

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL  
COMPONENT OF  
TAOS MUNICIPAL SCHOOL DISTRICT NO. 3

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COMPREHENSIVE FINANCIAL ANNUAL REPORT  
AND  
SUPPLEMENTAL INFORMATION  
YEAR ENDED JUNE 30, 2009  
WITH  
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

 KEYSTONE ACCOUNTING, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

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## INTRODUCTORY SECTION

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**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

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**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

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STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

OFFICIAL ROSTER  
June 30, 2009

Council Members

|                     |                |
|---------------------|----------------|
| Melissa Cummings    | President      |
| Nathaniel Evans     | Vice President |
| 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         |
| Debbie Martinez | Business Manager |

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**FINANCIAL SECTION**

**FISCAL YEAR 2009**

**JULY 1, 2008 THROUGH JUNE 30, 2009**

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# KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Farmington, NM 87401

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## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor  
And the Governing Council of  
Anansi Charter School

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Anansi Charter School, as of and for the year ended June 30, 2009, which collectively comprise Anansi Charter School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Anansi Charter School's nonmajor governmental funds and the budgetary comparisons for the major capital projects funds, debt service funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

Certain improvements to and replacements of property and equipment within the component unit as reported in the Statement of Net Assets and Statement of Activities have been charged to expense in the accompanying financial statements. Also, only certain expenditures, as authorized by the Board of Directors, have been capitalized. In our opinion, all capital expenditures should be capitalized and depreciated over their estimated useful lives to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the preceding practices are not reasonably determinable.

In our opinion, except for the effects of the matters discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Anansi Charter School, as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparisons of the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Anansi Charter School, as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparisons for the major capital projects funds, debt service fund, and all nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

# KEYSTONE ACCOUNTING, LLC

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Farmington, NM 87401

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Hector H. Balderas, State Auditor  
And the Governing Council of  
Anansi Charter School

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2010, on our consideration of the Anansi Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The 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.

*Keystone Accounting, LLC*

May 7, 2010

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**STATEMENT OF NET ASSETS  
June 30, 2009**

|   | <u>Primary<br/>Government</u>      | <u>Component<br/>Unit</u>                     |
|---|------------------------------------|---|
|   | <u>Governmental<br/>Activities</u> | <u>Friends of<br/>Taos Charter<br/>School</u> |
| <br><u>ASSETS</u>                               |                                    |   |
| Cash and cash equivalents                       | \$ 17,471                          | \$ 160,036                                    |
| Receivables:                                    |                                    |   |
| Grants  | 201,341                            | -   |
| Non-current:                                    |                                    |   |
| Non-depreciable assets                          | 250,000                            | -   |
| Depreciable capital assets, net                 | <u>912,367</u>                     | <u>698,208</u>                                |
| Total assets                                    | <u>1,381,179</u>                   | <u>858,244</u>                                |
| <br><u>LIABILITIES</u>                          |                                    |   |
| Accounts payable                                | 5,634                              | -   |
| Accrued salaries                                | 34,509                             | -   |
| Deferred grant revenue                          | 19,877                             | -   |
| Noncurrent liabilities:                         |                                    |   |
| Due within one year                             | -                                  | 108,718                                       |
| Due in more than one year                       | <u>-</u>                           | <u>336,346</u>                                |
| Total liabilities                               | <u>60,020</u>                      | <u>445,064</u>                                |
| <br><u>NET ASSETS</u>                           |                                    |   |
| Invested in capital assets, net of related debt | 1,162,367                          | 253,144                                       |
| Restricted:                                     |                                    |   |
| Capital projects                                | 72,573                             | -   |
| Unrestricted                                    | <u>86,219</u>                      | <u>160,036</u>                                |
| Total net assets                                | <u>\$ 1,321,159</u>                | <u>\$ 413,180</u>                             |

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

| Functions/Programs                        | Expenses            | Program Revenues        |                                       |                                     | Net (Expense) Revenue and<br>Changes in Net Assets |                    |
|---|---------------------|-------------------------|---------------------------------------|-------------------------------------|--|--------------------|
|   |                     | Charges for<br>Services | Operating Grants<br>and Contributions | Capital Grants<br>and Contributions | Primary<br>Governmental<br>Activities              | Component<br>Units |
| Primary government:                       |                     |                         |                                       |                                     |  |                    |
| Governmental activities:                  |                     |                         |                                       |                                     |  |                    |
| Instruction                               | \$ 1,088,442        | \$ 19,064               | \$ 172,968                            | \$ -                                | \$ (896,410)                                       | \$ -               |
| Support Services - Students               | 47,455              | -                       | 7,541                                 | -                                   | (39,914)   | -                  |
| Support Services - Instruction            | 4,061               | -                       | 645                                   | -                                   | (3,416)  | -                  |
| Support Services - General Administration | 14,462              | -                       | 2,298                                 | -                                   | (12,164)   | -                  |
| Support Services - School Administration  | 171,969             | -                       | 27,328                                | -                                   | (144,641)  | -                  |
| Central Services                          | 46,904              | -                       | 7,454                                 | -                                   | (39,450)   | -                  |
| Operations & Maintenance of Plant         | 455,396             | -                       | 72,368                                | -                                   | (383,028)  | -                  |
| Total governmental activities             | <u>\$ 1,828,689</u> | <u>\$ 19,064</u>        | <u>\$ 290,602</u>                     | <u>\$ -</u>                         | <u>(1,519,023)</u>                                 | <u>-</u>           |
| Component units:                          |                     |                         |                                       |                                     |  |                    |
| Friends of Taos Charter School            | <u>\$ 45,533</u>    | <u>\$ 148,000</u>       | <u>\$ 13,791</u>                      | <u>\$ -</u>                         | <u>-</u>   | <u>116,258</u>     |
| General revenues:                         |                     |                         |                                       |                                     |  |                    |
| Grants and contributions not restricted   |                     |                         |                                       |                                     | 1,305,127  | -                  |
| Unrestricted investment earnings          |                     |                         |                                       |                                     | 497  | -                  |
| Total general revenues                    |                     |                         |                                       |                                     | <u>1,305,624</u>                                   | <u>-</u>           |
| Gain on asset disposal                    |                     |                         |                                       |                                     | <u>-</u>   | <u>76,829</u>      |
| Change in net assets                      |                     |                         |                                       |                                     | <u>(213,399)</u>                                   | <u>193,087</u>     |
| Net assets - beginning                    |                     |                         |                                       |                                     | 1,564,257  | 220,093            |
| Restatement                               |                     |                         |                                       |                                     | (29,699)   | -                  |
| Net assets - as restated                  |                     |                         |                                       |                                     | <u>1,534,558</u>                                   | <u>220,093</u>     |
| Net assets - ending                       |                     |                         |                                       |                                     | <u>\$ 1,321,159</u>                                | <u>\$ 413,180</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, 2009

|  | General<br>Fund       | Entitlement<br>IDEA-B<br>Fund | Learn &<br>Service<br>Fund | Truancy<br>Initiative<br>Fund | Ed Technology<br>Equipment Act<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------------|-------------------------------|----------------------------|-------------------------------|--|--------------------------------|--------------------------------|
| <u>ASSETS</u>                          |                       |                               |                            |                               |  |                                |                                |
| Pooled cash and investments            | \$ (74,979)           | \$ -                          | \$ -                       | \$ -                          | \$ 72,573                              | \$ 19,877                      | \$ 17,471                      |
| Receivables:                           |                       |                               |                            |                               |  |                                |                                |
| Grant                                  | -                     | 55,028                        | 27,389                     | 91,152                        | -                                      | 27,772                         | 201,341                        |
| Due from other funds                   | <u>201,341</u>        | <u>-</u>                      | <u>-</u>                   | <u>-</u>                      | <u>-</u>                               | <u>-</u>                       | <u>201,341</u>                 |
| <br>Total assets                       | <br><u>\$ 126,362</u> | <br><u>\$ 55,028</u>          | <br><u>\$ 27,389</u>       | <br><u>\$ 91,152</u>          | <br><u>\$ 72,573</u>                   | <br><u>\$ 47,649</u>           | <br><u>\$ 420,153</u>          |
| <u>LIABILITIES AND FUND BALANCE</u>    |                       |                               |                            |                               |  |                                |                                |
| Liabilities:                           |                       |                               |                            |                               |  |                                |                                |
| Accounts payable                       | \$ 5,634              | \$ -                          | \$ -                       | \$ -                          | \$ -                                   | \$ -                           | \$ 5,634                       |
| Accrued salaries                       | 34,509                | -                             | -                          | -                             | -                                      | -                              | 34,509                         |
| Due to other funds                     | -                     | 55,028                        | 27,389                     | 91,152                        | -                                      | 27,772                         | 201,341                        |
| Deferred revenue:                      |                       |                               |                            |                               |  |                                |                                |
| Federal, state, and local grants       | <u>-</u>              | <u>-</u>                      | <u>-</u>                   | <u>-</u>                      | <u>-</u>                               | <u>19,877</u>                  | <u>19,877</u>                  |
| <br>Total liabilities                  | <br><u>40,143</u>     | <br><u>55,028</u>             | <br><u>27,389</u>          | <br><u>91,152</u>             | <br><u>-</u>                           | <br><u>47,649</u>              | <br><u>261,361</u>             |
| Fund balance:                          |                       |                               |                            |                               |  |                                |                                |
| Unreserved reported in:                |                       |                               |                            |                               |  |                                |                                |
| General fund                           | 86,219                | -                             | -                          | -                             | -                                      | -                              | 86,219                         |
| Capital projects funds                 | <u>-</u>              | <u>-</u>                      | <u>-</u>                   | <u>-</u>                      | <u>72,573</u>                          | <u>-</u>                       | <u>72,573</u>                  |
| <br>Total fund balance                 | <br><u>86,219</u>     | <br><u>-</u>                  | <br><u>-</u>               | <br><u>-</u>                  | <br><u>72,573</u>                      | <br><u>-</u>                   | <br><u>158,792</u>             |
| <br>Total liabilities and fund balance | <br><u>\$ 126,362</u> | <br><u>\$ 55,028</u>          | <br><u>\$ 27,389</u>       | <br><u>\$ 91,152</u>          | <br><u>\$ 72,573</u>                   | <br><u>\$ 47,649</u>           | <br><u>\$ 420,153</u>          |

