

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
AUDIT REPORT

For the Year Ended June 30, 2010
(with Auditor's Report Thereon)

RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
AUDIT REPORT
For The Year Ended June 30, 2010
(with Auditor's Report Thereon)

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
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STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Official Roster
Year Ended June 30, 2010

Board of Education

| <u>Name</u> | <u>Title</u> |
|-------------------|----------------|
| Mr. Paul Tooley | President |
| Ms. Ann Filosa | Vice President |
| Ms. Lydia Bamonte | Secretary |
| Mr. Louis Schwab | Member |
| Ms. Cathy Vickers | Member |

School Officials

| | |
|-----------------------|------------------|
| Mr. Tom Burris | Superintendent |
| Ms. Rebecca Gutierrez | Business Manager |

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Education
Truth or Consequences Municipal Schools
Truth or Consequences, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the General, Title I, SEG-Stimulus and Spaceport Funds of Truth or Consequences Municipal Schools, as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and the budgetary comparisons for the major capital project funds and debt service fund and all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of Truth or Consequences Municipal Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Truth or Consequences Municipal Schools internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Truth or Consequences Municipal Schools, as of June 30, 2010, and the respective changes in

financial position, thereof, and the respective budgetary comparisons for the General, Title I, SEG-Stimulus and Spaceport 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 non-major governmental and fiduciary funds of Truth or Consequences Municipal Schools, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the Bond Building, Capital Improvements SB-9, and Debt Service Funds and the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010 on our consideration of Truth or Consequences Municipal Schools internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Truth or Consequences Municipal Schools. The accompanying financial information listed as Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Schedule of Budgetary Basis to GAAP Basis Reconciliation, the Schedule of Changes in Assets and Liabilities-All Agency Funds and the Schedule of Cash Receipts and Disbursements is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



November 15, 2010

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Net Assets
 June 30, 2010

Statement 1

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Current assets | |
| Cash | \$ 6,621,616 |
| Taxes receivable | 27,613 |
| Due from grantor | 51,678 |
| Inventory | 15,363 |
| Total current assets | 6,716,270 |
| Non-current assets | |
| Land (non-depreciable) | 106,761 |
| Capital assets (depreciable) | 40,558,890 |
| Less accumulated depreciation | (9,887,073) |
| Total non-current assets | 30,778,578 |
| Total assets | 37,494,848 |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable | 28,701 |
| Accrued interest | 257,744 |
| Deferred revenue | 218,104 |
| Current portion of long-term obligations | 1,625,000 |
| Total current liabilities | 2,129,549 |
| Long-term obligations | |
| Compensated absences payable | 189,904 |
| Non-current portion of long-term obligations | 6,555,000 |
| Total long-term obligations | 6,744,904 |
| Total liabilities | 8,874,453 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 22,598,578 |
| Restricted for | |
| Special revenue inventory | 15,363 |
| Capital projects | 2,310,327 |
| Debt service | 2,040,675 |
| Unrestricted | 1,655,452 |
| Total net assets | \$ 28,620,395 |

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

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Statement of Activities
Year Ended June 30, 2010

Statement 2

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets | |
|--|----------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions |
| EXPENSES: | | | | | |
| Governmental activities: | | | | | |
| Direct instruction | \$ 8,375,575 | \$ 44,119 | \$ 1,794,630 | \$ 2,012,617 | \$ (4,524,209) |
| Instructional support | 5,304,396 | - | 1,165,029 | 78,477 | (4,060,890) |
| Food services | 614,101 | 87,190 | 573,446 | - | 46,535 |
| Depreciation - unallocated | 257,696 | - | - | - | (257,696) |
| Interest on long-term obligations | 464,104 | - | - | - | (464,104) |
| Total | \$ 15,015,872 | \$ 131,309 | \$ 3,533,105 | \$ 2,091,094 | (9,260,364) |
| General revenues: | | | | | |
| Taxes | | | | | |
| Property taxes, levied for general purposes | | | | | 126,980 |
| Property taxes, levied for capital projects | | | | | 507,658 |
| Property taxes, levied for debt service | | | | | 1,475,259 |
| Federal, State and Local aid not restricted to specific purpose | | | | | |
| General | | | | | 9,463,998 |
| Forest Reserve | | | | | 329,173 |
| SEG - Stimulus | | | | | 691,628 |
| Interest and investment earnings | | | | | 26,398 |
| Miscellaneous (Indirect Costs) | | | | | 9,578 |
| Sub-total, general revenues | | | | | 12,630,672 |
| Change in net assets | | | | | 3,370,308 |
| Net assets - beginning of year | | | | | 25,250,087 |
| Net assets - end of year | | | | | \$ 28,620,395 |

