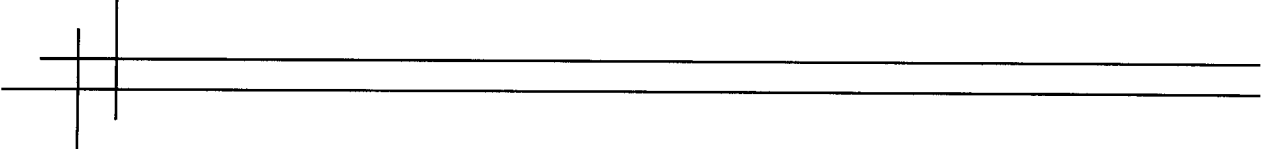




STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**

**ANNUAL FINANCIAL REPORT**  
June 30, 2008

**De'Aun Willoughby CPA, PC**  
Certified Public Accountant  
Melrose, New Mexico



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STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
Official Roster  
For the Year Ended June 30, 2008

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**Governing Council**

Melissa Cummings	President
Nathaniel Evans	Treasurer
Tammy Martinson	Secretary
David Blickenderfer	Member
Sarah Backus	Member
Kris Perry	Member
Thomas Tafoya	Member
KayAnn Tyssee	Member
Jerry Pacheco	Member

**SCHOOL OFFICIALS**

Nancy O'Bryan	Director
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De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124  
(505) 253-4313

Independent Auditor's Report

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the Taos Charter School

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Taos Charter School, (School), as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of the School's nonmajor governmental fund and the presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the 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 with 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the School as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major 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 School as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparisons for capital project funds and the nonmajor fund 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 a report dated November 14, 2008, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The School has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and the combining and individual financial statements and budgetary comparisons presented as supplemental information.

Our audit was conducted for the purpose of forming opinions on the financial statements, and the combining and individual fund financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*De'Ann Willoughby, CPA PC*

November 14, 2008

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
Statement of Net Assets  
June 30, 2008

	Primary Government Governmental Activities	Component Unit Friends of Taos Charter School
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 323,011	\$ 7,814
Due from Grantor	90,269	0
Total Current Assets	<u>413,280</u>	<u>7,814</u>
Noncurrent Assets		
Restricted Cash	0	6,997
Capital Assets	1,378,107	787,744
Less: Accumulated Depreciation	<u>(178,758)</u>	<u>(36,748)</u>
Total Noncurrent Assets	<u>1,199,349</u>	<u>757,993</u>
Total Assets	<u>1,612,629</u>	<u>765,807</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	48,372	0
Current Portion of Long-Term Debt	0	100,658
Total Current Liabilities	<u>48,372</u>	<u>100,658</u>
Noncurrent Liabilities		
Bonds and Notes, Net	0	445,056
Total Noncurrent Liabilities	<u>0</u>	<u>445,056</u>
Total Liabilities	<u>48,372</u>	<u>545,714</u>
<b>NET ASSETS</b>		
Invested in Capital Assets	1,199,349	212,279
Unrestricted	364,908	7,814
Total Net Assets	<u>\$ 1,564,257</u>	<u>\$ 220,093</u>

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



STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
Statement of Activities  
June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities</b>						
Instruction	\$ 1,076,906	\$ 28,693	\$ 67,805	\$ 0	\$ (980,408)	\$ 0
Support Services-Students	55,959	0	55,959	0	0	0
Support Services-Instruction	25,191	0	7,617	0	(17,574)	0
General Administration	11,167	0	0	0	(11,167)	0
School Administration	166,289	0	0	0	(166,289)	0
Central Services	40,557	0	0	0	(40,557)	0
Operation of Plant	287,808	0	131,965	0	(155,843)	0
Interest on Long-Term Obligations	0	0	0	0	0	0
Total Governmental Activities	<u>1,663,877</u>	<u>28,693</u>	<u>263,346</u>	<u>0</u>	<u>(1,371,838)</u>	<u>0</u>
<b>Component Unit</b>						
Friends of Taos Charter School	70,302	146,033	0	0	0	75,731
<b>General Revenues</b>						
Federal and State aid not restricted to specific purpose						
General					\$ 1,328,860	\$ 0
Capital					0	0
Interest and investment earnings					997	0
Miscellaneous					207,500	45,918
Subtotal, General Revenues					<u>1,537,357</u>	<u>45,918</u>
Change in Net Assets					165,519	121,649
Net Assets - beginning					<u>1,398,738</u>	<u>98,444</u>
Net Assets - ending					<u>\$ 1,564,257</u>	<u>\$ 220,093</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2008

	General Fund		
	Operational 11000	Instructional Materials 14000	Title I 24101
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 75,208	\$ 8,071	\$ 0
Receivables			
Interfund Balance	90,269	0	0
Due from Grantor	0	0	12,463
<b>Total Assets</b>	<b>\$ 165,477</b>	<b>\$ 8,071</b>	<b>\$ 12,463</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 48,372	\$ 0	\$ 0
Interfund Balance	0	0	12,463
<b>Total Liabilities</b>	<b>48,372</b>	<b>0</b>	<b>12,463</b>
<b>Fund Balances</b>			
Reserved for:			
Capital Improvements	0	0	0
Unreserved, Undesignated, reported in:			
General Fund	117,105	8,071	0
Special Revenue	0	0	0
<b>Total Fund Balances</b>	<b>117,105</b>	<b>8,071</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 165,477</b>	<b>\$ 8,071</b>	<b>\$ 12,463</b>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2008

