

State of New Mexico

Aldo Leopold High School Charter School
Component Unit of
Silver Consolidated School District No. 1
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON

For The Fiscal Year Ended June 30, 2007

Aldo Leopold High School Charter School
Component Unit of Silver Consolidated School District No. 1
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Aldo Leopold High School Charter School
Component Unit of Silver Consolidated School District No. 1
DIRECTORY OF OFFICIALS
June 30, 2007

GOVERNING COUNCIL

Connie Adler	Member
Juanita Escobedo	Member
Janet Lydia Gilchrist	Member
Karyn Neil	Member
Howard M. Ottenheimer	Member
Connie Powers	Member
Deb Preusch	Member

SCHOOL OFFICIALS

Jerry Boswell	Director
Harry Browne	Business Manager

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Governing Council
Aldo Leopold High School Charter School
Silver City, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aldo Leopold High School Charter School, (School) a component unit of Silver Consolidated School District No. 1 as of and for the year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the School's nonmajor governmental funds presented as other 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 the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1 as of June 30, 2007, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the General Fund, the Charter Schools Fund, and the Youth Conservation 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 Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1 as of June 30, 2007,

and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the components of the General Fund, and the nonmajor Special Revenue 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 March 21, 2009, on our consideration of Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1'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.

Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1, has not presented Management's Discussion and Analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

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

Stone, McGee & Co CPAs

March 21, 2009

Stone, McGee & Co.
Certified Public Accountants

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 506
Due from other governments	76,300
Capital assets:	
Furniture and fixtures and equipment	14,422
Less accumulated depreciation	(2,924)
Total capital assets, net of depreciation	\$ 11,498
Total assets	\$ 88,304
Liabilities	
Accounts payable	\$ 13,525
Accrued expenses	81,429
Total liabilities	\$ 94,954
Net Assets	
Invested in capital assets	\$ 11,498
Restricted for:	
Other purposes	(8,250)
Unrestricted	(9,898)
Total net assets	\$ (6,650)

The accompanying notes are an integral part of these financial statements

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
Governmental activities:		
Instruction	\$ 530,229	\$ 15,255
Support services - Students	44,403	
Support services - Instruction	85,076	
General administration	17,771	
School administration	126,763	
Central services	60,125	
Operation of plant	<u>101,357</u>	
 Total governmental activities	 <u>\$ 965,724</u>	 <u>\$ 15,255</u>

General revenues:

- State aid - formula grants
- Donations and contributions
- Unrestricted investment earnings

Total general revenues and special items

Change in net assets

Net assets - beginning

Net assets - ending

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

Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
\$ 153,189	\$ -	\$ (361,785)
15,664		(28,739)
82,859		(2,217)
3,670		(14,101)
31,432		(95,331)
6,810		(53,315)
29,381		(71,976)
<u>\$ 323,005</u>	<u>\$ -</u>	<u>\$ (627,464)</u>

\$ 576,308
243
245

\$ 576,796

\$ (50,668)

44,018

\$ (6,650)

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Charter Schools	Youth Conservation
Assets			
Cash and investments	\$ 506	\$ -	\$ -
Interfund receivable	84,550		
Due from other governments		46,538	29,762
 Total assets	\$ 85,056	\$ 46,538	\$ 29,762
 Liabilities and Fund Balance			
Accounts payable	\$ 13,525	\$ -	\$ -
Interfund payable		46,538	29,762
Accrued liabilities	81,429		
 Total liabilities	\$ 94,954	\$ 46,538	\$ 29,762
 Fund balance:			
Unreserved, reported in:			
General fund	\$ (9,898)	\$ -	\$ -
Special revenue funds			
 Total fund balance	\$ (9,898)	\$ -	\$ -
 Total liabilities and fund balance	\$ 85,056	\$ 46,538	\$ 29,762

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

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 506
	84,550
	<u>76,300</u>
<u>\$ -</u>	<u>\$ 161,356</u>
\$ -	\$ 13,525
8,250	84,550
	<u>81,429</u>
<u>\$ 8,250</u>	<u>\$ 179,504</u>
\$ -	\$ (9,898)
(8,250)	(8,250)
<u>\$ (8,250)</u>	<u>\$ (18,148)</u>
<u>\$ -</u>	<u>\$ 161,356</u>

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
June 30, 2007

Total governmental fund balances	\$ (18,148)
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>11,498</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ (6,650)</u></u>

