,081	(333,467)	-	(36,035)	-	(36,035)
Athletics	13,053	57,669	(49,184)	-	21,538	-	21,538
Federal Flowthrough Funds	(59,225)	444,183	(873,279)	-	(488,321)	-	(488,321)
Federal Direct Funds	155,335	691,631	(749,120)	-	97,846	-	97,846
State Flowthrough Funds	(2,407)	32,301	(318,695)	-	(288,801)	-	(288,801)
State Direct Funds	1,195	18,662	(19,789)	-	68	-	68
Local/State	33,406	113,898	(102,290)	-	45,014	-	45,014
Bond Building	7,031,597	10,263,615	(137,980)	-	17,157,232	-	17,157,232
Capital Outlay - Federal	280,553	77,488	(47,800)	-	310,241	-	310,241
HB-33 Capital Outlay	9,372,960	558,639	(547,994)	-	9,383,605	-	9,383,605
Capital Improvement SB - 9	1,545,155	1,838,701	(1,515,607)	-	1,868,249	-	1,868,249
PSCO - 20%	262,700	13,604	(71,570)	-	204,734	-	204,734
Debt Service	3,943,676	1,763,104	(5,792,226)	-	(85,446)	-	(85,446)
Agency Funds	-	-	-	-	-	84,678	84,678
Total	<u>\$ 23,332,679</u>	<u>\$ 22,432,613</u>	<u>\$ (16,302,644)</u>	<u>\$ -</u>	<u>\$ 29,462,648</u>	<u>\$ 84,928</u>	<u>\$ 29,547,576</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>		
				Adjustments to report:	
				Agency funds	\$ 84,678
				Cash on hand	250
				Total adjustment to the report	<u>\$ 84,928</u>
				Adjustments to cash:	
Operational	Repurchase	Wells Fargo	\$ 17,981,962	Bank Balance	\$ 29,855,527
Debt service	Investment	Wells Fargo	2,545,707	Cash on hand	250
State Investment Pool	Investment		8,490,102	Reconciling items	(308,201)
Building	Checking	Wells Fargo	443,087	Total adjustment to cash	<u>\$ 29,547,576</u>
Federal funds	Checking	Wells Fargo	84,580		
Operational	Checking	Wells Fargo	310,089		
Total			<u>\$ 29,855,527</u>		

THIS PAGE INTENTIONALLY LEFT BLANK

SINGLE AUDIT SECTION

THIS PAGE INTENTIONALLY LEFT BLANK

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

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

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

Hector H. Balderas, State Auditor
And the Board of Education of
Dulce Independent School District No. 21

We have audited the financial statements of the governmental activities, each major fund and respective budgetary comparison for the general fund and each major fund thereof, and the aggregate remaining fund information of Dulce Independent School District No. 21, as of and for the year ended June 30, 2007, which collectively comprise the Dulce Independent School District No. 21's basic financial statements. We also have audited the financial statements of each of the District's nonmajor governmental funds and the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents and have issued our report thereon dated December 18, 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 Dulce Independent School District No. 21'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 Dulce Independent School District No. 21's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Dulce Independent School District No. 21'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 the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Dulce Independent School District No. 21's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Findings 2007 - 3 through 2007 - 11.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

Hector H. Balderas, State Auditor
And the Board of Education of
Dulce Independent School District No. 21

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 Dulce Independent School District No. 21'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 to be material weaknesses. However, of the significant deficiencies described above, we consider items findings 2008 – 3 and 2008 – 11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dulce Independent School District No. 21'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items findings 2007 – 1 through 2007 – 8.

Dulce Independent School District No. 21's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Dulce Independent School District No. 21's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within Dulce Independent School District No. 21, the State Auditor, the New Mexico Legislature, New Mexico Public Education Department, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



December 18, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

THIS PAGE INTENTIONALLY LEFT BLANK

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoncacct.com

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

REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas, State Auditor
And the Board of Education of
Dulce Independent School District No. 21

Compliance

We have audited the compliance of Dulce Independent School District No. 21 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* (Revised May, 2007) that are applicable to each of its major federal programs for the year ended June 30, 2007. Dulce Independent School's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dulce Independent School's management. Our responsibility is to express an opinion on Dulce Independent School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dulce Independent School District No. 21's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Dulce Independent School District No. 21's compliance with those requirements.