	Learn & Serve 24126	Walton 26148	Truancy Prevention 27141
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 29,103	\$ 0
Receivables			
Interfund Balance	0	0	0
Due from Grantor	13,945	0	61,152
<b>Total Assets</b>	<b>\$ 13,945</b>	<b>\$ 29,103</b>	<b>\$ 61,152</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	13,945	0	61,152
<b>Total Liabilities</b>	<b>13,945</b>	<b>0</b>	<b>61,152</b>
<b>Fund Balances</b>			
Reserved for:			
Capital Improvements	0	0	0
Unreserved, Undesignated, reported in:			
General Fund	0	0	0
Special Revenue	0	29,103	0
<b>Total Fund Balances</b>	<b>0</b>	<b>29,103</b>	<b>0</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,945</b>	<b>\$ 29,103</b>	<b>\$ 61,152</b>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2008

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	<u>PSCOC 31200</u>	<u>Education Tech 31900</u>	<u>Other Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 205,846	\$ 4,783
Receivables			
Interfund Balance	0	0	0
Due from Grantor	0	0	2,709
Total Assets	<u>\$ 0</u>	<u>\$ 205,846</u>	<u>\$ 7,492</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	2,709
Total Liabilities	<u>0</u>	<u>0</u>	<u>2,709</u>
<b>Fund Balances</b>			
Reserved for:			
Capital Improvements	0	205,846	0
Unreserved, Undesignated, reported in:			
General Fund	0	0	0
Special Revenue	0	0	4,783
Total Fund Balances	<u>0</u>	<u>205,846</u>	<u>4,783</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 205,846</u>	<u>\$ 7,492</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2008

---

	<u>Total Governmental Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 323,011
Receivables	
Interfund Balance	90,269
Due from Grantor	90,269
Total Assets	<u>\$ 503,549</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts Payable	\$ 48,372
Interfund Balance	90,269
Total Liabilities	<u>138,641</u>
 <b>Fund Balances</b>	
Reserved for:	
Capital Improvements	205,846
Unreserved, Undesignated, reported in:	
General Fund	125,176
Special Revenue	33,886
Total Fund Balances	<u>364,908</u>
 Total Liabilities and Fund Balances	 <u>\$ 503,549</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2008

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

Total Fund Balance - Governmental Funds		\$ 364,908
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
	The cost of capital assets	\$ 1,378,107
	Accumulated depreciation is	<u>(178,758)</u>
		<u>1,199,349</u>
Total net assets - governmental activities		<u>\$ 1,564,257</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2008

	General Fund		
	Operational 11000	Instructional Materials 14000	Title I 24101
<b>Revenues</b>			
Investment Income	\$ 997	\$ 0	\$ 0
Fees	28,693	0	0
State & Local Grants	1,328,860	28,757	12,463
Federal Grant	0	0	0
Miscellaneous	1,654	0	0
Total Revenues	<u>1,360,204</u>	<u>28,757</u>	<u>12,463</u>
<b>Expenditures</b>			
Current			
Instruction	914,144	21,779	12,463
Support Services	0	894	0
Support Services-Students	0	0	0
Support Services-Instruction	0	0	0
Support Services-General Administration	11,167	0	0
Support Services-School Administration	166,289	0	0
Central Services	40,557	0	0
Operation & Maintenance of Plant	155,843	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>1,288,000</u>	<u>22,673</u>	<u>12,463</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>72,204</u>	<u>6,084</u>	<u>0</u>
Other Financing Sources (Uses)			
School's share of Bond Proceeds	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	72,204	6,084	0
Fund Balances at Beginning of Year	<u>44,901</u>	<u>1,987</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 117,105</u>	<u>\$ 8,071</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2008

	Learn & Serve 24126	Walton 26148	Truancy Prevention 27141
<b>Revenues</b>			
Investment Income	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	58,718
Federal Grant	13,945	0	0
Miscellaneous	0	0	0
Total Revenues	<u>13,945</u>	<u>0</u>	<u>58,718</u>
<b>Expenditures</b>			
Current			
Instruction	13,945	64,531	3,929
Support Services	0	0	0
Support Services-Students	0	0	54,789
Support Services-Instruction	0	0	0
Support Services-General Administration	0	0	0
Support Services-School Administration	0	0	0
Central Services	0	0	0
Operation & Maintenance of Plant	0	0	0
Capital Outlay	0	5,366	0
Total Expenditures	<u>13,945</u>	<u>69,897</u>	<u>58,718</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(69,897)</u>	<u>0</u>
<b>Other Financing Sources (Uses)</b>			
School's share of Bond Proceeds	0	0	0
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	(69,897)	0
Fund Balances at Beginning of Year	<u>0</u>	<u>99,000</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 29,103</u>	<u>\$ 0</u>

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



STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2008

	PSCOC 31200	Education Tech 31900	Other Governmental Funds
<b>Revenues</b>			
Investment Income	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	131,965	0	12,325
Federal Grant	0	0	5,173
Miscellaneous	0	0	0
Total Revenues	<u>131,965</u>	<u>0</u>	<u>17,498</u>
<b>Expenditures</b>			
Current			
Instruction	0	0	8,248
Support Services	0	0	0
Support Services-Students	0	0	1,170
Support Services-Instruction	0	0	24,297
Support Services-General Administration	0	0	0
Support Services-School Administration	0	0	0
Central Services	0	0	0
Operation & Maintenance of Plant	131,965	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>131,965</u>	<u>0</u>	<u>33,715</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(16,217)</u>
<b>Other Financing Sources (Uses)</b>			
School's share of Bond Proceeds	<u>0</u>	<u>205,846</u>	<u>0</u>
Total Other Sources (Uses)	<u>0</u>	<u>205,846</u>	<u>0</u>
Net Change in Fund Balance	0	205,846	(16,217)
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>21,000</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 205,846</u>	<u>\$ 4,783</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and Changes  
in Fund Balance  
For the Year Ended June 30, 2008