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
June 30, 2007

	General Fund	Charter School	Youth Conservation
Revenues:			
Fees and charges	\$ 15,255	\$ -	\$ -
State aid	579,942		32,742
Federal aid		210,791	
Earnings on investments	245		
Miscellaneous	243		
Total revenues	\$ 595,685	\$ 210,791	\$ 32,742
Expenditures:			
Current:			
Instruction	\$ 379,703	\$ 139,508	\$ -
Support services - Students	13,658	664	
Support services - Instruction	2,062	50,117	32,742
General administration	14,069	3,670	
School administration	94,519	5,391	
Central services	53,205	6,810	
Operation of plant	63,534	4,631	
Total expenditures	\$ 620,750	\$ 210,791	\$ 32,742
Net change in fund balances	\$ (25,065)	\$ -	\$ -
Fund balance, July 1, 2006	15,167	-	-
Fund balance, June 30, 2007	<u>\$ (9,898)</u>	<u>\$ -</u>	<u>\$ -</u>

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

<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ 15,255
64,750	677,434
11,088	221,879
	245
	243
\$ 75,838	\$ 915,056
\$ 10,047	\$ 529,258
30,000	44,322
	84,921
	17,739
26,621	126,531
	60,015
33,008	101,173
\$ 99,676	\$ 963,959
\$ (23,838)	\$ (48,903)
15,588	30,755
\$ (8,250)	\$ (18,148)

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
June 30, 2007

Net change in fund balances - total governmental funds	\$	(48,903)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense.		
Capital outlay		-
Depreciation expense		(1,765)
		(1,765)
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 (50,668)
		(50,668)

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual
Revenues:			
State sources	\$ 594,090	\$ 630,370	\$ 579,942
Local sources	-	-	15,498
Interest income	-	-	245
Total revenues	\$ 594,090	\$ 630,370	\$ 595,685
Expenditures:			
Current:			
Instruction	\$ 334,278	\$ 395,501	\$ 291,645
Support services - Students	33,737	14,971	13,063
General administration	6,600	12,365	12,246
School administration	96,152	93,897	94,430
Central services	50,446	53,081	52,989
Operation of plant	75,888	63,566	63,189
Total expenditures	\$ 597,101	\$ 633,381	\$ 527,562
Net change in fund balance	\$ (3,011)	\$ (3,011)	\$ 68,123
Fund balance, July 1, 2006	7,991	7,991	16,933
Fund balance, June 30, 2007	<u>\$ 4,980</u>	<u>\$ 4,980</u>	<u>\$ 85,056</u>

The accompanying notes are an integral part of these financial statements

5)

	Variance
	Favorable
	(Unfavorable)
\$	(50,428)
	15,498
	<u>245</u>
\$	<u>(34,685)</u>
\$	103,856
	1,908
	119
	(533)
	92
	<u>377</u>
\$	<u>105,819</u>
\$	71,134
	<u>8,942</u>
\$	<u><u>80,076</u></u>

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - CHARTER SCHOOLS GRANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 225,245	\$ 225,245	\$ 94,428	\$ (130,817)
Expenditures:				
Current:				
Instruction	\$ 146,515	\$ 146,515	\$ 140,084	\$ 6,431
Support services - Students	1,713	1,713	664	1,049
Support services - Instruction	54,400	54,400	50,117	4,283
General administration	5,038	5,038	3,670	1,368
School administration	5,726	5,726	5,391	335
Central services	7,222	7,222	6,810	412
Operation of plant	4,631	4,631	4,631	-
Total expenditures	\$ 225,245	\$ 225,245	\$ 211,367	\$ 13,878
Net change in fund balance	\$ -	\$ -	\$ (116,939)	\$ (116,939)
Fund balance, July 1, 2006	-	-	70,401	70,401
Fund balance, June 30, 2007	\$ -	\$ -	\$ (46,538)	\$ (46,538)

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - YOUTH CONSERVATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	<u>\$ 82,379</u>	<u>\$ 82,379</u>	<u>\$ 24,865</u>	<u>\$ (57,514)</u>
 Expenditures:				
Current:				
Support services - Intruction	\$ 82,379	\$ 82,379	\$ 33,463	\$ 48,916
Operation of plant	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 82,379</u>	<u>\$ 82,379</u>	<u>\$ 33,463</u>	<u>\$ 48,916</u>
Net change in fund balance	\$ -	\$ -	\$ (8,598)	\$ (106,430)
Fund balance, July 1, 2006	<u>-</u>	<u>-</u>	<u>(21,164)</u>	<u>(21,164)</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,762)</u>	<u>\$ (127,594)</u>

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 589</u>
Total assets	<u><u>\$ 589</u></u>
Liabilities and Fund Equity	
Deposits held for others	<u>\$ 589</u>
Total liabilities	<u><u>\$ 589</u></u>

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

Aldo Leopold High School Charter School
Component Unit of Silver Consolidated School District No. 1
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2007

Note 1 **Summary of Significant Accounting Policies**

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

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

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

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

- A change in the fund financial statements to focus on the major funds.