In our opinion, Dulce Independent School District No. 21, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as finding 2007-2.

Internal Control Over Compliance

The management of Dulce Independent School District No. 21 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Dulce Independent School District No. 21's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dulce Independent School District No. 21's internal control over compliance.

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

4801 N Butler, Ste. 8101
Farmington, NM 87401

keystone@keystoneacct.com

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

Hector H. Balderas, State Auditor
And the Board of Education of
Dulce Independent School District No. 21

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We considered the deficiency in internal control over compliance described in the accompanying schedule of findings 2007-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We do not consider any of the deficiency described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below, however, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies.

Dulce Independent School District No. 21's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Dulce Independent School District No. 21's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the New Mexico State Auditor, New Mexico State Legislature, New Mexico Public Education Department, management, and others within the organization 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.



December 18, 2008

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2007

A. PRIOR YEAR AUDIT FINDINGS

2006-1 CASH NOT RECONCILED

Condition: The cash that the District holds in stewardship for the agency funds did not reconcile to the December 2005 bank statement. The records indicated a balance of \$80,490.58 while the bank reconciliation indicated \$80,620.58.

Status: Not Resolved. Repeated in the current year as Finding 2007-1.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Dulce Independent School District No. 21.
2. There were eleven significant deficiencies disclosed during the audit of the financial statements in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Two of these deficiencies were disclosed as material weaknesses.
3. Eleven instances of noncompliance material to the financial statements of Dulce Independent School District No. 21 were disclosed during the audit.
4. There was one significant deficiency disclosed during the audit of the major federal awards program in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Dulce Independent School District No. 21 expresses an unqualified opinion.
6. There was one audit finding relative to the major federal award programs for Dulce Independent School District No. 21 that is required to be reported in accordance with OMB Circular A-133.510(a).
7. The programs treated as major programs include: P.L. 81-874 Impact aid CFDA 84.041.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. Dulce Independent School District No. 21 was determined not to be a low-risk auditee.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2007 – 1 LATE AUDIT REPORT

Condition: The June 30, 2007 audit report was not submitted to the New Mexico State Auditor's Office by the due date of November 15, 2007. The Audit was submitted to the New Mexico State Auditor's Office on February 2, 2009.

Criteria: The New Mexico State Auditor has issued NMAC 2.2.2, Requirements for Contracting and Conducting Audits of Agencies, setting due dates for school audits to be in his office by November 15, 2007.

Effect of condition: The report was not available for the New Mexico Department of Education and other state agencies to review on a timely basis.

Cause: The district's cash and capital assets were not reconciled until December 2008.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Response: The 2008 Audit will be late also, but management will have the 2009 Audit on time.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 2 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

Condition: The June 30, 2007 audit report and data collection form were not sent to the Federal Clearing House within nine months after the year end.

Criteria: The Federal Clearing House requires that the audit reporting package be filed either 30 days after the date of the audit report release, or nine months after the year end.

Effect of condition: The report was not available for the filing of the Federal Clearing House report on a timely basis.

Cause: Information required to complete the audit was not available from the district.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Response: Federal clearing house report will be on time in 2009.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 3 CASH NOT RECONCILED

Condition: The District did not reconcile the monthly bank statements for seventeen months. A repeat of prior year Finding 2006-1.

Criteria: In accordance with 1978 NMSA 6-10-2, all public monies are to be recorded in a cash record and balanced on a daily basis.

Effect of condition: Cash that does not reconcile to the bank statement indicates improper cash records and a lack of control over the monies that the District holds and the District is in violation of state statute.

Cause: Deficient controls resulted in bank reconciliation reports not being printed and reviewed for accuracy, errors, and reconciling items.

Recommendation: Management should develop a plan and system of controls that enables them to review the accuracy and completeness of the financial statements.