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

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Balance Sheet - All Governmental Funds
June 30, 2010

Statement 3

| | General | Title I | SEG - Stimulus | Spaceport | Bond Building | Capital Improvements SB-9 | Debt Service | Other Governmental | Total |
|---|---------------------|------------------|-------------------|-------------------|---------------------|---------------------------------|---------------------|-----------------------|---------------------|
| ASSETS | | | | | | | | | |
| Cash on deposit | \$ 1,502,165 | \$ 35,503 | \$ 24,808 | \$ 101,183 | \$ 2,310,327 | \$ 470,309 | \$ 2,021,382 | \$ 154,726 | \$ 6,620,403 |
| Accounts receivable, collectible | 1,664 | - | - | - | - | 6,656 | 19,293 | - | 27,613 |
| Inventory, at cost | - | - | - | - | - | - | - | 15,363 | 15,363 |
| Due from grantor | - | - | - | - | - | - | - | 52,891 | 52,891 |
| Due from other funds | 52,891 | - | - | - | - | - | - | - | 52,891 |
| Total assets | \$ 1,556,720 | \$ 35,503 | \$ 24,808 | \$ 101,183 | \$ 2,310,327 | \$ 476,965 | \$ 2,040,675 | \$ 222,980 | \$ 6,769,161 |
| LIABILITIES | | | | | | | | | |
| Due to other funds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 52,891 | \$ 52,891 |
| Deferred revenues | - | 35,503 | 24,808 | 101,183 | - | - | - | 56,610 | 218,104 |
| Accounts payable | 28,701 | - | - | - | - | - | - | - | 28,701 |
| Total liabilities | 28,701 | 35,503 | 24,808 | 101,183 | - | - | - | 109,501 | 299,696 |
| FUND BALANCE | | | | | | | | | |
| Reserved for retirement of long-term debt | - | - | - | - | - | - | 2,040,675 | - | 2,040,675 |
| Reserved for inventory | - | - | - | - | - | - | - | 15,363 | 15,363 |
| Unreserved: | | | | | | | | | |
| Designated for subsequent years expenditures | - | - | - | - | 2,310,327 | - | - | - | 2,310,327 |
| Undesignated, reported in: | | | | | | | | | |
| General Fund | 1,528,019 | - | - | - | - | - | - | - | 1,528,019 |
| Special Revenue Funds | - | - | - | - | - | - | - | 98,116 | 98,116 |
| Capital Projects Fund | - | - | - | - | - | 476,965 | - | - | 476,965 |
| Total fund balance | 1,528,019 | - | - | - | 2,310,327 | 476,965 | 2,040,675 | 113,479 | 6,469,465 |
| Total liabilities and fund balance | \$ 1,556,720 | \$ 35,503 | \$ 24,808 | \$ 101,183 | \$ 2,310,327 | \$ 476,965 | \$ 2,040,675 | \$ 222,980 | \$ 6,769,161 |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Reconciliation of the Balance Sheet - Government Funds
 to the Statement of Net Assets
 June 30, 2010