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

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

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the School and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in this fund are State sources provided for Instructional Support, (Instructional Support Sub-Fund), and Books (Instructional Material Sub-Fund). The operational subfund is the School's main operating fund.

Special Revenue Funds

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

Fiduciary Funds

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

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

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

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

Major Fund Descriptions

General – See above description.

Charter Schools – to account for the federal resources to be used to support planning, development, and implementation of charter schools. Authority for creation of this fund is the Elementary and Secondary Education Act of 1965, and is reported as a special revenue fund.

Youth Conservation – to account for the federal resources to help youth acquire educational and occupational skills. Authority for creation of this fund is P.L. 105-220, and is reported as a special revenue fund.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable

financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

Basis of Accounting

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

1. Accrual:

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

2. Modified Accrual:

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

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

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

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

The government-wide Statement of Activities reports both the gross and net cost of each of the School’s functions. The functions are also supported by general government revenues (certain intergovernmental revenues and charges, etc.) The

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

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

The School does not allocate indirect costs.

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

D. BUDGETS

Budgets for the General and Special Revenue Funds are prepared by management and approved by the local governing council and the Public Finance School Division of the Department of Education.

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

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

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

E. CASH AND INVESTMENTS

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

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

required to be collateralized 102%.

F. INVENTORIES

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

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

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

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

H. COMPENSATED ABSENCES

The School's policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources. No significant amounts have been accrued at June 30, 2007.

I. EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets

including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Fund Statements

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

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

J. INTERFUND ACTIVITY

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

K. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the School’s deposits may not be returned to it. The School does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2007 \$-0- of the School’s bank balance of \$29,174 was exposed to custodial credit risk as follows:

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 29,174	\$ 1,095
Uninsured and uncollateralized	<u>-0-</u>	<u>-0-</u>
	<u>\$ 29,174</u>	<u>\$ 1,095</u>

Note 3 Capital Assets

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

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Other capital assets:				
Furniture and equipment	\$ 14,422	\$ -0-	\$ -0-	\$ 14,422
Total other capital assets at historical cost	<u>\$ 14,422</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 14,422</u>
Less accumulated depreciation for:				
Furniture and equipment	\$ (1,159)	\$ (1,765)	\$ -0-	\$ (2,924)
Total accumulated depreciation	<u>\$ (1,159)</u>	<u>\$ (1,765)</u>	<u>\$ -0-</u>	<u>\$ (2,924)</u>
Total capital assets, net	<u>\$ 13,263</u>	<u>\$ 1,765</u>	<u>\$ -0-</u>	<u>\$ 11,498</u>

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 971
Support Services - Students	81
Support Services - Instruction	155
General Administration	32
School Administration	232
Central Services	110
Operation of Plant	<u>184</u>
	<u>\$ 1,765</u>

Note 4 Retirement Plan

Plan Description

Substantially all of the Aldo Leopold High School Charter School full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board

(ERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to ERA, P.O. Box 26129, Santa Fe, New Mexico 87502.

Funding Policy

Plan members are required to contribute 7.65% of their gross salary. The School is required to contribute 9.4% of the gross covered salary. The contribution requirements of plan members and the Aldo Leopold High School Charter School are established in Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Aldo Leopold High School Charter School contributions to ERA for the years ending June 30, 2007 and 2006 were \$68,935 and \$44,878 respectively, equal to the amount of the required contributions for each year.

Note 5 Retiree Health Care Act Contributions

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

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

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

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or

participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

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

For the fiscal year ended June 30, 2007, the Aldo Leopold High School Charter School remitted \$4,649 in employer contributions and \$2,325 in employee contributions to the Retiree Health Care Authority.