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	Total Governmental Funds
Revenues	
Investment Income	\$ 997
Fees	28,693
State & Local Grants	1,573,088
Federal Grant	19,118
Miscellaneous	1,654
Total Revenues	<u>1,623,550</u>
Expenditures	
Current	
Instruction	1,039,039
Support Services	894
Support Services-Students	55,959
Support Services-Instruction	24,297
Support Services-General Administration	11,167
Support Services-School Administration	166,289
Central Services	40,557
Operation & Maintenance of Plant	287,808
Capital Outlay	5,366
Total Expenditures	<u>1,631,376</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,826)</u>
Other Financing Sources (Uses)	
School's share of Bond Proceeds	205,846
Total Other Sources (Uses)	<u>205,846</u>
Net Change in Fund Balance	198,020
Fund Balances at Beginning of Year	<u>166,888</u>
Fund Balance End of Year	<u>\$ 364,908</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2008

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Net Change in Fund Balance-Governmental Funds \$ 198,020

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

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

	\$	(37,867)	
Depreciation expense		5,366	
Capital Outlays		(32,501)	
Change in Net Assets of Governmental Activities	\$		165,519

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

## STATE OF NEW MEXICO

**TAOS CHARTER SCHOOL**

GENERAL FUND-OPERATIONAL-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Sources</b>				
Investment Income	\$ 500	\$ 500	\$ 997	\$ 497
Fees	1,200	28,693	28,693	0
State Grant	1,318,555	1,328,859	1,328,859	0
Miscellaneous	0	0	1,654	1,654
Total State & Local Sources	<u>1,320,255</u>	<u>1,358,052</u>	<u>1,360,203</u>	<u>2,151</u>
Total Revenues	<u>1,320,255</u>	<u>1,358,052</u>	<u>1,360,203</u>	<u>2,151</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	654,586	654,586	633,362	21,224
Employee Benefits	210,772	210,857	201,990	8,867
Professional & Tech Services	0	200	179	21
Other Purchased Services	42,350	49,024	49,024	0
Supplies	12,800	87,005	24,411	62,594
Supply Assets	0	5,176	5,176	0
Total Instruction	<u>920,508</u>	<u>1,006,848</u>	<u>914,142</u>	<u>92,706</u>
<b>Support Services-General Administration</b>				
Professional & Tech Services	<u>13,531</u>	<u>14,031</u>	<u>11,167</u>	<u>2,864</u>
Total Support Services-General Administration	<u>13,531</u>	<u>14,031</u>	<u>11,167</u>	<u>2,864</u>
<b>Support Services-School Administration</b>				
Personnel Services	125,776	122,468	122,468	0
Employee Benefits	37,326	36,804	36,804	0
Other Purchased Services	1,250	5,083	5,083	0
Supplies	0	1,934	1,934	0
Total Support Services-School Administration	<u>164,352</u>	<u>166,289</u>	<u>166,289</u>	<u>0</u>
<b>Central Services</b>				
Professional & Tech Services	<u>39,283</u>	<u>40,557</u>	<u>40,557</u>	<u>0</u>
Total Central Services	<u>\$ 39,283</u>	<u>\$ 40,557</u>	<u>\$ 40,557</u>	<u>\$ 0</u>

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
GENERAL FUND-OPERATIONAL-11000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Operation & Maintenance of Plant				
Personnel Services	\$ 17,023	\$ 17,023	\$ 12,640	\$ 4,383
Employee Benefits	6,707	6,707	4,222	2,485
Purchased Property Services	98,371	85,075	58,749	26,326
Other Purchased Services	55,262	55,262	54,807	455
Supplies	8,200	16,252	16,252	0
Supply Assets	0	9,173	9,173	0
Total Operation & Maintenance of Plant	<u>185,563</u>	<u>189,492</u>	<u>155,843</u>	<u>33,649</u>
Total Expenditures	<u>1,323,237</u>	<u>1,417,217</u>	<u>1,287,998</u>	<u>129,219</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,982)</u>	<u>(59,165)</u>	<u>72,205</u>	<u>(127,068)</u>
Other Financing Sources (Uses)				
Loans to Other Funds	0	0	5,242	5,242
Accrued Payroll Taxes	0	0	3,599	3,599
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>8,841</u>	<u>8,841</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(2,982)</u>	<u>(59,165)</u>	<u>81,046</u>	<u>8,841</u>
Cash Balance Beginning of Year	<u>84,431</u>	<u>84,431</u>	<u>84,431</u>	<u>84,431</u>
Cash Balance End of Year	<u>\$ 81,449</u>	<u>\$ 25,266</u>	<u>\$ 165,477</u>	<u>\$ 93,272</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 72,205</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 72,205</u>	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
GENERAL FUND-INSTRUCTIONAL MATERIALS-14000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Source Sources</b>				
State Grant	\$ 19,230	\$ 28,757	\$ 28,757	\$ 0
Total State & Local Sources	<u>19,230</u>	<u>28,757</u>	<u>28,757</u>	<u>0</u>
Total Revenues	<u>19,230</u>	<u>28,757</u>	<u>28,757</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Supplies	17,673	23,630	21,779	1,851
Total Instruction	<u>17,673</u>	<u>23,630</u>	<u>21,779</u>	<u>1,851</u>
<b>Support Services-Instruction</b>				
Supplies	1,557	1,557	894	663
Total Support Services-Instruction	<u>1,557</u>	<u>1,557</u>	<u>894</u>	<u>663</u>
Total Expenditures	<u>19,230</u>	<u>25,187</u>	<u>22,673</u>	<u>2,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>3,570</u>	<u>6,084</u>	<u>2,514</u>
Cash Balance Beginning of Year	<u>1,987</u>	<u>1,987</u>	<u>1,987</u>	<u>1,987</u>
Cash Balance End of Year	\$ <u>1,987</u>	\$ <u>5,557</u>	\$ <u>8,071</u>	\$ <u>4,501</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>6,084</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>6,084</u>	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-TITLE I-24101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Sources				
Federal Grants	\$ 12,463	\$ 12,463	\$ 0	\$ (12,463)
Total Federal Sources	<u>12,463</u>	<u>12,463</u>	<u>0</u>	<u>(12,463)</u>
Total Revenues	<u>12,463</u>	<u>12,463</u>	<u>0</u>	<u>(12,463)</u>
Expenditures				
Instruction				
Personnel Services	10,400	10,400	10,400	0
Employee Benefits	2,063	2,063	2,063	0
Total Instruction	<u>12,463</u>	<u>12,463</u>	<u>12,463</u>	<u>0</u>
Total Expenditures	<u>12,463</u>	<u>12,463</u>	<u>12,463</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(12,463)</u>	<u>(12,463)</u>
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (12,463)</u>	<u>\$ (12,463)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (12,463)	
Net change in Due from Grantor			<u>12,463</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-LEARN & SERVE-24126  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Federal Sources</b>				
Federal Grant	\$ 0	\$ 13,945	\$ 0	\$ (13,945)
Total Federal Sources	<u>0</u>	<u>13,945</u>	<u>0</u>	<u>(13,945)</u>
Total Revenues	<u>0</u>	<u>13,945</u>	<u>0</u>	<u>(13,945)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Professional & Tech Services	0	325	325	0
Other Purchased Services	0	6,002	6,002	0
Supplies	0	5,622	5,622	0
Supply Assets	0	1,996	1,996	0
Total Instruction	<u>0</u>	<u>13,945</u>	<u>13,945</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>13,945</u>	<u>13,945</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>(13,945)</u>	<u>(13,945)</u>
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (13,945)</u>	<u>\$ (13,945)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (13,945)	
Net change in Due from Grantor			13,945	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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



STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-WALTON-26148  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Sources				
Federal Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
Instruction				
Other Purchased Services	0	2,552	2,552	0
Supplies	0	3,942	3,942	0
Supply Assets	0	58,037	58,037	0
Capital Outlay	0	5,366	5,366	0
Total Instruction	<u>0</u>	<u>69,897</u>	<u>69,897</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>69,897</u>	<u>69,897</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(69,897)</u>	<u>(69,897)</u>	<u>0</u>
Cash Balance Beginning of Year	<u>99,000</u>	<u>99,000</u>	<u>99,000</u>	<u>99,000</u>
Cash Balance End of Year	<u>\$ 99,000</u>	<u>\$ 29,103</u>	<u>\$ 29,103</u>	<u>\$ 99,000</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(69,897)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(69,897)</u>	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-TRUANCY PREVENTION-27141  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Sources				
State Grant	\$ 0	\$ 61,152	\$ 0	\$ (61,152)
Total State & Local Sources	0	61,152	0	(61,152)
Total Revenues	0	61,152	0	(61,152)
<b>Expenditures</b>				
Instruction				
Professional & Tech Services	0	1,838	1,838	0
Other Purchased Services	0	1,673	1,673	0
Property	0	418	418	0
Total Instruction	0	3,929	3,929	0
Support Services-Students				
Professional & Tech Services	0	31,301	28,868	2,433
Purchased Services	0	25,921	25,922	(1)
Total Support Services-Students	0	57,222	54,790	2,432
Total Expenditures	0	61,151	58,719	2,432
Excess (Deficiency) of Revenues Over Expenditures	0	1	(58,719)	(58,720)
Other Financing Sources (Uses)				
Loans from Other Funds	0	0	(2,433)	0
Total Other Financing Sources (Uses)	0	0	(2,433)	0
Net Change in Cash Balance	0	1	(61,152)	(58,720)
Cash Balance Beginning of Year	0	0	0	0
Cash Balance End of Year	\$ 0	\$ 1	\$ (61,152)	\$ (58,720)
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (58,719)	
Net change in Due from Grantor			58,719	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2008

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 16,595
<b>Total Assets</b>	<u>\$ 16,595</u>
 <b>Liabilities</b>	
Deposits Held for Others	\$ 16,595
<b>Total Liabilities</b>	<u>\$ 16,595</u>

See accompanying notes to the basic financial statements

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the TAOS CHARTER SCHOOL (School), a component unit of Taos Municipal Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described 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*. Some of the significant changes in the Statement include the following:

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

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2008.

In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* - an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the School.

**Financial Reporting Entity**

The School has been in existence since August 2000 and is currently operating under the provisions of the Public School Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The School operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the School is considered a component unit, since its budget is approved by Taos Municipal Schools elected officials, GASB Statement No. 14 defines a component unit as who is not fiscally independent meaning that the School may not, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The School has a discretely presented component unit, Friends of Taos Charter School, a foundation, as defined by GASB Statement No. 14. The Foundation is responsible to the School as their governing boards are closely related. The Foundation obtained financing and constructed a school building housing part of the Taos Charter School. The School rents the building from the Foundation.

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

The funds of the School are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

***Governmental Funds***

Governmental funds are used to account for the School's general government activities, including the collection and disbursement of specific or legally restricted monies and the acquisition or construction of capital assets.

General Fund - The General Fund is the general operating fund of the School and accounts for all revenues and expenditures of the School not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the School.

***Fiduciary Fund Type***

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the School.

The Student Activity Fund, an agency fund, accounts for assets held by the School as an agent for the School organizations. These organizations exist with the explicit approval of and are subject to revocation by the School's Board of Education. This accounting reflects the School's agency relationship with the student activity organizations.