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



STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

RECONCILIATION OF THE BALANCE SHEET - ALL  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009

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

|   |                     |
|---|---------------------|
| Fund balances - total governmental funds  | \$ 158,792          |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. |                     |
| Capital assets  | 1,378,108           |
| Accumulated depreciation  | <u>(215,741)</u>    |
| Net assets of governmental activities   | <u>\$ 1,321,159</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  
Year Ended June 30, 2009

|                              | <u>General<br/>Fund</u> | <u>Entitlement<br/>IDEA-B<br/>Fund</u> | <u>Learn &amp;<br/>Service<br/>Fund</u> | <u>Truancy<br/>Initiative<br/>Fund</u> | <u>Ed Technology<br/>Equipment Act<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|------------------------------|-------------------------|--|---|--|---|---|---|
| Revenues:                    |                         |  |   |  |   |   |   |
| Federal sources:             |                         |  |   |  |   |   |   |
| Federal flowthrough grants   | \$ -                    | \$ 55,028                              | \$ 13,444                               | \$ -                                   | \$ -  | \$ 12,600                               | \$ 81,072                               |
| State sources:               |                         |  |   |  |   |   |   |
| State equalization guarantee | 1,301,551               | -                                      | -                                       | -                                      | -   | -                                       | 1,301,551                               |
| State instructional material | 17,703                  | -                                      | -                                       | -                                      | -   | -                                       | 17,703                                  |
| State grant                  | <u>1,739</u>            | <u>-</u>                               | <u>-</u>                                | <u>30,000</u>                          | <u>-</u>  | <u>146,759</u>                          | <u>178,498</u>                          |
| Total state revenues         | <u>1,320,993</u>        | <u>-</u>                               | <u>-</u>                                | <u>30,000</u>                          | <u>-</u>  | <u>146,759</u>                          | <u>1,497,752</u>                        |
| Local sources:               |                         |  |   |  |   |   |   |
| Grant                        | -                       | -                                      | -                                       | -                                      | -   | 13,329                                  | 13,329                                  |
| Fees and activities          | 19,064                  | -                                      | -                                       | -                                      | -   | -                                       | 19,064                                  |
| Earnings from investments    | 497                     | -                                      | -                                       | -                                      | -   | -                                       | 497                                     |
| Miscellaneous                | <u>-</u>                | <u>-</u>                               | <u>-</u>                                | <u>-</u>                               | <u>3,576</u>                                    | <u>-</u>                                | <u>3,576</u>                            |
| Total local revenues         | <u>19,561</u>           | <u>-</u>                               | <u>-</u>                                | <u>-</u>                               | <u>3,576</u>                                    | <u>13,329</u>                           | <u>36,466</u>                           |
| Total revenue                | <u>\$ 1,340,554</u>     | <u>\$ 55,028</u>                       | <u>\$ 13,444</u>                        | <u>\$ 30,000</u>                       | <u>\$ 3,576</u>                                 | <u>\$ 172,688</u>                       | <u>\$ 1,615,290</u>                     |

(continued)

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

|  | General<br><u>Fund</u> | Entitlement<br>IDEA-B<br><u>Fund</u> | Learn &<br>Service<br><u>Fund</u> | Truancy<br>Initiative<br><u>Fund</u> | Ed Technology<br>Equipment Act<br><u>Fund</u> | Other<br>Governmental<br><u>Funds</u> | Total<br>Governmental<br><u>Funds</u> |
|--|------------------------|--------------------------------------|-----------------------------------|--------------------------------------|---|---------------------------------------|---------------------------------------|
| Expenditures:  |                        |                                      |                                   |                                      |   |                                       |                                       |
| Current:   |                        |                                      |                                   |                                      |   |                                       |                                       |
| Instruction  | \$ 972,188             | \$ 55,028                            | \$ 13,444                         | \$ 3,265                             | \$ -  | \$ 22,506                             | \$ 1,066,431                          |
| Support Services - Students                              | 15,657                 | -                                    | -                                 | 26,735                               | -   | 4,103                                 | 46,495                                |
| Support Services - Instruction                           | 3,979                  | -                                    | -                                 | -                                    | -   | -                                     | 3,979                                 |
| Support Services - General Administration                | 14,170                 | -                                    | -                                 | -                                    | -   | -                                     | 14,170                                |
| Support Services - School Administration                 | 168,491                | -                                    | -                                 | -                                    | -   | -                                     | 168,491                               |
| Central Services   | 45,955                 | -                                    | -                                 | -                                    | -   | -                                     | 45,955                                |
| Operations & Maintenance of Plant                        | <u>163,258</u>         | <u>-</u>                             | <u>-</u>                          | <u>-</u>                             | <u>136,849</u>                                | <u>146,079</u>                        | <u>446,186</u>                        |
| <br>Total expenditures                                   | <br><u>1,383,698</u>   | <br><u>55,028</u>                    | <br><u>13,444</u>                 | <br><u>30,000</u>                    | <br><u>136,849</u>                            | <br><u>172,688</u>                    | <br><u>1,791,707</u>                  |
| <br>Excess (deficiency) of revenues<br>over expenditures | <br><u>(43,144)</u>    | <br><u>-</u>                         | <br><u>-</u>                      | <br><u>-</u>                         | <br><u>(133,273)</u>                          | <br><u>-</u>                          | <br><u>(176,417)</u>                  |
| <br>Fund balance as previously reported                  | <br>125,176            | <br>-                                | <br>-                             | <br>-                                | <br>205,846                                   | <br>33,886                            | <br>364,908                           |
| <br>Restatement  | <br><u>4,187</u>       | <br><u>-</u>                         | <br><u>-</u>                      | <br><u>-</u>                         | <br><u>-</u>                                  | <br><u>(33,886)</u>                   | <br><u>(29,699)</u>                   |
| <br>Fund balance as restated                             | <br><u>129,363</u>     | <br><u>-</u>                         | <br><u>-</u>                      | <br><u>-</u>                         | <br><u>205,846</u>                            | <br><u>-</u>                          | <br><u>335,209</u>                    |
| <br>Fund balance at end of the year                      | <br><u>\$ 86,219</u>   | <br><u>\$ -</u>                      | <br><u>\$ -</u>                   | <br><u>\$ -</u>                      | <br><u>\$ 72,573</u>                          | <br><u>\$ -</u>                       | <br><u>\$ 158,792</u>                 |

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

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

|  |                     |
|--|---------------------|
| Net change in fund balance - total governmental funds  | \$ (176,417)        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year |                     |
| Depreciation   | <u>(36,982)</u>     |
| Change in net assets of governmental activities  | <u>\$ (213,399)</u> |

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

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**GENERAL FUND**  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|  | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u>    | <u>Variance with</u> |
|--|-------------------------|------------------|--------------------------|----------------------|
|  | <u>Original</u>         | <u>Final</u>     | <u>(Budgetary Basis)</u> | <u>Final Budget</u>  |
|  |                         |                  |                          | <u>Positive</u>      |
|  |                         |                  |                          | <u>(Negative)</u>    |
| <b>Revenues:</b>                                     |                         |                  |                          |                      |
| <b>State sources:</b>                                |                         |                  |                          |                      |
| State equalization guarantee                         | \$ 1,312,760            | \$ 1,301,551     | \$ 1,301,551             | \$ -                 |
| State instructional material                         | 17,703                  | 18,838           | 17,703                   | (1,135)              |
| State grant  | 1,122                   | 3,477            | 1,739                    | (1,738)              |
| <b>Total state revenues</b>                          | <b>1,331,585</b>        | <b>1,323,866</b> | <b>1,320,993</b>         | <b>(2,873)</b>       |
| <b>Local sources:</b>                                |                         |                  |                          |                      |
| Fees and activities                                  | 6,500                   | 18,730           | 19,064                   | 334                  |
| Earnings from investments                            | 900                     | 900              | 496                      | (404)                |
| <b>Total local revenues</b>                          | <b>7,400</b>            | <b>19,630</b>    | <b>19,560</b>            | <b>(70)</b>          |
| <b>Total revenues</b>                                | <b>1,338,985</b>        | <b>1,343,496</b> | <b>1,340,553</b>         | <b>(2,943)</b>       |
| <b>Expenditures:</b>                                 |                         |                  |                          |                      |
| <b>Current:</b>                                      |                         |                  |                          |                      |
| Instruction  | 950,645                 | 1,004,021        | 972,188                  | 31,833               |
| Support Services - Students                          | -                       | 15,750           | 15,657                   | 93                   |
| Support Services - Instruction                       | -                       | 6,459            | 3,979                    | 2,480                |
| Support Services - General Administration            | 14,031                  | 17,181           | 14,170                   | 3,011                |
| Support Services - School Administration             | 184,020                 | 175,025          | 168,491                  | 6,534                |
| Central Services                                     | 44,670                  | 45,970           | 45,954                   | 16                   |
| Operation & Maintenance of Plant                     | 225,743                 | 167,286          | 163,258                  | 4,028                |
| <b>Total expenditures</b>                            | <b>1,419,109</b>        | <b>1,431,692</b> | <b>1,383,697</b>         | <b>47,995</b>        |
| Excess (deficiency) of revenues<br>over expenditures | (80,124)                | (88,196)         | (43,144)                 | 45,052               |
| Beginning cash balance budgeted                      | 80,124                  | 88,196           | -                        | (88,196)             |
| Fund balance as previously reported                  | -                       | -                | 125,176                  | 125,176              |
| Restatement  | -                       | -                | 4,187                    | 4,187                |
| Fund balance as restated                             | -                       | -                | 129,363                  | 129,363              |
| Fund balance at end of the year                      | \$ -                    | \$ -             | 86,219                   | \$ 86,219            |
| <b>RECONCILIATION TO GAAP BASIS:</b>                 |                         |                  |                          |                      |
| Change in payables                                   |                         |                  | -                        |                      |
|  |                         |                  | \$ 86,219                |                      |