Note 6 Risk Management

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

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

Note 7 Contingent Liabilities

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

Note 8 Budgetary Reconciliations

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

June 30, 2007 is as follows:

	<u>General</u>	<u>Charter Schools Grant</u>	<u>Youth Conservation</u>
Revenues and other sources over (under) expenditures and other uses GAAP basis	\$ (25,065)	\$ -0-	\$ -0-
Increases (decreases):			
Revenue accruals (net)	-0-	(116,363)	(7,877)
Expenditure accruals (net)	<u>93,188</u>	<u>(576)</u>	<u>(721)</u>
Revenues and other sources over (under) expenditures and other uses (NON-GAAP budgetary basis)	<u>\$ 68,123</u>	<u>\$ (116,939)</u>	<u>\$ (8,598)</u>

Note 9 Fund Deficits and Budgetary Compliance

The School had the following deficit fund balances at June 30, 2007:

General Fund	\$ (9,898)
PSCOC Fund	(8,250)

The deficit fund balances are the result of the application of generally accepted accounting principles to cash basis budgeting, and the modified accrual basis limitation of 60 days on the accrual of revenue. As revenue is received, the deficit fund balance will be reduced.

The School over-expended the school administration line item in the General Fund by \$533. The line item is the legal level of budgetary control.

The School intends to develop budgetary review procedures to ensure that budgetary line items are not over-expended in the future.

Note 10 Interfund Activity

Interfund balances at June 30, 2007, consisted of the following:

	<u>Interfund Payable</u>			
	<u>Charter Schools</u>	<u>Youth Conservation</u>	<u>All Others</u>	<u>Total</u>
<u>Interfund Receivable</u>				
General Fund	\$ 46,538	\$ 29,762	\$ 8,250	\$ 84,550
Total	<u>\$ 46,538</u>	<u>\$ 29,762</u>	<u>\$ 8,250</u>	<u>\$ 84,550</u>

The purpose of these loans was to fund ongoing operations until cost-reimbursements are received. All balances are expected to be repaid within one year.

Note 11 Restricted Net Assets

At June 30, 2007, net assets restricted for other purposes included the following balances in special revenue funds:

PSCOC	<u>\$ (8,250)</u>
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Note 12 Accrued Expenses

At June 30, 2008, accrued expenses were as follows:

Accrued payroll liabilities	<u>\$ 81,429</u>
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Aldo Leopold High School Charter School
Component Unit of Silver Consolidated School District No. 1
FUND DESCRIPTIONS
June 30, 2007

GENERAL FUND

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

SPECIAL REVENUE FUNDS

EMA Fund – to account for the resources to be used for administration improvement.

Charter Schools Grant – to account for the federal resources to be used to support planning, development, and implementation of charter schools. Authority for creation of this fund is the Elementary and Secondary Education Act of 1965.

Youth Conservation – to account for the federal resources to help youth acquire educational and occupational skills. Authority for creation of this fund is P.L. 105-220.

McCune Charity – to account for the private grant to be used to enhance the educational experience of the students. Authority for creation of this fund is the Public Education Department's Manual of Procedures.

Entitlement – fund used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of special needs children. Authority for creation of this fund is P.L. 94-142.

Teacher Training – fund used to account for the federal resources to be used to improve teacher quality and ensure that all teachers are highly qualified. Authority for creation of this fund is P.L. 107-110.

Charter Planning – fund used to account for the state resources to be used for the planning phase of implementation of charter schools. Authority for creation of this fund is the Public Education Department's Manual of Procedures.

Title V Innovation – created by P.L. 107-110 to account for the federal assistance provided to the District to meet the educational needs of all students, including at-risk youths.

Drug Free - fund used to account for federal resources administered by the New Mexico State Department of Education to provide an integrated approach in the school curriculum to aid in drug abuse education and prevention. Required by the New Mexico Department of Education Manual of

Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 103-382).

Public School Capital Outlay – to account for funding which is to be used by the District to promote the comprehensive integration of advanced technologies in education setting, through the conduct of technical assistance, professional development, information and resource dissemination and collaboration activities. Authorization is NMSA 22-15A-1.