Management's Response: The district will start reconciling funds and banks each month starting with the 2008-09 year.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 4 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

Condition: There were unfavorable variances between actual and budgeted line item expenditures. The following funds had unfavorable variances between budgeted amounts at fiscal yearend:

<u>Fund</u>		<u>Final budget</u>	<u>Expenditures</u>	<u>Over Expended</u>
Operational	Operations and Maintenance	\$ 813,899	\$ 948,395	\$ (134,496)
Operational	Student Transportation	16,228	21,742	(5,514)
Title I	Support Services - General	\$ 17,450	\$ 23,898	\$ (6,448)
Title I School Improvement	Instruction	74,015	76,917	(2,902)
Impact Aid Special Education	Instruction	-	80	(80)
School Based Health	Instruction	-	2,200	(2,200)
School Based Health	Support Services - Students	28,406	88,973	(60,567)
School Based Health	Support Services - Instruction	5,000	11,117	(6,117)
Debt Service	Bond Principal	2,355,000	2,815,000	(460,000)
Debt Service	Bond Interest	932,998	2,975,768	(2,042,770)
Bond Building	Operations and Maintenance	50,000	94,420	(44,420)
Capital Improvements SB-9	Operations and Maintenance	1,341,090	1,404,716	(63,626)

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines. As part of maintaining fiscal responsibility for the operations of the school, management is responsible for following the guidelines set out for expenses in the budget submitted at the beginning of the year, as well as any “BARS” that had been approved.

Effect of Condition: Violation of NMSA 1978 Section 22-8-11 B, over spending of public monies. Improper monitoring could lead to expenditures being paid in excess of total budgeted amounts.

Cause: Improper monitoring of line item expenditures by comparing budgeted amounts and actual amounts spent allowed unfavorable (negative) variances, overspending of line item budgets, to occur.

Recommendation: Management should implement immediate steps to provide adequate financial reports to allow for proper and timely monitoring of line item expenditures. Budget adjustment requests should be approved by the Board of Education and State Department of Education (when required) to receive approval to make necessary changes to the records prior to being presented for audit.

Management Response: Management has implemented a process to monitor all funds monthly. With the Visions software procedures will be in place to stop over expending.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 5 BUDGET OVER EXPENDITURES

Condition: The District incurred expenditures in excess of the approved budget in the following funds.

Fund	Approved Budget	Actual Expenditures	Amount over expended
Title I School Improvement	\$ 74,015	\$ 76,917	\$ (2,902)
School Based Health	33,406	102,290	(68,884)
Debt Service	3,289,498	5,792,226	(2,502,728)

Criteria: According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines. A budget is a proposed plan of financial operations for a given period of time. The annual budget authorizes and provides the basis for control of financial operations during the fiscal year. The budget should be analyzed monthly to insure expenditures remain within the legally adopted budget and revisions should be made whenever necessary.

Effect of condition: The District is not in compliance with NMSA 1978 Section 22-8-11 subjecting those responsible to the penalty provisions of the statute.

Cause: Purchases were approved in excess of available budget or budget adjustments were not approved to cover the expenditures approved.

Recommendation: We recommend that purchases not be approved which would cause the budget to be exceeded. We also recommend that timely budget adjustments be prepared when necessary.

Response: Budgets are being monitored daily with the new Visions software to prevent over expenditure of funds.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 6 MISSING INFORMATION FROM THE EMPLOYEE FILES

Condition: Five of 30 employee files selected for testing had an incomplete I-9 forms. A background check was missing from one of 30 employee files selected.

Criteria: An employer is required by Immigration Reform and Control Act of 1986 (IRCA) to verify the citizenship or immigration status of all employees. In accordance with federal and state law all employees who have access to children are required to have a background check completed and approved.

Effect of condition: The school is out of compliance with requirements for the department of labor and the New Mexico Public Education Department.

Cause: The district is not maintaining adequate controls over employee hiring.

Recommendation: The district should not employ any individual without prior completion of the I-9 form or receipt of the cleared background check.

Response: Management has created a checklist for all employees to monitor a documents/processes on staff to prevent this from happening again.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 7 INTERNAL CONTROLS OVER CAPITAL ASSETS

Condition: The District has not implemented proper controls over capital assets to reconcile capital asset records to beginning and ending balances.

Criteria: The District is required to maintain and reconcile its capital assets and depreciation for financial reporting purposes according to GASB 34.

Effect of condition: The District is not in compliance with GASB 34 which requires the District to maintain and reconcile its capital assets and depreciation. The Districts capital assets were restated two years in a row to account for changes in capital assets.

Cause of condition: Management did not review the capital asset additions throughout the year .

Recommendation: Management should develop a plan and system of controls that enable them to review the capital asset additions each year, and reconcile them with the beginning and ending balances to insure that the capital assets are properly recorded.