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

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**ENTITLEMENT IDEA-B SPECIAL REVENUE FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009**

|                                       | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u>    | <u>Variance with</u> |
|---------------------------------------|-------------------------|--------------|--------------------------|----------------------|
|                                       | <u>Original</u>         | <u>Final</u> | <u>(Budgetary Basis)</u> | <u>Final Budget</u>  |
|                                       |                         |              |                          | <u>Positive</u>      |
|                                       |                         |              |                          | <u>(Negative)</u>    |
| <b>Revenues:</b>                      |                         |              |                          |                      |
| Federal sources:                      |                         |              |                          |                      |
| Federal grant                         | \$ -                    | \$ 55,028    | \$ -                     | \$ (55,028)          |
| <br>                                  |                         |              |                          |                      |
| <b>Expenditures:</b>                  |                         |              |                          |                      |
| Current:                              |                         |              |                          |                      |
| Instruction                           | -                       | 55,028       | 55,028                   | -                    |
| <br>                                  |                         |              |                          |                      |
| Excess (deficiency) of revenues       |                         |              |                          |                      |
| over expenditures                     | -                       | -            | (55,028)                 | (55,028)             |
| <br>                                  |                         |              |                          |                      |
| Fund balance at beginning of the year | -                       | -            | -                        | -                    |
| <br>                                  |                         |              |                          |                      |
| Fund balance at end of the year       | <u>\$ -</u>             | <u>\$ -</u>  | (55,028)                 | <u>\$ (55,028)</u>   |
| <br>                                  |                         |              |                          |                      |
| <b>RECONCILIATION TO GAAP BASIS:</b>  |                         |              |                          |                      |
| Change in grant receivable            |                         |              | 55,028                   |                      |
|                                       |                         |              | <u>\$ -</u>              |                      |

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

LEARN & SERVICE SPECIAL REVENUE FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|  | <u>Budgeted Amounts</u> |               | <u>Actual Amounts</u><br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|---------------|--|---|
|  | <u>Original</u>         | <u>Final</u>  |  |   |
| Revenues:  |                         |               |  |   |
| Federal sources:                                     |                         |               |  |   |
| Federal grant  | \$ -                    | \$ 13,444     | \$ -                                       | \$ (13,444)   |
| Expenditures:  |                         |               |  |   |
| Current:   |                         |               |  |   |
| Instruction  | <u>-</u>                | <u>13,444</u> | <u>13,444</u>                              | <u>-</u>  |
| Excess (deficiency) of revenues<br>over expenditures | -                       | -             | (13,444)                                   | (13,444)  |
| Fund balance at beginning of the year                | <u>-</u>                | <u>-</u>      | <u>-</u>                                   | <u>-</u>  |
| Fund balance at end of the year                      | <u>\$ -</u>             | <u>\$ -</u>   | (13,444)                                   | <u>\$ (13,444)</u>                                      |
| RECONCILIATION TO GAAP BASIS:                        |                         |               |  |   |
| Change in grant receivable                           |                         |               | <u>13,444</u>                              |   |
|  |                         |               | <u>\$ -</u>                                |   |

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

TRUANCY INITIATIVE SPECIAL REVENUE FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|                                       | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u>    | <u>Variance with</u> |
|---------------------------------------|-------------------------|--------------|--------------------------|----------------------|
|                                       | <u>Original</u>         | <u>Final</u> | <u>(Budgetary Basis)</u> | <u>Final Budget</u>  |
|                                       |                         |              |                          | <u>Positive</u>      |
|                                       |                         |              |                          | <u>(Negative)</u>    |
| <b>Revenues:</b>                      |                         |              |                          |                      |
| State sources:                        |                         |              |                          |                      |
| State grant                           | \$ -                    | \$ 30,000    | \$ -                     | \$ (30,000)          |
| <br>                                  |                         |              |                          |                      |
| <b>Expenditures:</b>                  |                         |              |                          |                      |
| Current:                              |                         |              |                          |                      |
| Instruction                           | -                       | 3,284        | 3,265                    | 19                   |
| Support Services - Students           | -                       | 26,716       | 26,735                   | (19)                 |
|                                       | -                       | 30,000       | 30,000                   | -                    |
| <b>Total expenditures</b>             | -                       | 30,000       | 30,000                   | -                    |
| <br>                                  |                         |              |                          |                      |
| Excess (deficiency) of revenues       |                         |              |                          |                      |
| over expenditures                     | -                       | -            | (30,000)                 | (30,000)             |
| <br>                                  |                         |              |                          |                      |
| Fund balance at beginning of the year | -                       | -            | -                        | -                    |
| <br>                                  |                         |              |                          |                      |
| Fund balance at end of the year       | <u>\$ -</u>             | <u>\$ -</u>  | (30,000)                 | <u>\$ (30,000)</u>   |
| <br>                                  |                         |              |                          |                      |
| <b>RECONCILIATION TO GAAP BASIS:</b>  |                         |              |                          |                      |
| Change in grant receivable            |                         |              | 30,000                   |                      |
|                                       |                         |              | <u>\$ -</u>              |                      |

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



STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

AGENCY FUNDS  
Statement of Fiduciary Assets and Liabilities  
June 30, 2009

ASSETS

|                             |                 |
|-----------------------------|-----------------|
| Pooled cash and investments | \$ <u>3,387</u> |
|-----------------------------|-----------------|

LIABILITIES

|                          |                 |
|--------------------------|-----------------|
| Deposits held for others | \$ <u>3,387</u> |
|--------------------------|-----------------|

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

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**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

Notes to the Financial Statements  
June 30, 2009

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STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Taos Charter School (School) is a special purpose government corporation established under the Public Charter Code and is governed by an elected nine-member council. The Council is the basic level of government, which has oversight responsibility and control over all activities related to the School. The School is responsible for activities related to public elementary school education. The School receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

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

GAAP requires that financial statements present the School (primary government) and its component units. The School has one component unit that is required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*.

1. Blended Component Units

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

2. Discretely Presented Component Units

The School has one component unit reported as a discretely presented component unit. Friends of Taos Charter School, a foundation, is closely related to Taos Charter School and exists for the primary purpose of providing direct benefit to the charter school. Friends of Taos Charter School has a separately issued report which can be obtained at:

Friends of Taos Charter School  
PO Box 2823  
Ranchos de Taos, NM 87557

The School is reported as a discretely presented component unit of Taos Municipal School District No. 3 as required in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14*. Taos Municipal School District No. 3's report can be obtained at:

Taos Municipal School District  
213 Paseo del Canon  
Taos, NM 87571

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The government reports the following major governmental funds:

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

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

**Learn & Serve Special Revenue Fund** – To encourage elementary and secondary schools and community-based agencies to create, develop, and offer service- learning opportunities for school- age youth; educate teachers about service- learning and incorporate service-learning opportunities into classrooms to enhance academic learning; coordinate adult volunteers in schools; and introduce young people to a broad range of careers and encourage them to pursue further education and training. The program is funded by National and Community Service Act of 1990, as amended.

**Truancy Initiative Special Revenue Fund** – To implement and strengthen programs and strategies for the purpose of identifying best practices for truancy prevention that are unique to New Mexico populations and cultures; establish collaborative partnerships and agreements with New Mexico’s communities, including public schools, correction entities, community based organizations, youth advocates and others for the purpose of implementing effective truancy prevention programs and strategies at the local level; and establish collaborative partnerships and agreements with New Mexico’s Native America tribes and pueblos for the purpose of implementing effective truancy prevention programs and strategies.

**Ed Technology Equipment Act Capital Projects Fund** – This fund is used to account for the revenues and expenditures associated with Education Technology Bonds in the purchasing of equipment used in the educational process.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Additionally, the government reports the following fund types:

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. *Deposits and investments*

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

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

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

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

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

2. *Receivables and payables*

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

3. *Inventories*

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. The School did not have any inventories as of June 30, 2009.

4. *Capital assets*

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

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

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



STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

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

| <u>Assets</u>         | <u>Years</u> |
|-----------------------|--------------|
| Buildings             | 40-50        |
| Building improvements | 20           |
| Land Improvements     | 10-20        |
| Vehicles              | 5-7          |
| Office equipment      | 5            |
| Computer equipment    | 3-5          |

5. *Compensated absences*

The School does not accrue a liability for compensated absences. Employees are contracted on an annual basis with all contracts being fully executed at the end of the year.

6. *Long-term obligations*

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

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

7. *Fund balance*

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

8. *Net assets*

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

a. Invested in capital assets, net of related debt

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

b. Restricted net assets

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

c. Unrestricted net assets

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

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

9. *Indirect Costs*

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

10. *Estimates*

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

11. *Revenues*

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

Program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The School received \$1,301,551 in state equalization guarantee distributions during the year ended June 30, 2009.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

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

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

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

1. In April or May, the director submits to the Council a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Council.
3. The Council meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
4. The director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Capital Projects Funds.
6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

Notes to the Financial Statements  
June 30, 2009

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgetary Information (continued)

The Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2009 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

|                       | <u>Original Budget</u> | <u>Final Budget</u> |
|-----------------------|------------------------|---------------------|
| General Fund          | \$ 1,419,109           | \$ 1,431,692        |
| Special Revenue Fund  | -                      | 144,960             |
| Capital Projects Fund | -                      | 351,926             |
| Totals                | \$ 1,419,109           | \$ 1,928,578        |

B. Deficit fund equity

There were no deficit fund balances as of June 30, 2009.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2009, the carrying amount of the School's deposits was \$20,858 and the bank balance was \$35,067 with the difference consisting of outstanding checks. Of this balance \$35,067 was covered by federal depository insurance. The School was not required to have pledged collateral at June 30, 2009.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School for at least one half of the amount on deposit with the institution. The statement listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2009, none of the School's bank balance of \$35,067 was exposed to custodial risk as follows:

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

Notes to the Financial Statements  
June 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

|   |    |        |
|---|----|--------|
| Uninsured and uncollateralized  | \$ | -      |
| Uninsured and collateral held by pledging bank's trust dept<br>not in the District's name |    | -      |
| Total uninsured   |    | -      |
| Insured (FDIC)  |    | 35,067 |
| Total deposits  | \$ | 35,067 |
| State of New Mexico collateral requirement:   |    |        |
| 50% of uninsured public fund bank deposits  | \$ | -      |
| Pledged security  |    | -      |
| Under collateralization   | \$ | -      |