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	Special Revenue Funds		Total
	PSCOC		
Assets			
Cash and investments	\$ -		\$ -
Due from other governments			-
Total assets	\$ -		\$ -
Liabilities and Fund Balances			
Interfund payable	\$ 8,250		\$ 8,250
Total liabilities	\$ 8,250		\$ 8,250
Fund balances:			
Unreserved, reported in:			
Special revenue funds	\$ (8,250)		\$ (8,250)
Total fund balances	\$ (8,250)		\$ (8,250)
Total liabilities and fund balances	\$ -		\$ -

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2007

	Special Revenue Funds			
	Entitlement	Title V	Teacher Training	Drug Free
Revenues:				
State aid	\$ -	\$ -	\$ -	\$ -
Federal aid	3,653	120	6,825	490
Total revenues	<u>\$ 3,653</u>	<u>\$ 120</u>	<u>\$ 6,825</u>	<u>\$ 490</u>
Expenditures:				
Current:				
Instruction	\$ 3,653	\$ 120	\$ 5,784	\$ 490
Support services - Students				
School administration			1,041	
Operation of plant				
Total expenditures	<u>\$ 3,653</u>	<u>\$ 120</u>	<u>\$ 6,825</u>	<u>\$ 490</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Special Revenue Funds

Charter Planning	PSCOC	McCune Foundation	EMA	Total
\$ -	\$ 24,750	\$ 15,000	\$ 25,000	\$ 64,750
				11,088
<u>\$ -</u>	<u>\$ 24,750</u>	<u>\$ 15,000</u>	<u>\$ 25,000</u>	<u>\$ 75,838</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,047
		30,000		30,000
580			25,000	26,621
<u>8</u>	<u>33,000</u>			<u>33,008</u>
<u>\$ 588</u>	<u>\$ 33,000</u>	<u>\$ 30,000</u>	<u>\$ 25,000</u>	<u>\$ 99,676</u>
\$ (588)	\$ (8,250)	\$ (15,000)	\$ -	\$ (23,838)
<u>588</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,588</u>
<u><u>\$ -</u></u>	<u><u>\$ (8,250)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,250)</u></u>

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
GENERAL FUND
COMBINING BALANCE SHEETS
June 30, 2007

	Operational	Instructional Materials	Non Instructional Support	Total General Fund
Assets				
Cash and investments	\$ 782	\$ (333)	\$ 57	\$ 506
Interfund receivable	84,550			84,550
Total assets	\$ 85,332	\$ (333)	\$ 57	\$ 85,056
 Liabilities and Fund Balance				
Accounts payable	\$ 13,525	\$ -	\$ -	\$ 13,525
Accrued liabilities	81,429			81,429
Total liabilities	\$ 94,954	\$ -	\$ -	\$ 94,954
Fund balance:				
Unreserved, reported in:				
General fund	\$ (9,622)	\$ (333)	\$ 57	\$ (9,898)
Total fund balance	\$ (9,622)	\$ (333)	\$ 57	\$ (9,898)
Total liabilities and fund balance	\$ 85,332	\$ (333)	\$ 57	\$ 85,056

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
June 30, 2007

	<u>Operational</u>	<u>Instructional Materials</u>	<u>Non instructional Support</u>	<u>Total General Fund</u>
Revenues:				
Fees and charges	\$ 15,255	\$ -	\$ -	\$ 15,255
State aid	576,308	3,634		579,942
Earnings on investments	245			245
Miscellaneous	243			243
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	\$ 592,051	\$ 3,634	\$ -	\$ 595,685
Expenditures:				
Current:				
Instruction	\$ 374,101	\$ 5,602	\$ -	\$ 379,703
Support services - Students	13,292	366		13,658
Support services - Instruction	2,062			2,062
General administration	14,069			14,069
School administration	94,519			94,519
Central services	53,205			53,205
Operation of plant	63,534			63,534
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 614,782	\$ 5,968	\$ -	\$ 620,750
Net change in fund balances	\$ (22,731)	\$ (2,334)	\$ -	\$ (25,065)
Fund balance, July 1, 2006	<hr/> 13,109	<hr/> 2,001	<hr/> 57	<hr/> 15,167
Fund balance, June 30, 2007	<u><u>\$ (9,622)</u></u>	<u><u>\$ (333)</u></u>	<u><u>\$ 57</u></u>	<u><u>\$ (9,898)</u></u>

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
GENERAL FUND-OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 571,908	\$ 605,520	\$ 576,308	\$ (29,212)
Local sources	-	-	15,498	15,498
Interest income	-	-	245	245
	<u>571,908</u>	<u>605,520</u>	<u>592,051</u>	<u>(13,469)</u>
Total revenues	\$ 571,908	\$ 605,520	\$ 592,051	\$ (13,469)
Expenditures:				
Current:				
Instruction	\$ 312,727	\$ 371,282	\$ 286,043	\$ 85,239
Support services - Students	31,479	12,713	12,697	16
General administration	6,600	12,365	12,246	119
School administration	96,152	93,897	94,430	(533)
Central services	50,446	53,081	52,989	92
Operation of plant	75,888	63,566	63,189	377
	<u>573,292</u>	<u>606,904</u>	<u>521,594</u>	<u>85,310</u>
Total expenditures	\$ 573,292	\$ 606,904	\$ 521,594	\$ 85,310
Net change in fund balance	\$ (1,384)	\$ (1,384)	\$ 70,457	\$ 71,841
Fund balance, July 1, 2006	<u>6,364</u>	<u>6,364</u>	<u>14,875</u>	<u>8,511</u>
Fund balance, June 30, 2007	<u>\$ 4,980</u>	<u>\$ 4,980</u>	<u>\$ 85,332</u>	<u>\$ 80,352</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (22,731)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>93,188</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 70,457</u>	