Statement 4

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

| | | |
|--|--|--------------|
| Total fund balances - governmental funds | | \$ 6,469,465 |
|--|--|--------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

| | | |
|----------------------------|--------------------|------------|
| The cost of capital assets | 40,665,651 | |
| Accumulated depreciation | <u>(9,887,073)</u> | |
| Net capital assets | | 30,778,578 |

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

| | | |
|---------------------------|------------------|--------------------|
| Bonds payable | (8,180,000) | |
| Accrued interest on bonds | (257,744) | |
| Compensated absences | <u>(189,904)</u> | |
| | | <u>(8,627,648)</u> |

| | | |
|---------------------------------------|--|----------------------|
| Total net assets - governmental funds | | <u>\$ 28,620,395</u> |
|---------------------------------------|--|----------------------|

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Revenues, Expenditures and Changes in
 Fund Balances - All Governmental Funds
 Year Ended June 30, 2010

Statement 5

| | General | Title I | SEG - Stimulus | Spaceport | Bond Building | Capital Improvements SB-9 | Debt Service | Other Governmental | Total |
|---|---------------------|----------------|-------------------|---------------|---------------------|---------------------------------|---------------------|-----------------------|---------------------|
| REVENUES | | | | | | | | | |
| Taxes | \$ 126,980 | \$ - | \$ - | \$ - | \$ - | \$ 507,658 | \$ 1,475,259 | \$ - | \$ 2,109,897 |
| Charges for services | 1,760 | - | - | 113 | - | - | - | 129,436 | 131,309 |
| Local sources | 76,747 | - | - | 36,930 | - | - | - | 65,589 | 179,266 |
| State sources | 10,374,637 | - | - | - | - | 31,502 | - | 479,381 | 10,885,520 |
| Federal sources | 355,571 | 936,252 | 691,628 | - | - | - | - | 1,353,334 | 3,336,785 |
| Earnings from investments | 2,949 | - | - | - | 4,498 | 371 | 1,692 | 68 | 9,578 |
| Total revenues | 10,938,644 | 936,252 | 691,628 | 37,043 | 4,498 | 539,531 | 1,476,951 | 2,027,808 | 16,652,355 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| Direct instruction | 6,673,402 | 747,431 | - | 37,043 | - | - | - | 911,499 | 8,369,375 |
| Instructional support | 4,170,522 | 175,031 | 691,628 | - | - | 38,776 | 13,993 | 214,446 | 5,304,396 |
| Food services | - | - | - | - | - | - | - | 614,101 | 614,101 |
| Capital outlay | 78,477 | 13,790 | - | - | 2,027,382 | 508,549 | - | 262,489 | 2,890,687 |
| Debt service: | | | | | | | | | |
| Bonds | - | - | - | - | - | - | 885,000 | - | 885,000 |
| Interest | - | - | - | - | - | - | 259,356 | - | 259,356 |
| Total expenditures | 10,922,401 | 936,252 | 691,628 | 37,043 | 2,027,382 | 547,325 | 1,158,349 | 2,002,535 | 18,322,915 |
| Excess (deficiency) revenues over expenditures | 16,243 | - | - | - | (2,022,884) | (7,794) | 318,602 | 25,273 | (1,670,560) |
| OTHER FINANCING SOURCES | | | | | | | | | |
| Loan proceeds | - | - | - | - | 1,500,000 | - | - | - | 1,500,000 |
| Total other financing sources | - | - | - | - | 1,500,000 | - | - | - | 1,500,000 |
| Net change in fund balances | 16,243 | - | - | - | (522,884) | (7,794) | 318,602 | 25,273 | (170,560) |
| Fund balance beginning of year | 1,511,776 | - | - | - | 2,833,211 | 484,759 | 1,722,073 | 88,206 | 6,640,025 |
| Fund balance end of year | \$ 1,528,019 | \$ - | \$ - | \$ - | \$ 2,310,327 | \$ 476,965 | \$ 2,040,675 | \$ 113,479 | \$ 6,469,465 |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances - Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2010

Statement 6

Total net change in fund balances - governmental funds \$ (170,560)