The collateral pledged is listed on Page 64 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. Time deposits, savings deposits and interest bearing "Now" accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

B. Receivables

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

|                           | <u>General</u> | <u>Entitlement<br/>IDEA-B</u> | <u>Learn &amp;<br/>Serve</u> | <u>Truancy<br/>Initiative</u> | <u>Ed Technology<br/>Equipment Act</u> | <u>Other<br/>Governmental<br/>Funds</u> |
|---------------------------|----------------|-------------------------------|------------------------------|-------------------------------|--|---|
| Receivables:              |                |                               |                              |                               |  |   |
| Delinquent property taxes | \$ -           | \$ -                          | \$ -                         | \$ -                          | \$ -                                   | \$ -                                    |
| Grant                     | -              | 55,028                        | 27,389                       | 91,152                        | -                                      | 27,772                                  |
| Due from other:           |                |                               |                              |                               |  |   |
| Governments               | -              | -                             | -                            | -                             | -                                      | -                                       |
| Total                     | \$ -           | \$ 55,028                     | \$ 27,389                    | \$ 91,152                     | \$ -                                   | \$ 27,772                               |

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

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

Notes to the Financial Statements  
June 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

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

|   | <u>Unavailable</u> | <u>Unearned</u> |
|---|--------------------|-----------------|
| Grant drawdowns prior to meeting all eligibility requirements |                    |                 |
| Entitlement IDEA-B  | \$ -               | \$ -            |
| Learn & Serve   | -                  | -               |
| Truancy Initiative  | -                  | -               |
| Ed Technology Equipment Act                                   | -                  | -               |
| Other Governmental Funds                                      | -                  | 19,877          |
|   | -                  | 19,877          |
| Total deferred/unearned revenue for governmental funds        | \$ -               | \$ 19,877       |

C. Capital Assets

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

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|-----------------------|
| Governmental activities:                    |                              |                  |                  |                       |
| Capital assets, not being depreciated:      |                              |                  |                  |                       |
| Land  | \$ 250,000                   | \$ -             | \$ -             | \$ 250,000            |
| Construction in progress                    | -                            | -                | -                | -                     |
| Total capital assets, not being depreciated | 250,000                      | -                | -                | 250,000               |
| Capital assets, being depreciated:          |                              |                  |                  |                       |
| Land improvements                           | -                            | -                | -                | -                     |
| Buildings and improvements                  | 979,645                      | -                | -                | 979,645               |
| Furniture, fixtures, and equipment          | 148,463                      | -                | -                | 148,463               |
| Total capital assets being depreciated      | 1,128,108                    | -                | -                | 1,128,108             |
| Less accumulated depreciation for:          |                              |                  |                  |                       |
| Land improvements                           | -                            | -                | -                | -                     |
| Buildings and improvements                  | (56,178)                     | (19,593)         | -                | (75,771)              |
| Furniture, fixtures, and equipment          | (122,581)                    | (17,389)         | -                | (139,970)             |
| Total accumulated depreciation              | (178,759)                    | (36,982)         | -                | (215,741)             |
| Total capital assets being depreciated, net | 949,349                      | (36,982)         | -                | 912,367               |
| Total capital assets, net                   | \$ 1,199,349                 | \$ (36,982)      | \$ -             | \$ 1,162,367          |

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

Notes to the Financial Statements  
June 30, 2009

III. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

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

| <u>Depreciation Allocation to Functions</u> |                  |
|---|------------------|
| Instruction                                 | \$ 22,011        |
| Support Services - Students                 | 960              |
| Support Services - Instruction              | 82               |
| Support Services - General Administration   | 292              |
| Support Services - School Administration    | 3,478            |
| Central Services                            | 949              |
| Operations & Maintenance of Plant           | <u>9,210</u>     |
| Total Depreciation Expense                  | <u>\$ 36,982</u> |

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

D. Inter-Fund Receivables and Payables

The inter-fund receivables and payables at June 30, 2009 were:

|  | <u>Receivables</u> | <u>Payables</u>   |
|--|--------------------|-------------------|
| General Fund   | \$ 201,341         | \$ -              |
| Entitlement IDEA-B                                     | -                  | 55,028            |
| Learn & Serve  | -                  | 27,389            |
| Truancy Initiative                                     | -                  | 91,152            |
| Other Governmental Funds                               | <u>-</u>           | <u>27,772</u>     |
| Total deferred/unearned revenue for governmental funds | <u>\$ 201,341</u>  | <u>\$ 201,341</u> |

E. Inter-Fund Transfers

There were not any inter-fund transfer made during the year ended June 30, 2009.



STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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IV. OTHER INFORMATION

A. 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; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMPSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The School is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The School pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2009.

B. Contingent Liabilities

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

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

C. Employee Retirement Plan

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

ERB  
P.O. Box 26129  
Santa Fe, New Mexico 87502-6129  
[www.nmerb.org](http://www.nmerb.org)

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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IV. OTHER INFORMATION (continued)

Funding Policy - Plan members are required to contribute 7.90% of their gross salary. Taos Charter School is required to contribute 11.65% of the gross covered 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 School are established in Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The School's contributions to the ERB for the years ended June 30, 2009, 2008 and 2007 were \$92,653, \$144,170, and \$130,313, respectively, equal to the amount of the required contribution for the year. The contribution rates will increase each year as follows:

| <u>Fiscal Year</u> | <u>Employer Contribution</u> | <u>Employee Contribution</u> |
|--------------------|------------------------------|------------------------------|
| 2009-2010          | 12.460%                      | 7.900%                       |
| 2010-2011          | 13.150%                      | 7.900%                       |
| 2011-2012          | 13.900%                      | 7.900%                       |

D. Post-Retirement Health Care Benefits

Plan Description – Taos Charter School’s 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:

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

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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IV. OTHER INFORMATION (continued)

D. Post-Retirement Health Care Benefits (continued)

Funding Policy – The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](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 January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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.

Taos Charter School's contributions to the RHCA for the years ended June 30, 2009, 2008, and 2007 were \$10,339, \$15,031, and \$14,175, respectively, which equal the required contributions for each year.

E. Cash Flows

The School operates on primarily on reimbursement grants. The School must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the School's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the School's cash flows and the ability to deliver educational services to the community in an effective manner. The delay in receiving reimbursements has been progressively increasing through this and the previous two years. The current trend will adversely affect the School in subsequent years.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

Notes to the Financial Statements  
June 30, 2009

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IV. OTHER INFORMATION (continued)

F. Restatement

The government-wide net assets have been restated by \$29,699 as follows:

|   |                               |
|---|-------------------------------|
| Grant revenue not previously deferred:                          |                               |
| Walton Family Foundation Special Revenue Fund                   | \$ (29,103)                   |
| Beginning Teacher Mentoring Special Revenue Fund                | (680)                         |
| Taos Community Foundation Special Revenue Fund                  | (4,103)                       |
| Profit/Loss errors from years prior to year ended June 30, 2008 | <u>    4,187</u>              |
| Total restatement   | <u><u>    \$ (29,699)</u></u> |

The School had cash balances within the special revenue funds at June 30, 2008. Those balances cannot be recognized as revenue until they have been spent for the purpose the funds were granted. Therefore, those balances should have been reported as deferred grant revenue at June 30, 2008. Additionally, there was a reconciling error within fund balance of the Operational Fund. This cause of the error could not be determined as that it appeared to have occurred prior to the year beginning July 1, 2007 and ending June 30, 2008.

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**GENERAL FUNDS**  
Year Ended June 30, 2009

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**OPERATING FUND**

The government's primary fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**INSTRUCTIONAL MATERIALS FUND**

Accounts for all the Instructional Materials funds received through the state for the purpose of acquiring study materials for the students.

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**GENERAL FUND  
Combining Balance Sheet  
June 30, 2009**

|  | <b>General Funds</b>        |   | <b>Total General<br/>Fund</b> |
|--|-----------------------------|---|-------------------------------|
|  | <b>Operational<br/>Fund</b> | <b>Instructional<br/>Materials<br/>Fund</b> |                               |
| <b><u>ASSETS</u></b>                       |                             |   |                               |
| Pooled cash and investments                | \$ (79,479)                 | \$ 4,500                                    | \$ (74,979)                   |
| Due from other funds                       | 201,341                     | -   | 201,341                       |
| Total assets                               | \$ 121,862                  | \$ 4,500                                    | \$ 126,362                    |
| <b><u>LIABILITIES AND FUND BALANCE</u></b> |                             |   |                               |
| <b>Liabilities:</b>                        |                             |   |                               |
| Accounts payable                           | \$ 5,634                    | \$ -  | \$ 5,634                      |
| Accrued salaries                           | 34,509                      | -   | 34,509                        |
| Total liabilities                          | 40,143                      | -   | 40,143                        |
| <b>Fund balance:</b>                       |                             |   |                               |
| <b>Unreserved and reported in:</b>         |                             |   |                               |
| Undesignated                               | 81,719                      | 4,500                                       | 86,219                        |
| Total liabilities and fund balance         | \$ 121,862                  | \$ 4,500                                    | \$ 126,362                    |