The accompanying notes are an integral part of these financial statements

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 22,182	\$ 24,850	\$ 3,634	\$ (21,216)
Expenditures:				
Current:				
Instruction	\$ 21,551	\$ 24,219	\$ 5,602	\$ 18,617
Support services - Students	2,258	2,258	366	1,892
Total expenditures	<u>\$ 23,809</u>	<u>\$ 26,477</u>	<u>\$ 5,968</u>	<u>\$ 20,509</u>
Net change in fund balance	\$ (1,627)	\$ (1,627)	\$ (2,334)	\$ (707)
Fund balance, July 1, 2006	<u>1,627</u>	<u>1,627</u>	<u>2,001</u>	<u>374</u>
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (333)</u>	<u>\$ (333)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (2,334)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (2,334)</u>	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
GENERAL FUND/NON-INSTRUCTIONAL SUPPORT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2006	<u>-</u>	<u>-</u>	<u>57</u>	<u>57</u>
Fund balance, June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 57</u></u>	<u><u>\$ 57</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - ENTITLEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 6,340	\$ 3,653	\$ 3,653	\$ -
Expenditures:				
Current:				
Instruction	<u>\$ 6,340</u>	<u>\$ 3,653</u>	<u>\$ 3,653</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - TEACHER TRAINING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ 6,825	\$ 8,238	\$ 1,413
Expenditures:				
Current:				
Instruction		\$ 5,784	\$ 5,784	\$ -
School administration	-	1,041	1,041	-
Total expenditures	\$ -	\$ 6,825	\$ 6,825	\$ -
Net change in fund balance	\$ -	\$ -	\$ 1,413	\$ 1,413
Fund balance, July 1, 2006	-	-	(1,413)	(1,413)
Fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			1,413	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 1,413</u>	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - CHARTER PLANNING GRANT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
School administration	\$ 580	\$ 580	\$ 580	\$ -
Operation of plant	8	8	8	-
Total expenditures	<u>\$ 588</u>	<u>\$ 588</u>	<u>\$ 588</u>	<u>\$ -</u>
Net change in fund balance	\$ (588)	\$ (588)	\$ (588)	\$ -
Fund balance, July 1, 2006	<u>588</u>	<u>588</u>	<u>588</u>	<u>-</u>
Fund balance, June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (588)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (588)</u></u>	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - MCCUNE CHARITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Expenditures:				
Current:				
Support services - Students	30,000	30,000	30,000	-
Net change in fund balance	\$ (15,000)	\$ (15,000)	\$ (15,000)	\$ -
Fund balance, July 1, 2006	15,000	15,000	15,000	-
Fund balance, June 30, 2007	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (15,000)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (15,000)	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - SAFE AND DRUG FREE SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 490	\$ 490	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ 490	\$ 490	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2006	-	-	-	-
Fund balance, June 30, 2007	\$ -	\$ -	\$ -	\$ -
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - TITLE V
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 120	\$ 120	\$ -
Expenditures:				
Current:				
Instruction	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 120</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - EMA FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Expenditures:				
Current:				
School administration	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SPECIAL REVENUE FUND - PSCOC
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 33,000	\$ 33,000	\$ 24,750	\$ (8,250)
Expenditures:				
Current:				
Operation of plant	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (8,250)	\$ (8,250)
Fund balance, July 1, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2007	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,250)</u></u>	<u><u>\$ (8,250)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (8,250)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (8,250)</u></u>	

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

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2007</u>
Assets				
Cash and investments:				
Aldo Leopold High School	\$ 523	\$ 1,058	\$ 992	\$ 589
Total Assets	<u>\$ 523</u>	<u>\$ 1,058</u>	<u>\$ 992</u>	<u>\$ 589</u>
Liabilities				
Deposits held for others:				
Aldo Leopold High School	\$ 523	\$ 1,058	\$ 992	\$ 589
Total Liabilities	<u>\$ 523</u>	<u>\$ 1,058</u>	<u>\$ 992</u>	<u>\$ 589</u>