Management Response: Management has implemented a system to import and record assets as they are paid from the accounts payable import feature in the Visions Software. Depreciation will be implemented once the item is paid and location codes are in place

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 8 COLLATERAL FOR PUBLIC MONIES

Condition: The District's cash balance of \$17,981,962 that was deposited into a repurchase agreement account at Wells Fargo Bank N.A. was only insured or collateralized for \$15,283,129 which did not meet the 102% requirement.

Criteria: According to New Mexico State Statute (NMSA 1978) 6-10-10 H, public monies deposited into a repurchase agreement investment account must be insured fully at 102%.

Effect of Condition: The lack of securities as collateral of public monies that do not meet the state statute requirements has resulted in leaving the District's deposits inadequately guaranteed in the event of a bank failure.

Cause of Condition: Additional amounts were deposited into the account without the collateralization being reviewed and updated.

Recommendation: It is the responsibility of management to ensure that adequate safekeeping of the Company's assets is maintained. As part of its fiscal responsibility, management should work closely with its depository institutions to closely monitor types and amounts of collateral to meet the state requirements.

Management's response:

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 9 UNAUTHORIZED MOVEMENT OF AGENCY MONIES

Condition: Agency monies were overspent in four of the agencies funds under the stewardship of the District. The overspending of agency funds requires the use of monies from other agency funds, which share the same bank account, to cover the over expenditures. The District is lacking in controls over the monies that it holds in stewardship.

Criteria: Agency monies are held for use by others. Any movement of these monies requires the approval of the designated steward or, in the absence a designated steward, the school board.

Effect of condition: The movement of agency monies without authorization opens opportunity for fraudulent activities. These monies belong to the each group that raised them and should not be used by the school district or any other group to which they don't not belong.

Recommendation: The District needs to implement controls to insure that Agency monies are used for the purpose intended be the contributors.

Management's response:

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 10 DISBURSEMENTS MADE WITHOUT PURCHASE ORDER

Condition: Four out of the 30 disbursements tested had purchases made prior to the approval of or without purchase orders being completed. Purchase orders are used to control cash and to authorize the purchase.

Criteria: Purchase authorization and budgetary control is acquired through the completion of a purchase order for purchases, which is signed by a person giving authority for the purchase.

Effect of the Condition: Any purchase made without prior authorization has the potential to cause cash deficits and/or over expensing of the budget in the fund in which the purchase is recorded.

Cause: Personnel decide that an immediate purchase is needed and circumvent the proper procedure for purchasing.

Recommendation: The importance of cash controls and adequate planning need to be made clear to all personnel that will be making purchases for the school.

Management's Response: Management is in the process of notifying all staff and securing their signature of this process, so everyone knows what the process is for procurement.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

2007 – 11 PREPARATION OF FINANCIAL STATEMENTS

Condition: The financial statements were prepared by the auditor.

Criteria: As per SAS 112, management is required to have an internal control system of financial reporting including the preparation of the financial statements.

Effect of condition: Management's ability to ascertain the accuracy and completeness of the financial statements has been diminished.

Cause of condition: Management does not have internal controls in place that are necessary for the preparation of the financial statements.

Recommendation: Management should develop a plan and system of controls that enable them to review the accuracy and completeness of the financial statements.

Management Response: Financial statements in the future will be prepared by client.

C. AUDIT FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

2007 – 2 LATE FILING OF FEDERAL CLEARING HOUSE REPORTING

Condition: The June 30, 2007 audit report and data collection form were not sent to the Federal Clearing House within nine months after the year end.

Criteria: The Federal Clearing House requires that the audit reporting package be filed either 30 days after the date of the audit report release, or nine months after the year end.

Effect of condition: The report was not available for the filing of the Federal Clearing House report on a timely basis.

Cause: Information required to complete the audit was not available from the foundation.

Recommendation: We recommend that all information be made available to the auditor on a timely basis.

Response: Federal clearing house report will be on time in 2009.