## **Major Funds**

The School reports the following major governmental funds:

### **GENERAL FUND (11000)**

The General Fund consist of two sub funds. The first is the operational fund of the School and accounts for all revenues and expenditures of the School not encompassed within other funds. The Instructional Materials fund accounts for a state grant to provide text books for students in the School.

### **Title I (24101)**

To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

### **Learn & Serve (24126)**

To account for revenues and expenditures received from a federal grant to be used to encourage elementary and secondary schools and community-based agencies to create, develop, and offer service learning opportunities for school-age youth. The fund was created by the authority of the National and Community Service Act of 1990, as amended.

### **Walton (26148)**

To account for a program funded by a private grant from the Walton Family to support the startup of Charter Schools. The funds were used for the general operations of the school. The fund was created by grant provisions.

### **Truancy Prevention (27141)**

To account for funds received from a state grant to provide a family systems community based approach to dealing with chronic truancy. The plan includes improving self esteem, provides positive motivation, helps 8th graders transition from the small campus to high school and creates an attendance tradition system based on positive rewards. Fund created by state grant provisions.

### **Public School Capital Outlay 31200**

The revenues are derived from a state legislative grant. The expenditures are restricted to capital improvements.

### **Ed Tech Equipment-31900**

Revenues are derived from a bond issue used for the purchase of technology equipment.

## **Measurement Focus and Basis of Accounting**

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

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

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

#### Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the School's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the School's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, and 3) program specific capital grants and contributions.

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

##### Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

##### Revenues

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

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

Expenditures

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

Basis of Budgeting

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

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

The School follows the following procedures in establishing data reflected in the financial statements:

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the School for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the School shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the School for the ensuing fiscal year.
3. The "operating" budget will be used by the School until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. The School shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAU.
5. No board member or officer or employee of the School shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the School and approved by the SBFAU.
7. Legal budget control for expenditures is by function.



8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the School has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

#### Cash and Cash Equivalents

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

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

#### Investments

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

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
  
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
  
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include interfund loans that are expected to be paid back and amount due from state and city government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the School as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on 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.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

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

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Restricted Net Assets

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

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

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

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**TAOS CHARTER SCHOOL**  
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 June 30, 2008

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Fund Balances of Fund Financial Statements

Reserved fund balance indicates that portion of fund equity which has been segregated for specific purposes.

Unreserved fund balance indicates that portion of fund equity which is available for budgeting in future periods.

Interfund Transactions

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

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

Compensated Absences

The School contracts all employees on an annual basis. A terminated employee is paid through the date of dismissal in accordance with their contract. Due to this practice, there are no compensated absences

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 B: CASH AND INVESTMENTS**

The School is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<b>First Community Bank</b>	Balance	Reconciled	Type
<u>Name of Account</u>	<u>Per Bank</u>	<u>Balance</u>	
Activity	06-30-08		
All In One	\$ 16,595	\$ 16,595	Checking
TOTAL Deposited	337,028	323,012	Checking
Less: FDIC Coverage	353,623	339,607	
Uninsured Amount	(100,000)		
50% collateral requirement	253,623		
Pledged securities	126,812		
Over (Under) requirement	167,640		
	\$ 40,829		

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
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The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at **First Community Bank**:

<u>Description</u>	<u>CUSIP #</u>	<u>Par/</u> <u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHR 2857 AH	31395FS70	\$ 62,617	04/23/2009	* FHLB
Taos NM ST Shared Gross	87601RAL4	50,023	06/01/2023	* FHLB
Federal Home Loan Bank	31339YVV1	55,000	12/15/2023	* FHLB
		<u>\$ 167,640</u>		

\* Federal Home Loan-Dallas, TX

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank</u> <u>Balance</u>
Insured	\$ 100,000
Collateralized:	
Collateral held by the pledging bank in	
School's name	167,640
Over insured and over collateralized	85,983
Total Deposits	<u>\$ 353,623</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008 \$85,983 of the School's bank balance of \$353,623 was exposed to custodial credit risk.

**NOTE C: INTERFUND TRANSFERS, BALANCES, AND RECEIVABLES**

The interfund balances for the year ended June 30, 2008 are as follows.

Due to General Fund from:	
Title I	\$ 12,463
Learn & Serve	13,945
Truancy Prevention	61,152
Other Governmental Funds	2,709
	<u>\$ 90,269</u>

The above interfund balance transfers were made to cover shortfalls and will be repaid within one year.

There were no interfund transfers for the year ended June 30, 2008.

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
Notes to the Financial Statements  
June 30, 2008

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**NOTE D: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2008, are as follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 250,000	\$ 0	\$ 0	\$ 250,000
Total Capital Assets not being Depreciated	<u>250,000</u>	<u>0</u>	<u>0</u>	<u>250,000</u>
Capital Assets, being Depreciated				
Buildings & Improvements	979,645	0	0	979,645
Equipment, Vehicles, Information	<u>143,097</u>	<u>5,366</u>	<u>0</u>	<u>148,463</u>
Total Capital Assets, being Depreciated	<u>1,122,742</u>	<u>5,366</u>	<u>0</u>	<u>1,128,108</u>
Total Capital Assets	<u>1,372,742</u>	<u>5,366</u>	<u>0</u>	<u>1,378,108</u>
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	36,585	19,593	0	56,178
Equipment, Vehicles, Information	<u>104,307</u>	<u>18,274</u>	<u>0</u>	<u>122,581</u>
Total Accumulated Depreciation	<u>140,892</u>	<u>37,867</u>	<u>0</u>	<u>178,759</u>
Capital Assets, net	<u>\$ 1,231,850</u>	<u>\$ (32,501)</u>	<u>\$ 0</u>	<u>\$ 1,199,349</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 37,867
Total depreciation expenses	<u>\$ 37,867</u>

**NOTE E: PENSION PLAN**

Substantially all of the (name of employer)'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 financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

Plan members are required to contribute 7.42% of their gross salary. The District is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2008, 2007, and 2006, were \$144,170, \$130,313 and \$113,233, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE F: RETIREE HEALTH CARE ACT CONTRIBUTIONS**

The 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.