The accompanying notes are an integral part of these financial statements

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2007

	Ambank	Total
Checking and CD's	\$ 29,174	\$ 29,174
Total on deposit	\$ 29,174	\$ 29,174
Less: FDIC insurance	(29,174)	(29,174)
Total uninsured public funds	\$ -	\$ -
50% collateralization requirement (Section 6-10-17 NMSA)	\$ -	\$ -
Pledged securities	-	-
Pledged securities over (under) requirement	\$ -	\$ -

Aldo Leopold High School
 Charter School
 Component Unit of Silver Consolidated School District No. 1
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2007

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
<u>Ambank</u>			
State Funds	Checking	\$ 27,574	\$ 1,062
Federal Projects	Checking	<u>1,600</u>	<u>33</u>
Total cash and investments		<u><u>\$ 29,174</u></u>	<u><u>\$ 1,095</u></u>

Aldo Leopold High School
Charter School
Component Unit of Silver Consolidated School District No. 1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2007

	Operational	Instructional Materials	Non- Instructional Support
Total cash and investments as of July 1, 2006	\$ 14,875	\$ 2,001	\$ 57
Add: Current year receipts	592,051	3,634	
Prior year warrants voided	996		
Less: Current year expenditures	(522,590)	(5,968)	
Chargebacks/(Overdrafts)			
Receivables/payables			
Transfers			
	\$ 85,332	\$ (333)	\$ 57
Total cash and investments as of June 30, 2007			

<u>Federal Flowthrough</u>	<u>State Flowthrough</u>	<u>State Direct</u>	<u>PSCOC</u>	<u>Agency</u>	<u>Total</u>
\$ 68,987	\$ 588	\$ (21,164)	\$ -	\$ 523	\$ 65,867
106,929		24,865	24,750	1,058	753,287
(222,454)	(588)	(33,463)	(33,000)	(992)	(819,055)
					-
					-
					-
<u>\$ (46,538)</u>	<u>\$ -</u>	<u>\$ (29,762)</u>	<u>\$ (8,250)</u>	<u>\$ 589</u>	<u>\$ 1,095</u>

Aldo Leopold High School Charter School
Component Unit of Silver Consolidated School district No. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2007

Findings - Financial Statement Audit

<u>Condition</u>	<u>Current Status</u>
06-1 Federal immigration forms, I-9's, were not present in all employee files.	Repeated

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
JARROD MASON, C.P.A.
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Hector H. Balderas, State Auditor and
Governing Council
Aldo Leopold High School Charter School
Silver City, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1 as of and for the year ended June 30, 2007, which collectively comprise Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1's basic financial statements and have issued our report thereon dated March 21, 2009. We have also audited the financial statements of each of the School's nonmajor governmental funds presented as other supplementary information as of and for the year ended June 30, 2007, and have issued our report thereon dated March 21, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1'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 Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1'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 a combination of control deficiencies, that adversely affects Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1'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 Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1's financial statements that is more than inconsequential will not be prevented or detected by Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. These deficiencies are described in the accompanying Schedule of Findings and Responses as items 07-1 through 07-4.

A material weakness is a significant deficiency, or a 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 Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1's internal control.

Our consideration of 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 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 07-1 and 07-2 to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and responses as finding 07-5.

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

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

Stone, McGee & Co CPAs

March 21, 2009

Aldo Leopold High School Charter School
Component Unit of Silver Consolidated School District No. 1
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2007

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1.
2. Four significant deficiencies relating to the audit of the financial statements are reported in the Findings-Financial Statement Audit section of this report.
3. No instances of noncompliance material to the financial statements of Aldo Leopold High School Charter School, a component unit of Silver Consolidated School District No. 1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. Aldo Leopold Charter School, a component unit of Silver Consolidated School District No. 1, expended less than \$500,000 in federal funds.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

07-1 General Ledger Reconciliations

Condition – The School's general ledger balances were not reconciled to cash in the bank.

Criteria – Sound accounting practice requires that bank accounts be reconciled, and that these reconciled balances be reflected in the general ledger.

Effect – The School's books and records do not accurately reflect the actual cash balances, making management of the School's finances difficult. This lack of reconciliation is also a violation of the Public Education Department's regulations, and delayed the completion of the annual audit process.

Cause – The School's internal control procedures did not require reconciliation of cash amounts to general ledger amounts.