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**GENERAL FUND**  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Year Ended June 30, 2009

|   | <b>General Funds</b> |                                 |                  |
|---|----------------------|---------------------------------|------------------|
|   | Operational          | Instructional                   | Total General    |
|   | <u>Fund</u>          | <u>Materials</u><br><u>Fund</u> |                  |
| <b>Revenues:</b>                          |                      |                                 |                  |
| State sources:                            |                      |                                 |                  |
| State equalization guarantee              | \$ 1,301,551         | \$ -                            | \$ 1,301,551     |
| State instructional material              | -                    | 17,703                          | 17,703           |
| State grant                               | -                    | 1,739                           | 1,739            |
|   | <u>1,301,551</u>     | <u>19,442</u>                   | <u>1,320,993</u> |
|   |                      |                                 |                  |
| Local sources:                            |                      |                                 |                  |
| Fees and activities                       | 19,064               | -                               | 19,064           |
| Earnings from investments                 | 497                  | -                               | 497              |
|   | <u>19,561</u>        | <u>-</u>                        | <u>19,561</u>    |
|   |                      |                                 |                  |
| Total revenue                             | <u>1,321,112</u>     | <u>19,442</u>                   | <u>1,340,554</u> |
|   |                      |                                 |                  |
| <b>Expenditures:</b>                      |                      |                                 |                  |
| Current:                                  |                      |                                 |                  |
| Instruction                               | 953,154              | 19,034                          | 972,188          |
| Support Services - Students               | 15,657               | -                               | 15,657           |
| Support Services - Instruction            | -                    | 3,979                           | 3,979            |
| Support Services - General Administration | 14,170               | -                               | 14,170           |
| Support Services - School Administration  | 168,491              | -                               | 168,491          |
| Central Services                          | 45,955               | -                               | 45,955           |
| Operations & Maintenance of Plant         | 163,258              | -                               | 163,258          |
|   | <u>1,360,685</u>     | <u>23,013</u>                   | <u>1,383,698</u> |
|   |                      |                                 |                  |
| Excess of revenues over expenditures      | <u>(39,573)</u>      | <u>(3,571)</u>                  | <u>(43,144)</u>  |
|   |                      |                                 |                  |
| Fund balance as previously reported       | 117,105              | 8,071                           | 125,176          |
|   |                      |                                 |                  |
| Restatement                               | 4,187                | -                               | 4,187            |
|   | <u>121,292</u>       | <u>8,071</u>                    | <u>129,363</u>   |
|   |                      |                                 |                  |
| Fund balance as restated                  | <u>121,292</u>       | <u>8,071</u>                    | <u>129,363</u>   |
|   |                      |                                 |                  |
| Fund balance at end of the year           | <u>\$ 81,719</u>     | <u>\$ 4,500</u>                 | <u>\$ 86,219</u> |

**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**OPERATIONAL FUND**  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|  | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u><br><u>(Budgetary Basis)</u> | Variance with<br>Final Budget<br>Positive<br><u>(Negative)</u> |
|--|-------------------------|------------------|---|--|
|  | <u>Original</u>         | <u>Final</u>     |   |  |
| <b>Revenues:</b>                                     |                         |                  |   |  |
| State sources:                                       |                         |                  |   |  |
| State equalization guarantee                         | \$ 1,312,760            | \$ 1,301,551     | \$ 1,301,551                                      | \$ -   |
| Local sources:                                       |                         |                  |   |  |
| Fees and activities                                  | 6,500                   | 18,730           | 19,064  | 334  |
| Earnings from investments                            | 900                     | 900              | 496   | (404)  |
| Total local revenues                                 | <u>7,400</u>            | <u>19,630</u>    | <u>19,560</u>                                     | <u>(70)</u>  |
| Total revenues                                       | <u>1,320,160</u>        | <u>1,321,181</u> | <u>1,321,111</u>                                  | <u>(70)</u>  |
| <b>Expenditures:</b>                                 |                         |                  |   |  |
| Current:   |                         |                  |   |  |
| Instruction  | 931,820                 | 980,093          | 953,154   | 26,939   |
| Support Services - Students                          | -                       | 15,750           | 15,657  | 93   |
| Support Services - General Administration            | 14,031                  | 17,181           | 14,170  | 3,011  |
| Support Services - School Administration             | 184,020                 | 175,025          | 168,491   | 6,534  |
| Central Services                                     | 44,670                  | 45,970           | 45,954  | 16   |
| Operation & Maintenance of Plant                     | <u>225,743</u>          | <u>167,286</u>   | <u>163,258</u>                                    | <u>4,028</u>   |
| Total expenditures                                   | <u>1,400,284</u>        | <u>1,401,305</u> | <u>1,360,684</u>                                  | <u>40,621</u>  |
| Excess (deficiency) of revenues<br>over expenditures | <u>(80,124)</u>         | <u>(80,124)</u>  | <u>(39,573)</u>                                   | <u>40,551</u>  |
| Beginning cash balance budgeted                      | <u>80,124</u>           | <u>80,124</u>    | -   | <u>(80,124)</u>  |
| Fund balance as previously reported                  | -                       | -                | 117,105   | 117,105  |
| Restatement  | <u>-</u>                | <u>-</u>         | <u>4,187</u>                                      | <u>4,187</u>   |
| Fund balance as restated                             | <u>-</u>                | <u>-</u>         | <u>121,292</u>                                    | <u>121,292</u>   |
| Fund balance at end of the year                      | <u>\$ -</u>             | <u>\$ -</u>      | 81,719  | <u>\$ 81,719</u>   |
| <b>RECONCILIATION TO GAAP BASIS:</b>                 |                         |                  |   |  |
| Change in payables                                   |                         |                  | -   |  |
|  |                         |                  | <u>\$ 81,719</u>                                  |  |



**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**INSTRUCTIONAL MATERIALS FUND  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009**

|  | Budgeted Amounts |           | Actual Amounts    | Variance with<br>Final Budget |
|--|------------------|-----------|-------------------|-------------------------------|
|  | Original         | Final     | (Budgetary Basis) | Positive<br>(Negative)        |
| <b>Revenues:</b>                                     |                  |           |                   |                               |
| State sources:                                       |                  |           |                   |                               |
| State instructional material                         | \$ 17,703        | \$ 18,838 | \$ 17,703         | \$ (1,135)                    |
| State grant  | 1,122            | 3,477     | 1,739             | (1,738)                       |
| Total revenues                                       | 18,825           | 22,315    | 19,442            | (2,873)                       |
| <br>   |                  |           |                   |                               |
| <b>Expenditures:</b>                                 |                  |           |                   |                               |
| Current:   |                  |           |                   |                               |
| Instruction  | 18,825           | 23,928    | 19,034            | 4,894                         |
| Support Services - Instruction                       | -                | 6,459     | 3,979             | 2,480                         |
| Total expenditures                                   | 18,825           | 30,387    | 23,013            | 7,374                         |
| <br>   |                  |           |                   |                               |
| Excess (deficiency) of revenues<br>over expenditures | -                | (8,072)   | (3,571)           | 4,501                         |
| Beginning cash balance budgeted                      | -                | 8,072     | -                 | (8,072)                       |
| Fund balance at beginning of the year                | -                | -         | 8,071             | 8,071                         |
| Fund balance at end of the year                      | \$ -             | \$ -      | 4,500             | \$ 4,500                      |
| <br>   |                  |           |                   |                               |
| <b>RECONCILIATION TO GAAP BASIS:</b>                 |                  |           |                   |                               |
| Change in payables                                   |                  |           | -                 |                               |
|  |                  |           | \$ 4,500          |                               |

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**NONMAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

NON-MAJOR GOVERNMENTAL FUNDS  
Combining Balance Sheet  
June 30, 2009

|                                     | Special Revenue Funds                         |                                     |  |  |   |   |   |                  |
|-------------------------------------|---|-------------------------------------|--|--|---|---|---|------------------|
|                                     | Walton<br>Family<br>Foundation<br><u>Fund</u> | Libraries GO<br>Bond<br><u>Fund</u> | Beginning<br>Teacher<br>Mentoring<br><u>Fund</u> | Taos<br>Community<br>Foundation<br><u>Fund</u> | Total Nonmajor<br>Special Revenue<br><u>Funds</u> | Public School<br>Capital<br>Outlay<br><u>Fund</u> | Total<br>Nonmajor<br>Governmental<br><u>Funds</u> |                  |
| <u>ASSETS</u>                       |   |                                     |  |  |   |   |   |                  |
| Pooled cash and investments         | \$ -  | \$ 19,877                           | \$ -   | \$ -   | \$ -  | \$ 19,877   | \$ -  | \$ 19,877        |
| Receivables:                        |   |                                     |  |  |   |   |   |                  |
| Grant                               | <u>25,063</u>                                 | <u>-</u>                            | <u>2,709</u>                                     | <u>-</u>                                       | <u>-</u>  | <u>27,772</u>                                     | <u>-</u>  | <u>27,772</u>    |
| Total assets                        | <u>\$ 25,063</u>                              | <u>\$ 19,877</u>                    | <u>\$ 2,709</u>                                  | <u>\$ -</u>                                    | <u>\$ -</u>                                       | <u>\$ 47,649</u>                                  | <u>\$ -</u>                                       | <u>\$ 47,649</u> |
| <u>LIABILITIES AND FUND BALANCE</u> |   |                                     |  |  |   |   |   |                  |
| Liabilities:                        |   |                                     |  |  |   |   |   |                  |
| Due to other funds                  | \$ 25,063                                     | \$ -                                | \$ 2,709   | \$ -   | \$ -  | \$ 27,772   | \$ -  | \$ 27,772        |
| Deferred revenue:                   |   |                                     |  |  |   |   |   |                  |
| Federal, state, and local grants    | <u>-</u>                                      | <u>19,877</u>                       | <u>-</u>   | <u>-</u>                                       | <u>-</u>  | <u>19,877</u>                                     | <u>-</u>  | <u>19,877</u>    |
| Total liabilities                   | <u>25,063</u>                                 | <u>19,877</u>                       | <u>2,709</u>                                     | <u>-</u>                                       | <u>-</u>  | <u>47,649</u>                                     | <u>-</u>  | <u>47,649</u>    |
| Fund balance:                       |   |                                     |  |  |   |   |   |                  |
| Unreserved and reported in:         |   |                                     |  |  |   |   |   |                  |
| Special revenues funds              | -   | -                                   | -  | -  | -   | -   | -   | -                |
| Capital projects funds              | <u>-</u>                                      | <u>-</u>                            | <u>-</u>   | <u>-</u>                                       | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>-</u>         |
| Total fund balance                  | <u>-</u>                                      | <u>-</u>                            | <u>-</u>   | <u>-</u>                                       | <u>-</u>  | <u>-</u>  | <u>-</u>  | <u>-</u>         |
| Total liabilities and fund balance  | <u>\$ 25,063</u>                              | <u>\$ 19,877</u>                    | <u>\$ 2,709</u>                                  | <u>\$ -</u>                                    | <u>\$ -</u>                                       | <u>\$ 47,649</u>                                  | <u>\$ -</u>                                       | <u>\$ 47,649</u> |