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

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](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and 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 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The District's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$15,031, \$14,175 and \$12,931, respectively, which equal the required contributions for each year.

**NOTE G: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

Reconciliations are located at the bottom of each budget actual.

**NOTE H: INSURANCE COVERAGE**

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

**NOTE I: SURETY BOND**

The officials and certain employees of the School are covered by a surety bond as required by Section 12-



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**TAOS CHARTER SCHOOL**  
 CAPITAL PROJECTS FUND-PUBLIC SCHOOL CAPITAL OUTLAY-31200  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Sources</b>				
State Grant	\$ 0	\$ 131,965	\$ 131,965	\$ 0
Total State & Local Sources	0	131,965	131,965	0
Total Revenues	0	131,965	131,965	0
<b>Expenditures</b>				
<b>Operation &amp; Maintenance of Plant</b>				
Purchased Services	0	131,965	131,965	0
Total Operation & Maintenance	0	131,965	131,965	0
Total Expenditures	0	131,965	131,965	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	0	0	0	0
Cash Balance End of Year	\$ 0	\$ 0	\$ 0	\$ 0
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

## STATE OF NEW MEXICO

**TAOS CHARTER SCHOOL**

## CAPITAL PROJECTS FUND-EDUCATION TECH-31900

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Sources				
Special Capital Outlay	\$ 0	\$ 0	\$ 0	\$ 0
Total State & Local Sources	0	0	0	0
Total Revenues	0	0	0	0
<b>Expenditures</b>				
Capital Outlay				
Purchased Services	0	0	0	0
Total Capital Outlay	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Sale of Bonds-County GRT	0	0	205,846	0
Total Other Financing Sources (Uses)	0	0	205,846	0
Net Change in Cash Balance	0	0	205,846	0
Cash Balance Beginning of Year	0	0	0	0
Cash Balance End of Year	\$ 0	\$ 0	\$ 205,846	\$ 0
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

**SUPPLEMENTAL INFORMATION RELATED TO  
NON MAJOR FUNDS**

**NONMAJOR SPECIAL REVENUE FUNDS**

**Rural Education Achievement Program (25233)**

To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

**Daniel's Fund (26141)**

To account for a grant received to create a 3-5 year plan to meet the Standards for New Mexico School Libraries. To help increase holdings by at least 15% through Solicited book donations and catalog orders. And increase patron presence in the library through implementing programs to increase library use by classes. This will be measured by tacking book circulation using the Athena library software.

**Library Go Bond (27145)**

To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico.

**Beginning Teacher Mentoring Program (27154)**

To account for revenues and expenditures from a state grant provided for tutoring and student enhancement activities in reading, math, and study skills for grades sixth through eight. The fund was created by state grant provisions.

**Community Foundation (29102)**

To account for a grant to be used for field trips and materials and supplies for activities and classes that promote inclusion of students with and without disabilities. The fund was created by state grant provisions.

**Town of Taos (29107)**

To account for a city grant to reduce youth violence and crime reduction. Taos Charter School is taking a proactive stand against truancy and the risk factors of juvenile crime by creating a Truancy Prevention Program in connection with the Taos Municipal Schools. Objectives set by the Town of Taos; Youth Development, Crime Prevention, Education or Training, service, Non-Violence Development, Community Involvement.

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2008

	<u>REAP</u> <u>25233</u>	<u>Daniel's</u> <u>Fund</u> <u>26141</u>	<u>Go Library</u> <u>Bonds</u> <u>27145</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivable			
Due from Grantor	<u>0</u>	<u>0</u>	<u>2,709</u>
<b>Total Assets</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 2,709</u></b>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,709</u>
<b>Total Liabilities from Other Funds</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>2,709</u></b>
Fund Balance			
Unreserved, Undesignated	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Fund Balance</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 2,709</u></b>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2008

	Beginning Teacher Mentoring 27154	Community Foundation 29102	Town of Taos 29107
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 680	\$ 4,103	\$ 0
Receivable			
Due from Grantor	0	0	0
Total Assets	<u>\$ 680</u>	<u>\$ 4,103</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 0
Total Liabilities from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Unreserved, Undesignated	680	4,103	0
Total Fund Balance	<u>680</u>	<u>4,103</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 680</u>	<u>\$ 4,103</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2008

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	<u>Total</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 4,783
Receivable	
Due from Grantor	<u>2,709</u>
Total Assets	<u>\$ 7,492</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Interfund Balance	\$ <u>2,709</u>
Total Liabilities from Other Funds	<u>2,709</u>
Fund Balance	
Unreserved, Undesignated	<u>4,783</u>
Total Fund Balance	<u>4,783</u>
Total Liabilities and Fund Balance	<u>\$ 7,492</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2008

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	<u>REAP</u> 25233	<u>Daniel's</u> <u>Fund</u> 26141	<u>Go Library</u> <u>Bonds</u> 27145
Revenues			
State & Local Grants	\$ 0	\$ 0	\$ 3,297
Federal Grants	5,173	0	0
Total Revenues	<u>5,173</u>	<u>0</u>	<u>3,297</u>
Expenditures			
Current			
Instruction	5,173	0	0
Support Services-Students	0	0	0
Support Services-Instruction	0	16,000	3,297
Total Expenditures	<u>5,173</u>	<u>16,000</u>	<u>3,297</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>(16,000)</u>	<u>0</u>
Fund Balances at Beginning of Year	<u>0</u>	<u>16,000</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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



STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2008

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	Beginning Teacher Mentoring <u>27154</u>	Community Foundation <u>29102</u>	Town of Taos <u>29107</u>
Revenues			
State & Local Grants	\$ 1,858	\$ 6,000	\$ 1,170
Federal Grants	0	0	0
Total Revenues	<u>1,858</u>	<u>6,000</u>	<u>1,170</u>
Expenditures			
Current			
Instruction	1,178	1,897	0
Support Services-Students	0	0	1,170
Support Services-Instruction	0	5,000	0
Total Expenditures	<u>1,178</u>	<u>6,897</u>	<u>1,170</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>680</u>	<u>(897)</u>	<u>0</u>
Fund Balances at Beginning of Year	<u>0</u>	<u>5,000</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 680</u>	<u>\$ 4,103</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2008

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	<u>Total</u>
Revenues	
State & Local Grants	\$ 12,325
Federal Grants	5,173
Total Revenues	<u>17,498</u>
Expenditures	
Current	
Instruction	8,248
Support Services-Students	1,170
Support Services-Instruction	24,297
Total Expenditures	<u>33,715</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,217)</u>
Fund Balances at Beginning of Year	<u>21,000</u>
Fund Balance End of Year	<u>\$ 4,783</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-RURAL EDUCATION ACHIEVEMENT PROGRAM-25233  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Federal Sources</b>				
Federal Grant	\$ 0	\$ 5,173	\$ 5,173	\$ 0
Total Federal Grants	<u>0</u>	<u>5,173</u>	<u>5,173</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>5,173</u>	<u>5,173</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Other Purchased Services	0	5,173	5,173	0
Total Instruction	<u>0</u>	<u>5,173</u>	<u>5,173</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>5,173</u>	<u>5,173</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-DANIEL'S FUND-26141  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Sources				
State Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total State & Local Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
Support Services-Instruction				
Professional & Tech Services	0	11,855	11,855	0
Other Purchased Services	<u>16,000</u>	<u>4,145</u>	<u>4,145</u>	<u>0</u>
Total Support Services-Instruction	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>0</u>
Total Expenditures	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(16,000)	(16,000)	(16,000)	0
Cash Balance Beginning of Year	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,000</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>(16,000)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(16,000)</u>	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-GO LIBRARY BONDS-27145  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Sources				
State Grant	\$ 0	\$ 3,297	\$ 588	\$ (2,709)
Total State & Local Sources	0	3,297	588	(2,709)
Total Revenues	0	3,297	588	(2,709)
<b>Expenditures</b>				
Support Services-Instruction				
Supplies	0	3,297	3,297	0
Total Support Services-Instruction	0	3,297	3,297	0
Total Expenditures	0	3,297	3,297	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	(2,709)	(2,709)
Cash Balance Beginning of Year	0	0	0	0
Cash Balance End of Year	\$ 0	\$ 0	\$ (2,709)	\$ (2,709)
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,709)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ (2,709)	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-BEGINNING TEACHER MENTORING-27154  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Sources</b>				
State Grant	\$ 0	\$ 1,858	\$ 1,858	\$ 0
Total State & Local Sources	0	1,858	1,858	0
Total Revenues	0	1,858	1,858	0
<b>Expenditures</b>				
<b>Instruction</b>				
Other Purchased Services	0	680	0	680
Supplies	0	1,178	1,178	0
Total Instruction	0	1,858	1,178	680
Total Expenditures	0	1,858	1,178	680
Excess (Deficiency) of Revenues Over Expenditures	0	0	680	680
Cash Balance Beginning of Year	0	0	0	0
Cash Balance End of Year	\$ 0	\$ 0	\$ 680	\$ 680
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 680	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 680	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-COMMUNITY FOUNDATION-29102  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Sources				
Local Grant	\$ 0	\$ 6,000	\$ 6,000	\$ 0
Total State & Local Sources	0	6,000	6,000	0
Total Revenues	0	6,000	6,000	0
<b>Expenditures</b>				
Instruction				
Professional & Tech Services	0	181	181	0
Other Purchased Services	0	1,716	1,716	0
Supplies	0	4,103	0	4,103
Total Instruction	0	6,000	1,897	4,103
Support Services-Instruction				
Supplies	5,000	5,000	5,000	0
Total Support Services- Instruction	5,000	5,000	5,000	0
Total Expenditures	0	6,000	1,897	4,103
Excess (Deficiency) of Revenues Over Expenditures	0	0	4,103	4,103
Cash Balance Beginning of Year	0	0	0	0
Cash Balance End of Year	\$ 0	\$ 0	\$ 4,103	\$ 4,103
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 4,103	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 4,103	

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
SPECIAL REVENUE FUND-TOWN OF TAOS-29107  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Sources				
State Grant	\$ 0	\$ 1,192	\$ 3,979	\$ 2,787
Total State & Local Sources	<u>0</u>	<u>1,192</u>	<u>3,979</u>	<u>2,787</u>
Total Revenues	<u>0</u>	<u>1,192</u>	<u>3,979</u>	<u>2,787</u>
<b>Expenditures</b>				
Support Services-Students				
Professional & Tech Services	0	0	0	0
Other Purchased Services	0	0	1,170	(1,170)
Total Support Services-Students	<u>0</u>	<u>0</u>	<u>1,170</u>	<u>(1,170)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>1,170</u>	<u>(1,170)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>1,192</u>	<u>2,809</u>	<u>1,617</u>
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 1,192</u>	<u>\$ 2,809</u>	<u>\$ 1,617</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,809	
Net change in Due from Grantor			(2,809)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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



**FIDUCIARY FUND**

**Activity Trust Fund**

To account for funds of various student groups that are custodial in nature.