Recommendation – We recommend that the School adopt internal control policies requiring the reconciliation of cash amounts to general ledger amounts.

Agency Response – The recommendation will be adopted.

06-1 Aldo Leopold Charter School Payroll Records

Condition – The School's has not managed its payroll reporting system in accordance with federal regulations. W-2's did not match quarterly payroll reports by \$809. In 2 of fifteen payroll files tested, no I-9 was present. The lack of I-9's was originally reported in 2006. Finally, remittances to the Educational Retirement Board (ERB) and the Retiree Health Care Authority (RHCA) were not made timely.

Criteria – Immigration status forms (I-9's) are required by the federal government to be maintained for all employees. The Public Education Department's Manual of Procedures requires that remittances to the Retiree Health Care Authority and the Educational Retirement Board be made timely. Federal payroll regulations require that employee withholdings reported on quarterly reports match to W-2's

Effect – There is an increased likelihood that payroll reports could be filed with incorrect amounts, thereby incurring Internal Revenue Service penalties. Failure to maintain I-9's leaves the School in jeopardy of further penalties. Late remittances to the ERB and RHCA could affect the School's standing with those organizations, and jeopardize future participation.

Cause – The Charter School was not utilizing a computer payroll package to prepare payrolls. All reports were prepared from hand prepared payrolls, which increased the likelihood of human error. Late ERB and RHCA remittances were the result of cash flow problems related to the receipt of funds from funding sources. Lack of I-9's was an oversight.

Recommendation – We recommend that the School obtain a viable computer payroll reporting system, and establish the controls necessary to insure that payrolls are balanced. We further recommend that calendars be established so that ERB and RHCA remittances are made timely. Finally, we recommend annual review of employee payroll files to insure that the appropriate documentation is in each file.

Agency Response – We have obtained a computer payroll reporting package, which should alleviate the balancing problems. The calendaring and annual review recommendations are already in place, and should prevent further problems.

07-3 Record Maintenance

Condition – The School was unable to locate one receipt book, numbers 51-100.

Criteria – Sound Internal controls and the PED Manual of Procedures require that source documents be maintained to evidence the transactions reflected in the financial statements.

Effect – Audit evidence related to monies received was compromised, and although alternative procedures were employed in this instance, there is an increased likelihood that fraud could occur without the necessity of collusion. Additionally, the PED Manual of Procedures was not followed.

Cause – Unknown, the receipt book was simply missing.

Recommendation – We recommend that all source documents be retained in a restricted location so that availability is not compromised.

Agency Response - The recommendation is already in place, and steps will be taken to protect all source documentation.

07-4 Late Audit Report

Condition – The audit report was mailed to the New Mexico State Auditor by common carrier on March 27, 2009.

Criteria – Section 2.2.2.9(A)(1) of the New Mexico State Auditor's Rule (2.2.2 NMAC 2007) requires that the audit report be delivered by November 15, 2007.

Effect – The use of the audit report is diminished with late delivery, and the entity's ability to respond to audit findings and other recommendations is delayed. In addition, the School has not complied with 2.2.2 NMAC 2007.

Cause – Records relating to reconciled cash and financial reports were not reconciled until after the mandated deadline.

Recommendation – We recommend that the aforementioned reconciliation be performed in a timely fashion, so that the records may be audited in accordance with 2.2.2 NMAC 2007.

Agency Response – The recommendation will be adopted.

OTHER INSTANCES OF NON-COMPLIANCE

07-5 Expenditures in Excess of Budgetary Authority

Condition – The School incurred expenditures in excess of budgetary authority in the school administration function of the general fund. This over-expenditure totaled \$533.

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

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

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

Recommendation – We recommend that the Scholl establish a policy of reviewing year-end expenditures, and requesting budget adjustments as necessary.

Agency Response – The policy will be implemented.

OTHER – FINANCIAL STATEMENT PRESENTATION

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

EXIT CONFERENCE

The contents of this report were discussed on November 9, 2007 and December 24, 2007. Present at these exit conferences were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Charlotte McGaughey	Board Member	Silver Consolidated School District #1
Dick Pool	Superintendent	Silver Consolidated School District #1
Harry Browne	Business Manager	Aldo Leopold High School
James Murdock	Associate Superintendent of Finance	Silver Consolidated School District #1
Mike Stone	Shareholder	Stone, McGee & Co., C.P.A.'s
Jarrold Mason	Shareholder	Stone, McGee & Co., C.P.A.'s