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

NON-MAJOR GOVERNMENTAL FUNDS  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Year Ended June 30, 2009

|                                      | Special Revenue Funds |  |                              |   |   | Total Nonmajor<br>Special Revenue<br>Funds | Public School<br>Capital<br>Outlay<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|--------------------------------------|-----------------------|--|------------------------------|---|---|--|--|--|
|                                      | Title I<br>Fund       | Walton<br>Family<br>Foundation<br>Fund | Libraries GO<br>Bond<br>Fund | Beginning<br>Teacher<br>Mentoring<br>Fund | Taos<br>Community<br>Foundation<br>Fund |  |  |  |
| Revenues:                            |                       |  |                              |   |   |  |  |  |
| Federal sources:                     |                       |  |                              |   |   |  |  |  |
| Federal flowthrough grants           | \$ 12,600             | \$ -                                   | \$ -                         | \$ -                                      | \$ -                                    | \$ 12,600                                  | \$ -                                       | \$ 12,600                                  |
| State sources:                       |                       |  |                              |   |   |  |  |  |
| State grant                          | -                     | -                                      | -                            | 680                                       | -                                       | 680  | 146,079                                    | 146,759                                    |
| Local sources:                       |                       |  |                              |   |   |  |  |  |
| Grant                                | -                     | 9,226                                  | -                            | -   | 4,103                                   | 13,329                                     | -  | 13,329                                     |
| Total revenue                        | <u>12,600</u>         | <u>9,226</u>                           | <u>-</u>                     | <u>680</u>                                | <u>4,103</u>                            | <u>26,609</u>                              | <u>146,079</u>                             | <u>172,688</u>                             |
| Expenditures:                        |                       |  |                              |   |   |  |  |  |
| Current:                             |                       |  |                              |   |   |  |  |  |
| Instruction                          | 12,600                | 9,226                                  | -                            | 680                                       | -                                       | 22,506                                     | -  | 22,506                                     |
| Support Services - Students          | -                     | -                                      | -                            | -   | 4,103                                   | 4,103                                      | -  | 4,103                                      |
| Operations & Maintenance of Plant    | -                     | -                                      | -                            | -   | -                                       | -  | 146,079                                    | 146,079                                    |
| Total expenditures                   | <u>12,600</u>         | <u>9,226</u>                           | <u>-</u>                     | <u>680</u>                                | <u>4,103</u>                            | <u>26,609</u>                              | <u>146,079</u>                             | <u>172,688</u>                             |
| Excess of revenues over expenditures | -                     | -                                      | -                            | -   | -                                       | -  | -  | -  |
| Fund balance as previously reported  | -                     | 29,103                                 | -                            | 680                                       | 4,103                                   | 33,886                                     | -  | 33,886                                     |
| Restatement                          | -                     | (29,103)                               | -                            | (680)                                     | (4,103)                                 | (33,886)                                   | -  | (33,886)                                   |
| Fund balance as restated             | -                     | -                                      | -                            | -   | -                                       | -  | -  | -  |
| Fund balance at end of the year      | <u>\$ -</u>           | <u>\$ -</u>                            | <u>\$ -</u>                  | <u>\$ -</u>                               | <u>\$ -</u>                             | <u>\$ -</u>                                | <u>\$ -</u>                                | <u>\$ -</u>                                |

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## **BUDGETARY PRESENTATION**

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STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

NONMAJOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2008

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**TITLE I**

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

**WALTON FAMILY FOUNDATION**

To assist charter schools in providing educational services.

**LIBRARIES GO BOND**

Funding made available to update and expand library collections.

**BEGINNING TEACHER MENTORING**

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

**TAOS COMMUNITY FOUNDATION**

To assist the school in providing educational services.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

TITLE I SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|  | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u>    | <u>Variance with</u> |
|--|-------------------------|--------------|--------------------------|----------------------|
|  | <u>Original</u>         | <u>Final</u> | <u>(Budgetary Basis)</u> | <u>Final Budget</u>  |
|  |                         |              |                          | <u>Positive</u>      |
|  |                         |              |                          | <u>(Negative)</u>    |
| Revenues:  |                         |              |                          |                      |
| Federal sources:                                     |                         |              |                          |                      |
| Federal grant  | \$ -                    | \$ 12,600    | \$ -                     | \$ (12,600)          |
| <br>Expenditures:                                    |                         |              |                          |                      |
| Current:   |                         |              |                          |                      |
| Instruction  | -                       | 12,600       | 12,600                   | -                    |
| Excess (deficiency) of revenues<br>over expenditures | -                       | -            | (12,600)                 | (12,600)             |
| Fund balance at beginning of the year                | -                       | -            | -                        | -                    |
| Fund balance at end of the year                      | <u>\$ -</u>             | <u>\$ -</u>  | (12,600)                 | <u>\$ (12,600)</u>   |
| <br>RECONCILIATION TO GAAP BASIS:                    |                         |              |                          |                      |
| Change in grant receivable                           |                         |              | 12,600                   |                      |
|  |                         |              | <u>\$ -</u>              |                      |

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

WALTON FAMILY FOUNDATION SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|  | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u>    | <u>Variance with</u> |
|--|-------------------------|--------------|--------------------------|----------------------|
|  | <u>Original</u>         | <u>Final</u> | <u>(Budgetary Basis)</u> | <u>Final Budget</u>  |
|  |                         |              |                          | <u>Positive</u>      |
|  |                         |              |                          | <u>(Negative)</u>    |
| Revenues:  |                         |              |                          |                      |
| Local sources:                                       |                         |              |                          |                      |
| Grant  | \$ -                    | \$ -         | \$ -                     | \$ -                 |
| <br>Expenditures:                                    |                         |              |                          |                      |
| Current:   |                         |              |                          |                      |
| Instruction  | -                       | 29,103       | 9,226                    | 19,877               |
| Excess (deficiency) of revenues<br>over expenditures | -                       | (29,103)     | (9,226)                  | 19,877               |
| Beginning cash balance budgeted                      | -                       | 29,103       | -                        | (29,103)             |
| Fund balance as previously reported                  | -                       | -            | 29,103                   | 29,103               |
| Restatement  | -                       | -            | (29,103)                 | (29,103)             |
| Fund balance as restated                             | -                       | -            | -                        | -                    |
| Fund balance at end of the year                      | <u>\$ -</u>             | <u>\$ -</u>  | (9,226)                  | <u>\$ (9,226)</u>    |
| <br>RECONCILIATION TO GAAP BASIS:                    |                         |              |                          |                      |
| Change in restatement                                |                         |              | 29,103                   |                      |
| Change in deferred revenue                           |                         |              | (19,877)                 |                      |
|  |                         |              | <u>\$ -</u>              |                      |

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

BEGINNING TEACHER MENTORING SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|  | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u><br><u>(Budgetary Basis)</u> | Variance with<br>Final Budget<br>Positive<br><u>(Negative)</u> |
|--|-------------------------|--------------|---|--|
|  | <u>Original</u>         | <u>Final</u> |   |  |
| Revenues:  |                         |              |   |  |
| State sources:                                       |                         |              |   |  |
| State grant  | \$ -                    | \$ -         | \$ -  | \$ -   |
| <br>Expenditures:                                    |                         |              |   |  |
| Current:   |                         |              |   |  |
| Instruction  | <u>-</u>                | <u>681</u>   | <u>680</u>  | <u>1</u>   |
| Excess (deficiency) of revenues<br>over expenditures | <u>-</u>                | <u>(681)</u> | <u>(680)</u>                                      | <u>1</u>   |
| Beginning cash balance budgeted                      | <u>-</u>                | <u>681</u>   | <u>-</u>  | <u>(681)</u>   |
| Fund balance as previously reported                  | -                       | -            | 680   | 680  |
| Restatement  | <u>-</u>                | <u>-</u>     | <u>(680)</u>                                      | <u>(680)</u>   |
| Fund balance as restated                             | <u>-</u>                | <u>-</u>     | <u>-</u>  | <u>-</u>   |
| Fund balance at end of the year                      | <u>\$ -</u>             | <u>\$ -</u>  | <u>(680)</u>                                      | <u>\$ (680)</u>  |
| <br>RECONCILIATION TO GAAP BASIS:                    |                         |              |   |  |
| Change in restatement                                |                         |              | <u>680</u>  |  |
|  |                         |              | <u>\$ -</u>                                       |  |

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

TAOS COMMUNITY FOUNDATION SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|  | <u>Budgeted Amounts</u> |              | <u>Actual Amounts</u>    | <u>Variance with</u> |
|--|-------------------------|--------------|--------------------------|----------------------|
|  | <u>Original</u>         | <u>Final</u> | <u>(Budgetary Basis)</u> | <u>Final Budget</u>  |
|  |                         |              |                          | <u>Positive</u>      |
|  |                         |              |                          | <u>(Negative)</u>    |
| Revenues:  |                         |              |                          |                      |
| Local sources:                                       |                         |              |                          |                      |
| Grant  | \$ -                    | \$ -         | \$ -                     | \$ -                 |
| <br>Expenditures:                                    |                         |              |                          |                      |
| Current:   |                         |              |                          |                      |
| Support Services - Students                          | -                       | 4,104        | 4,103                    | 1                    |
| Excess (deficiency) of revenues<br>over expenditures | -                       | (4,104)      | (4,103)                  | 1                    |
| Beginning cash balance budgeted                      | -                       | 4,104        | -                        | (4,104)              |
| Fund balance as previously reported                  | -                       | -            | 4,103                    | 4,103                |
| Restatement  | -                       | -            | (4,103)                  | (4,103)              |
| Fund balance as restated                             | -                       | -            | -                        | -                    |
| Fund balance at end of the year                      | <u>\$ -</u>             | <u>\$ -</u>  | (4,103)                  | <u>\$ (4,103)</u>    |
| <br>RECONCILIATION TO GAAP BASIS:                    |                         |              |                          |                      |
| Change in restatement                                |                         |              | 4,103                    |                      |
|  |                         |              | <u>\$ -</u>              |                      |

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**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**CAPITAL PROJECTS FUNDS**  
Year Ended June 30, 2008

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**PUBLIC SCHOOL CAPITAL OUTLAY**

This fund provides financing from Public Schools Critical Capital Outlay committee under chapter and laws of the New Mexico Lottery Receipts Act.