THIS PAGE INTENTIONALLY LEFT BLANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>			
Pass-Through Program From:			
New Mexico Department of Education:			
<u>Child Nutrition -- Cluster:</u>			
USDA National School Lunch Program	10.555	21000	\$ 149,117
USDA School Breakfast Program	10.553	21000	<u>51,848</u>
Total Child Nutrition Cluster			200,965
Direct Program:			
Forest Reserve	10.670	11000	21,045
Pass-Through Program From:			
New Mexico Human Service Department:			
USDA Commodities Program	10.550	21000	<u>18,173</u>
Total U.S. Department of Agriculture			<u>240,183</u>

(continued)

See accompanying notes to the
Schedule of Expenditures of Federal Awards.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

<u>Federal Grantor/Pass - Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Special Education -- Cluster:</u>			
<u>U.S. Department of Education:</u>			
Pass-Through Programs From:			
New Mexico Department of Education:			
IDEA-B Entitlement	84.027	24106	\$ <u>144,732</u>
Direct Programs:			
P.L. 81-874 Special / Indian Education	84.041	24245	<u>3,228,919</u>
Pass-Through Programs From:			
New Mexico Department of Education:			
Title I Basic Education Grant	84.010	24101	411,757
Carl Perkins Grant	84.048	24159	199,464
Title V	84.298	24150	7,352
Title III English Language	84.365	24153	12,110
Title II Improving Teacher Quality	84.367	24154	37,066
Title IV - Safe and Drug-Free Schools	84.186	24157	2,481
Reading First	84.357	24167	<u>53,466</u>
Subtotal Pass-Through Programs			<u>723,696</u>
Total U.S. Department of Education			<u>4,097,347</u>
Total Expenditures of Federal Awards			<u>\$ 4,337,530</u>

See accompanying notes to the
Schedule of Expenditures of Federal Awards.

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

Notes To The Schedule Of Expenditures Of Federal Awards
Year Ended June 30, 2007

1. Scope of audit pursuant to OMB Circular A-133

All federal grant operations of Dulce Independent School District No. 21 (the "School District") are included in the scope of the Office of management and Budget ("OMB") Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB Circular Compliance Supplement (Revised May 2007 the "Compliance Supplement"). Compliance testing of all requirements are described in the Compliance Supplement, was performed for the grants programs noted below. These programs represent all federal award programs and other grants with fiscal 2007 cash and non-cash expenditures to ensure coverage of at least 50% (high risk auditee) of federally granted funds. Actual coverage is approximately 74% of total cash and non-cash federal award program expenditures. Total cash expenditures were in the amount of \$4,319,357 and all non-cash expenditures amounted to \$18,173.

Major Federal Award Program Description	Fiscal 2007 <u>Expenditure</u>
Cash assistance:	
P.L. 81-874 Special /Indian Education	<u>\$ 3,228,919</u>

The School District's federal programs P.L. 81-874 Indian Education were considered high risk Type A programs for the 2007 audit.

The U.S. Department of Education is the School District's oversight agency for single audit.

2. Summary of significant accounting policies

Basis of presentation

The accompanying Schedule of Expenditure of Federal Awards includes all federal grants to the School District that had activity during the fiscal year ended June 30, 2007. This Statement has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the School District has met the qualifications for the respective grant.

Accrued and deferred reimbursements

Various reimbursement procedures are used for Federal awards received by the School District. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year. Accrued balances at year end represent an excess of reimbursable expenditures over receipts to date. Deferred balance at year-end represent an excess of cash receipts over reimbursable expenditure to date. Generally, accrued or deferred balances covered by differences in the timing of cash receipts and expenditures will be reversed in the remaining grant period.

3. Audits performed by other entities

There were no other audits performed by other organizations on the School Districts federal grant programs in 2007.

REQUIRED DISCLOSURE

THIS PAGE INTENTIONALLY LEFT BLANK

STATE OF NEW MEXICO
DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

REQUIRED DISCLOSURES
Year Ended June 30, 2007

REQUIRED DISCLOSURE

The financial statements were prepared by the independent public accountants.

An exit conference was held December 18, 2008, during which the audit findings were discussed. The exit conference was attended by the following individuals:

DULCE INDEPENDENT SCHOOL DISTRICT NO. 21

Steve Cata	Board Vice-President
Clyde B. Vicenti	Board Secretary
Ralph Friedly	Superintendent
Naomi Vicenti	Current Business Manager

KEYSTONE ACCOUNTING, LLC

Terry Ogle, CPA	Partner
William W. King	Senior Auditor