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

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

| | | |
|----------------------|-----------|--|
| Capital outlays | 4,624,512 | |
| Depreciation expense | (464,104) | |

Excess of depreciaton expense over capital outlays 4,160,408

In the Statement of Activities, certain operating
 expenses - accrued interest payable and compensated
 absences are measured by the amount incurred during the year.
 In the fund financial statements, however, expenditures are
 measured by the amount of financial resources used
 (essentially the amounts actually paid). The (increases)
 decreases in the liabilities for the year were:

| | | |
|--------------------------|--|---------|
| Accrued interest payable | | 1,660 |
| Compensated absences | | (6,200) |

The issuance of long-term debt (e.g. bonds) provides
 current financial resources to governmental funds
 while the repayment of the principal of long-term debt
 consumes the current financial resources of governmental
 funds.

| | | |
|-----------------------------|-------------|-----------|
| Proceeds of bond issue | (1,500,000) | |
| Repayment of long-term debt | 885,000 | |
| | | (615,000) |

Change in net assets of governmental activities \$ 3,370,308

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 General Fund
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|-----------------------------|-----------------------------|-----------------------------|--|
| REVENUES | | | | |
| Taxes | \$ 120,427 | \$ 120,427 | \$ 127,249 | \$ 6,822 |
| Charges for services | 1,039 | 1,039 | 1,760 | 721 |
| Local sources | 56,216 | 56,216 | 76,747 | 20,531 |
| State sources | 10,803,098 | 10,382,481 | 10,374,637 | (7,844) |
| Federal sources | 338,427 | 338,427 | 355,571 | 17,144 |
| Earnings from investments | 11,426 | 11,426 | 2,949 | (8,477) |
| Total revenues | <u>\$ 11,330,633</u> | <u>\$ 10,910,016</u> | <u>\$ 10,938,913</u> | <u>\$ 28,897</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 7,366,158 | \$ 7,183,081 | \$ 6,666,146 | \$ 516,935 |
| Instructional support | 4,699,933 | 4,444,517 | 4,170,522 | 273,995 |
| Capital outlay | 490,540 | 569,017 | 78,477 | 490,540 |
| Total expenditures | <u>\$ 12,556,631</u> | <u>\$ 12,196,615</u> | <u>\$ 10,915,145</u> | <u>\$ 1,281,470</u> |
| BUDGETED CASH BALANCE | <u>\$ 1,227,365</u> | <u>\$ 1,286,599</u> | | |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Title I
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|---------------------|-------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 927,651 | \$ 1,002,956 | \$ 927,338 | \$ (75,618) |
| Total revenues | <u>\$ 927,651</u> | <u>\$ 1,002,956</u> | <u>\$ 927,338</u> | <u>\$ (75,618)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 739,056 | \$ 814,361 | \$ 763,745 | \$ 50,616 |
| Instructional support | <u>188,595</u> | <u>188,595</u> | <u>175,031</u> | <u>13,564</u> |
| Total expenditures | <u>\$ 927,651</u> | <u>\$ 1,002,956</u> | <u>\$ 938,776</u> | <u>\$ 64,180</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 SEG - Stimulus
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 739,537 | \$ 948,727 | \$ 716,436 | \$ (232,291) |
| Total revenues | <u>\$ 739,537</u> | <u>\$ 948,727</u> | <u>\$ 716,436</u> | <u>\$ (232,291)</u> |
| EXPENDITURES | | | | |
| Instructional support | \$ 739,537 | \$ 948,727 | \$ 691,628 | \$ 257,099 |
| Total expenditures | <u>\$ 739,537</u> | <u>\$ 948,727</u> | <u>\$ 691,628</u> | <u>\$ 257,099</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Spaceport
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|----------------------|--------------------|------------------|-------------------|--|
| REVENUES | | | | |
| Charges for services | \$ - | \$ - | \$ 113 | \$ 113 |
| Local sources | <u>80,000</u> | <u>80,000</u> | <u>138,114</u> | <u>58,114</u> |
| Total revenues | <u>\$ 80,000</u> | <u>\$ 80,000</u> | <u>\$ 138,227</u> | <u>\$ 58,227</u> |
| EXPENDITURES | | | | |
| Direct instruction | <u>\$ 80,000</u> | <u>\$ 80,000</u> | <u>\$ 37,043</u> | <u>\$ 42,957</u> |
| Total expenditures | <u>\$ 80,000</u> | <u>\$ 80,000</u> | <u>\$ 37,043</u> | <u>\$ 42,957</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Net Assets
 Fiduciary Funds
 June 30, 2010