**ED TECHNOLOGY EQUIPMENT ACT**

This fund is used to account for the revenues and expenditures associated with Education Technology Bonds in the purchasing of equipment used in the educational process.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

PUBLIC SCHOOL CAPITAL OUTLAY CAPITAL PROJECTS FUND  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|                                       | <u>Budgeted Amounts</u> |                | <u>Actual Amounts</u><br><u>(Budgetary Basis)</u> | Variance with<br>Final Budget<br>Positive<br><u>(Negative)</u> |
|---------------------------------------|-------------------------|----------------|---|--|
|                                       | <u>Original</u>         | <u>Final</u>   |   |  |
| Revenues:                             |                         |                |   |  |
| State sources:                        |                         |                |   |  |
| State grant                           | \$ -                    | \$ 146,079     | \$ 146,079  | \$ -   |
| <br>Expenditures:                     |                         |                |   |  |
| Current:                              |                         |                |   |  |
| Operation & Maintenance of Plant      | <u>-</u>                | <u>146,079</u> | <u>146,079</u>                                    | <u>-</u>   |
| Excess of revenues over expenditures  | -                       | -              | -   | -  |
| Fund balance at beginning of the year | <u>-</u>                | <u>-</u>       | <u>-</u>  | <u>-</u>   |
| Fund balance at end of the year       | <u>\$ -</u>             | <u>\$ -</u>    | <u>-</u>  | <u>\$ -</u>  |
| <br>RECONCILIATION TO GAAP BASIS:     |                         |                |   |  |
| Change in payables                    |                         |                | <u>-</u>  |  |
|                                       |                         |                | <u>\$ -</u>                                       |  |



STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

ED TECHNOLOGY EQUIPMENT ACT CAPITAL PROJECTS FUND  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2009

|  | <u>Budgeted Amounts</u> |                | <u>Actual Amounts</u><br><u>(Budgetary Basis)</u> | Variance with<br>Final Budget<br>Positive<br><u>(Negative)</u> |
|--|-------------------------|----------------|---|--|
|  | <u>Original</u>         | <u>Final</u>   |   |  |
| Revenues:  |                         |                |   |  |
| State sources:                                       |                         |                |   |  |
| State grant  | \$ -                    | \$ -           | \$ -  | \$ -   |
| <br>Expenditures:                                    |                         |                |   |  |
| Current:   |                         |                |   |  |
| Operation & Maintenance of Plant                     | <u>-</u>                | <u>205,847</u> | <u>136,849</u>                                    | <u>68,998</u>  |
| Excess (deficiency) of revenues<br>over expenditures | -                       | (205,847)      | (136,849)   | 68,998   |
| Other financing sources:                             |                         |                |   |  |
| Sale of bonds  | <u>-</u>                | <u>-</u>       | <u>3,576</u>                                      | <u>3,576</u>   |
| Net change in fund balance                           | -                       | (205,847)      | (133,273)   | 72,574   |
| Beginning cash balance budgeted                      | -                       | 205,847        | -   | (205,847)  |
| Fund balance at beginning of the year                | <u>-</u>                | <u>-</u>       | <u>205,846</u>                                    | <u>205,846</u>   |
| Fund balance at end of the year                      | <u>\$ -</u>             | <u>\$ -</u>    | 72,573  | <u>\$ 72,573</u>   |
| <br>RECONCILIATION TO GAAP BASIS:                    |                         |                |   |  |
| Change in payables                                   |                         |                | <u>-</u>  |  |
|  |                         |                | <u>\$ 72,573</u>                                  |  |

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**OTHER SUPPLEMENTAL INFORMATION**

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**STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL**

**FIDUCIARY FUNDS**  
Schedule of Changes in Assets and Liabilities - All Agency Funds  
Year Ended June 30, 2009

| <u>ASSETS</u>            | <u>Balance<br/>June 30, 2008</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance<br/>June 30, 2009</u> |
|--------------------------|----------------------------------|-----------------|----------------------|----------------------------------|
| Cash in bank             | \$ 16,595                        | \$ 37,164       | \$ 50,372            | \$ 3,387                         |
| <br><u>LIABILITIES</u>   |                                  |                 |                      |                                  |
| Deposits held for others | \$ 16,595                        | \$ 37,164       | \$ 50,372            | \$ 3,387                         |

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF PLEDGED COLLATERAL  
June 30, 2009

|                                  | First Community<br><u>Bank</u> |
|----------------------------------|--------------------------------|
| Cash on deposit at June 30, 2009 | \$ 35,067                      |
| Less FDIC coverage               | <u>35,067</u>                  |
| Uninsured funds                  | <u><u>\$ -</u></u>             |
| 50% collateral requirement       | \$ -                           |
| Pledged collateral               | <u>-</u>                       |
| Excess of pledged collateral     | <u><u>\$ -</u></u>             |

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

CASH RECONCILIATION  
June 30, 2009

|                              | Beginning Cash    | Receipts            | Distributions         | Other             | Net Cash End of<br>Period | Adjustments to<br>the report | Total Cash on<br>Report |
|------------------------------|-------------------|---------------------|-----------------------|-------------------|---------------------------|------------------------------|-------------------------|
| Operations                   | \$ 75,208         | \$ 1,321,112        | \$ (1,360,685)        | \$ (115,114)      | \$ (79,479)               | \$ -                         | \$ (79,479)             |
| Instructional Materials      | 8,071             | 19,442              | (23,013)              | -                 | 4,500                     | -                            | 4,500                   |
| Federal Flowthrough Funds    | -                 | -                   | (81,072)              | 81,072            | -                         | -                            | -                       |
| Local Grants                 | 29,103            | -                   | (9,226)               | -                 | 19,877                    | -                            | 19,877                  |
| State Flowthrough Funds      | 680               | -                   | (30,680)              | 30,000            | -                         | -                            | -                       |
| Local/State                  | 4,103             | -                   | (4,103)               | -                 | -                         | -                            | -                       |
| Public School Capital Outlay | -                 | 146,079             | (146,079)             | -                 | -                         | -                            | -                       |
| Ed Technology Equipment Act  | 205,846           | 3,576               | (136,849)             | -                 | 72,573                    | -                            | 72,573                  |
| Agency Funds                 | 16,595            | 37,164              | (50,372)              | -                 | 3,387                     | -                            | 3,387                   |
| <b>Total</b>                 | <b>\$ 339,606</b> | <b>\$ 1,527,373</b> | <b>\$ (1,842,079)</b> | <b>\$ (4,042)</b> | <b>\$ 20,858</b>          | <b>\$ -</b>                  | <b>\$ 20,858</b>        |

| Account Name | Account Type | Bank Name            | Bank Amount      | Adjustments to cash:     |           |
|--------------|--------------|----------------------|------------------|--------------------------|-----------|
|              |              |                      |                  | Bank Balance             | \$ 35,067 |
| Operational  | Checking     | First Community Bank | \$ 30,781        | Ousting checks           | (14,209)  |
| Agency funds | Checking     | First Community Bank | 4,286            | Total adjustment to cash | \$ 20,858 |
| <b>Total</b> |              |                      | <b>\$ 35,067</b> |                          |           |

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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**

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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, New Mexico State Auditor  
and the Governing Council of  
Taos Charter School

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of Taos Charter School as of and for the year ended June 30, 2009, and have issued our report thereon dated May 7, 2010. 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 Taos Charter 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 Taos Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Taos Charter School's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Taos Charter School's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Findings TCS 2009 – 1 through TCS 2009 – 4, FTCS 2009 – 1 through FTCS 2009 – 7, and FTCS 2009 – 9.

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 agency's internal control.

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Hector H. Balderas, New Mexico State Auditor  
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Taos Charter School

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items FTCS 2009 – 3 through FTCS 2009 – 5 and FTCS 2009 – 9 to be material weaknesses.

## Compliance and other matters

As part of obtaining reasonable assurance about whether Taos Charter 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items Findings TCS 2009 – 1 through TCS 2009 – 5 and FTCS 2009 – 1 through FTCS 2009 – 9.

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

This report is intended solely for the information and use of management, others within the Taos Charter School, the audit committee, the State Auditor, the New Mexico Legislature, New Mexico Public Education Department, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Keystone Accounting, LLC*

May 7, 2010

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2009

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A. PRIOR YEAR AUDIT FINDINGS

TAOS CHARTER SCHOOL

No Audit Findings to report.

FRIENDS OF TAOS CHARTER SCHOOL

No Audit Findings to report.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT

TAOS CHARTER SCHOOL

TCS 2009 – 1 PREPARATION OF FINANCIAL STATEMENTS

*Condition:* The financial statements were prepared by the auditor.

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

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

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

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

*Management's response:* The Taos Charter School will present a plan to its audit committee for the preparation and review of its financial statements in future fiscal years.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

TAOS CHARTER SCHOOL (continued)

TCS 2009 – 2 LATE AUDIT REPORT

*Condition:* The June 30, 2009 audit report was not submitted to the New Mexico State Auditor's Office by the due date of November 15, 2009. The Audit was submitted to the New Mexico State Auditor's Office on May 24, 2010.

*Criteria:* The New Mexico State Auditor has issued NMAC 2.2.2, Requirements for Contracting and Conducting Audits of Agencies, setting due dates for school audits to be in his office by November 15, 2008.

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

*Cause:* The Taos Charter School's audit is dependent on the audit of Taos Municipal School District under which they are chartered. That audit and this audit were not started until after the required reporting deadline of November 15, 2009.

*Recommendation:* Taos Charter School should work with Taos Municipal School District to ensure that the audit it initiated and completed by required reporting date.

*Management response:* The Taos Charter School will work with the Taos Municipal School District to ensure that any information required for next year's audit is provided timely and in coordination with the time schedule agreed upon by the auditor and the district.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

TAOS CHARTER SCHOOL (continued)

TCS 2009 – 3 LACK OF TIMELY MONITORING OF BUDGET LINE ITEMS

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

|  |    |    |
|--|----|----|
| Truancy Initiative Support Services - Students | \$ | 19 |
|--|----|----|

*Criteria:* According to NMSA 1978 Section 22-8-11 B all fiscal agents of public monies have a responsibility to monitor spending to comply with established budget guidelines.