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 AGENCY FUNDS  
 Schedule of Fiduciary Net Assets and Liabilities-Agency Funds  
 For the Year Ended June 30, 2008

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	<u>Balance 06/30/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/07</u>
<b>ASSETS</b>				
Cash in Bank	\$ 5,126	\$ 51,046	\$ 39,577	\$ 16,595
Total Assets	<u>\$ 5,126</u>	<u>\$ 51,046</u>	<u>\$ 39,577</u>	<u>\$ 16,595</u>
<b>LIABILITIES</b>				
Deposits Held for Others	\$ 5,126	\$ 51,046	\$ 39,577	\$ 16,595
Total Liabilities	<u>\$ 5,126</u>	<u>\$ 51,046</u>	<u>\$ 39,577</u>	<u>\$ 16,595</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 AGENCY FUNDS - ACTIVITY  
 Schedule of Fiduciary Net Assets and Liabilities-Agency Funds  
 For the Year Ended June 30, 2008

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
<b>ASSETS</b>				
Kindergarten	\$ 0	487	\$ 487	\$ 0
1st Grade	94	456	550	0
2nd Grade	327	580	253	654
3rd Grade	0	1,292	1,292	0
4th Grade	207	527	734	0
5th Grade	0	917	917	0
6th Grade	0	743	743	0
7th Grade	207	119	326	0
8th Grade	25	1,985	2,010	0
7th & 8th Bus	0	1,411	1,411	0
Music	0	389	389	0
Student Council	0	2,667	2,667	0
Year Book	7	3,129	3,136	0
Ski & Snow Board	0	9,236	9,236	0
E-Club	2,548	9,518	9,518	2,548
Smiths Earn & Learn	0	253	253	0
Landscape Fund	208	100	308	0
Activity Fee-Bus	0	132	132	0
Recycle Fund	96	15,000	2,775	12,321
Greenhouse Project	0	54	54	0
Karen House-Ski	1,406	0	1,406	0
P E	0	1,161	980	181
Mary Langway Fund	0	890	0	890
<b>Total Assets</b>	<b>\$ 5,126</b>	<b>\$ 51,046</b>	<b>\$ 39,577</b>	<b>\$ 16,595</b>
<b>LIABILITIES</b>				
Deposits Held for Others	\$ 5,126	\$ 51,046	\$ 39,577	\$ 16,595
<b>Total Liabilities</b>	<b>\$ 5,126</b>	<b>\$ 51,046</b>	<b>\$ 39,577</b>	<b>\$ 16,595</b>

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

**OTHER SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2008

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	<u>Operational</u>	<u>Instructional Materials</u>	<u>Local Grants 26000</u>
Net Cash in Bank 6/30/07			
Cash in Bank	\$ 84,431	\$ 1,987	\$ 115,000
Balance 6/30/07	<u>84,431</u>	<u>1,987</u>	<u>115,000</u>
Add: 2007-08			
Revenues	1,360,203	28,757	0
TOTAL Cash Available	<u>1,444,634</u>	<u>30,744</u>	<u>115,000</u>
Less: 2007-08			
Expenditures	1,287,998	22,673	85,897
	<u>1,287,998</u>	<u>22,673</u>	<u>85,897</u>
Ending Cash 06-30-08	<u>\$ 156,636</u>	<u>\$ 8,071</u>	<u>\$ 29,102</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2008

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	State Flowthrough 27000	Combined State & Local 29000	Activity
Net Cash in Bank 6/30/07			
Cash in Bank	\$ 0	\$ 5,000	\$ 5,127
Balance 6/30/07	<u>0</u>	<u>5,000</u>	<u>5,127</u>
Add: 2007-08			
Revenues	2,446	9,979	0
TOTAL Cash Available	<u>2,446</u>	<u>14,979</u>	<u>5,127</u>
Less: 2007-08			
Expenditures	63,193	8,067	0
	<u>63,193</u>	<u>8,067</u>	<u>0</u>
Ending Cash 06-30-08	<u>(60,747) \$</u>	<u>6,912</u>	<u>5,127</u>

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

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2008

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	<u>31200</u>	<u>31900</u>	<u>Totals</u>
Net Cash in Bank 6/30/07			
Cash in Bank	\$ 0	\$ 0	\$ 211,545
Balance 6/30/07	<u>0</u>	<u>0</u>	<u>211,545</u>
Add: 2007-08			
Revenues	131,965	205,846	1,739,196
TOTAL Cash Available	<u>131,965</u>	<u>205,846</u>	<u>1,739,196</u>
Less: 2007-08			
Expenditures	131,965	0	1,599,793
	<u>131,965</u>	<u>0</u>	<u>1,599,793</u>
Ending Cash 06-30-08	<u>0</u>	<u>205,846</u>	<u>\$ 350,947</u>

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(505) 253-4313

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards*

Mr. Hector H. Balderas  
State Auditor of the State of New Mexico  
Board Members of the TAOS CHARTER SCHOOL

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual fund presented as supplemental information of the Taos Charter School (School) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, a combination of control deficiencies, that adversely affects the School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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



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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

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

*De'Ann Willoughby CPA PC*

November 14, 2008

STATE OF NEW MEXICO  
**TAOS CHARTER SCHOOL**  
Schedule of Findings and Responses  
For the Year Ended June 30, 2008

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**Prior Year Audit Findings**

**06-1 Late Audit Report-Compliance**

**Status**  
Resolved

**Current Year Audit Findings**

There are no current year audit findings

**Financial Statement Preparation**

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

**Exit Conference**

An exit conference was held on November 14, 2008. In attendance were Nathaneil Evans, Member, Nancy O'Bryan, Domingo Sanchez, Business Manager and De'Aun Willoughby, CPA.