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

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

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

*Management response:* The Taos Charter School has as a standing item a Budget Status Report and Budget Adjustment Requests (BARs) on the School Council's monthly board meeting. The School Council and/or the Department of Education approved 39 BARs in FY09, in addition to reviewing an average of two budget status reports each week. It is our intention and practice to closely monitor budgeted expenditures, however, some do occasionally slip by. We will do our best to ensure that expenditures do not exceed budget in all funds in the future.



STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

TAOS CHARTER SCHOOL (continued)

TCS 2009 – 4     UNAUTHORIZED TRANSFERS OF ACTIVITY FUNDS

*Condition:* There were unauthorized transfers of activity funds for the purpose of supplementing deficit cash balances within other activity funds. The total deficit cash balances supplemented at June 30, 2009 was \$2,746.

*Criteria:* Internal control should exist to provide reasonable assurance that no disbursement is made that would result in a deficit balance. The law for this finding is PSAB Supplement 18 and 6-10-2 NMSA 1978.

*Effect of Condition:* The School has violated PSAB Supplement 18 and 6-10-2 NMSA 1978. An over-expensed activity fund must be covered by funds from other activity funds. Funds donated to specific student activities were transferred to other unrelated activities without the proper authorization from donors.

*Cause:* Improper monitoring of line item expenditures and cash balances, resulting in overspending of cash balances.

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

*Management response:* The Taos Charter School will present a plan to its audit committee for the future management of the School's activity fund and to formalize the oversight activities related to this account.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

TAOS CHARTER SCHOOL (continued)

TCS 2009 – 5 COUNCIL MEMBER NOT PRESENT AT EXIT CONFERENCE

*Condition:* There was not a member of the governing council present at the exit conference for the audit report.

*Criteria:* SAO Rule 2.2.2.10 J states that a member of the governing body shall be present at the exit conference.

*Effect of condition:* Vista Grande High School is in violation of SAO Rule 2.2.2.10 J, which requires a member of the governing body to be present at the exit conference.

*Cause:* There was not a member of the governing body present at the exit conference.

*Recommendation:* A member of the governing council should be present at the exit conference.

*Management's response:* No response.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL

FTCS 2009 – 1 PREPARATION OF FINANCIAL STATEMENTS

*Condition:* The financial statements were prepared by the auditor.

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

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

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

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

*Management's response:* The Friends of Taos Charter School will present a plan to its board members for the preparation and review of its financial statements in future fiscal years.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL (continued)

FTCS 2009 – 2 LATE AUDIT REPORT

*Condition:* The June 30, 2009 audit report was not submitted to the New Mexico State Auditor's Office by the due date of November 15, 2009. The Audit was submitted to the New Mexico State Auditor's Office on June 14, 2010.

*Criteria:* The New Mexico State Auditor has issued NMAC 2.2.2, Requirements for Contracting and Conducting Audits of Agencies, setting due dates for school audits to be in his office by November 15, 2008.

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

*Cause:* The Taos Charter School's audit is dependent on the audit of Taos Municipal School District under which they are chartered. That audit and this audit were not started until after the required reporting deadline of November 15, 2009.

*Recommendation:* Taos Charter School should work with Taos Municipal School District to ensure that the audit it initiated and completed by required reporting date.

*Management's response:* The Taos Charter School should work with the Taos Municipal School District to ensure that the audit is initiated and completed by the required reporting date.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL (continued)

FTCS 2009 – 3 CAPITAL ASSET LIST AND DEPRECIATION SCHEDULE

*Condition:* The capital asset schedule and depreciation schedule was not complete and accurate at the time of the audit.

*Criteria:* Section 12-6-10 NMSA 1978 requires each agency to have a complete and accurate capital asset list, and GASB 34 requires the agency to have a complete depreciation schedule.

*Effect of condition:* The Foundation is in violation of 12-6-10 NMSA 1978 and without proper record keeping and monitoring the Foundation could be at risk of misappropriation of capital assets.

*Cause:* The Foundation does not have an inventory of capital assets and depreciation.

*Recommendation:* The Foundation should update the capital assets and take a physical inventory every two years.

*Management's Response:* The Foundation is currently preparing an updated capital assets inventory and will prepare a policy addressing the need for an annual physical inventory to address this issue.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL (continued)

FTCS 2009 – 4 DOCUMENTATION OF VOIDED CHECKS WERE MISSING

*Condition:* Two of thirteen checks tested were missing.

*Criteria:* Records are to be filed and retained within the Foundation as prescribed in 1978 NMSA 14-3-13.

*Effect of Condition:* Missing documentation can be susceptible to misuse of funds.

*Cause:* Management should use documentation in numerical order and keep all back up documents to assure is missing documentation for proper documentation.

*Recommendation:* Proper controls should be put into place to ensure that all documentation is used in numerical order and keep all documentation as proof of is kept.

*Management's response:* The Foundation will revisit its business practices to ensure that proper documentation is kept and provided to auditors in future Foundation audits.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL (continued)

FTCS 2009 – 5 BACKUP DOCUMENTATION FOR DISBURSEMENT MISSING

*Condition:* Invoice, purchase order and requisition was missing for five of thirteen disbursements tested.

*Criteria:* A system of internal controls designed to prevent and/or detect errors or violations of state and federal law is required as per 1978 NMSA 6-5-2, 6-NMAC-2.2.1.11 and 6-NMAC-2.2.1.14.

*Effect of Condition:* The Foundation's internal controls over cash disbursements were limited in its ability to prevent and/or detect errors or violations of law due to the improper use of documents.

*Cause:* Management is disbursing funds without proper documentation.

*Recommendation:* Proper controls should be put into place to ensure that all documentation is kept.

*Management's response:* The Foundation will revisit its business practices to ensure that proper documentation is kept and provided to auditors in future Foundation audits.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL (continued)

FTCS 2009 – 6 PRENUMBERED RECEIPTS WERE NOT USED

*Condition:* The Foundation did not use prenumbered receipts in numerical order thereby limiting the level of internal control over cash receipts.

*Criteria:* A system of internal controls designed to prevent and/or detect errors or violations of state and federal law is required as per 1978 NMSA 6-5-2, 6-NMAC-2.2.1.11 and 6-NMAC-2.2.1.14.

*Effect of condition:* The Foundation's internal controls over cash receipts were limited in its ability to prevent and/or detect errors or violations of law due to the improper use of prenumbered documents.

*Cause:* The Foundation is not controlling the issuance and collection of prenumbered receipt books.

*Recommendation:* The administration office should control the issue and collection of prenumbered receipt books to ensure that they are used in numerical order and are reviewed for any missing or suspicious receipts.

*Management's response:* Resolved by the Business Office should control the issue and collection of prenumbered receipt books to ensure that they are used in numerical order and are reviewed for any missing or suspicious receipts.

*Management's response:* The Foundation will prepare a policy addressing the need for stricter controls over the custody, use and review of pre-numbered receipts.



STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL (continued)

FTCS 2009 – 7 UNTIMELY DEPOSITS

*Condition:* Two of the eleven receipts reviewed were not deposited within one banking day.

*Criteria:* NMAC 6.20.2.14(c) states that money received and receipted shall be deposited in the bank within 24 hours or one banking day.

*Effect of condition:* The foundation is in violation of NMAC 6.20.2.14(c). Cash retained by management for extended periods of time are susceptible to misuse or fraud.

*Cause:* Deposits at times were taking more than 24 hours to be deposited in the bank.

*Recommendation:* Receipts should be deposited within one banking day.

*Management's response:* The Foundation will revisit its business practices to ensure that all deposits are made within one banking day.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL (continued)

FTCS 2009 – 8 BOARD MEMBER MISSING FROM EXIT CONFERENCE

*Condition:* There was not a member of the Board of Directors present at the exit conference for the audit report.

*Criteria:* SAO Rule 2.2.2.10 J states that a member of the governing body shall be present at the exit conference.

*Effect of condition:* Friends of Taos Charter School, Inc. is in violation of SAO Rule 2.2.2.10 J which requires a member of the governing body to be present at the exit conference.

*Cause:* There was not a member of the governing body present at the exit conference.

*Recommendation:* There should be a member of the governing body present at the exit conference.

*Management's response:* No response.

STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009

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B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

FRIENDS OF TAOS CHARTER SCHOOL (continued)

FTCS 2009 – 9 SELL OF LAND TO A RELATED PARTY WITH A CAPITAL GAIN

*Condition:* Friends of Taos Charter School, Inc purchased land with an option purchase, then sold the land to Taos Municipal Schools that resulted in a gain of \$76,829.

*Criteria:* 22-21-1 NMSA 1978 states that no related party shall receive any commission or profit from the sale or instructional material, furniture, and equipment etc.

*Effect of condition:* Friends of Taos Charter School is in violation of 22-21-1 NMAC 1978.

*Cause:* Friends of Taos Charter School had an option to purchase land which was purchased for \$52,788. Friends of Taos Charter School exercised the option to purchase the land for \$102,092 in February 2009. In May 2009 Friends of Taos Charter School sold to Taos Municipal Schools the 1.62 acres for \$233,000, which resulted in a gain of \$76,829.

*Recommendation:* The foundation should not sell land to the School for a gain.

*Management's response:* No response.

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## REQUIRED DISCLOSURE

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STATE OF NEW MEXICO  
TAOS CHARTER SCHOOL

REQUIRED DISCLOSURES  
Year Ended June 30, 2009

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REQUIRED DISCLOSURE

The financial statements were prepared by the independent public accountants. The management of Taos Charter School is responsible for those financial statements and the subsequent disclosures.

An exit conference was held May 13, 2010, during which the audit findings were discussed. The exit conference was attended by the following individuals:

TAOS CHARTER SCHOOL

Nancy O'Bryan  
Debbie Martinez

Director of Finance  
Fiscal Administrative Assistant

KEYSTONE ACCOUNTING, LLC

Phil Rasband, CPA

Partner