| | Private Purpose Trust Funds | Agency Funds | Total |
|-------------------------------------|-----------------------------------|-------------------|-------------------|
| ASSETS | | | |
| Cash on deposit | \$ 47,529 | \$ 173,912 | \$ 221,441 |
| Total assets | <u>\$ 47,529</u> | <u>\$ 173,912</u> | <u>\$ 221,441</u> |
| LIABILITIES | | | |
| Deposits held for others | \$ - | \$ 173,912 | \$ 173,912 |
| Total liabilities | <u>-</u> | <u>173,912</u> | <u>173,912</u> |
| NET ASSETS | | | |
| Reserved for scholarship | 7,971 | - | 7,971 |
| Reserved for endowment | <u>39,558</u> | <u>-</u> | <u>39,558</u> |
| Total net assets | <u>47,529</u> | <u>-</u> | <u>47,529</u> |
| Total liabilities and net assets | <u>\$ 47,529</u> | <u>\$ 173,912</u> | <u>\$ 221,441</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Changes in Fiduciary Net Assets
 Trust Funds
 June 30, 2010

| | <u>Private Purpose Trust Funds</u> |
|-------------------------------|--|
| Gifts and contributions | \$ 3,500 |
| Interest earned | <u>69</u> |
| Total receipts | <u>3,569</u> |
| Scholarships awarded | <u>8,500</u> |
| Total disbursements | <u>8,500</u> |
| Change in net assets | (4,931) |
| Net assets, beginning of year | <u>52,460</u> |
| Net assets, end of year | <u><u>\$ 47,529</u></u> |

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

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Truth of Consequences Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB #'s 34, 37 and 38 effective July 1, 2002. As part of Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

The District provides kindergarten, elementary, middle and secondary educational services to school age residents of the District. The District operates under the direction of a local school board, under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978.

A. Reporting Entity

The Truth of Consequences Municipal Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

Notes to Financial Statements (continued)

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. This District also has no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship. The District has no component units, as defined by GASB Statement No. 14.

The accounting policies of the School District as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local governmental units. The following is a summary of the more significant policies:

B. Basis of Presentation

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

Governmental Funds

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

Under the requirements of GASB 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

General Fund - The primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Notes to Financial Statements (continued)

Special Revenue Fund - Title I ESEA Fund - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

Special Revenue Fund - SEG - Stimulus - To account for resources received to supplement State and Local funding normally received for the operation of the school district. Financing and authority for this program are the American Recovery and Reinvestment Act.

Special Revenue Fund - Spaceport - To account for resources received for the Schools participation in the Student Launch Program.

Capital Projects Fund - Bond Building - To account for the resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings and the purchase of equipment and furnishings.

Debt Service Fund - General Obligation Bonds - To account for resources received for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

Fiduciary Funds

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

The District also reports additional Government funds as non-major. They include:

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

Capital Project Funds - these funds are used to account for the acquisition of capital assets or construction of major capital projects.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Notes to Financial Statements (continued)

All governmental activities of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Program Revenues

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*.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes were not available from the County Treasurers for the current year.

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

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

Expenditures

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

Fiduciary Funds

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

D. Budgets and Budgetary Accounting

All budgets, and any amendments or revision thereof, are approved by the State of New Mexico, Department of Finance and Administration, Department of Education. Budgets for the General, Special Revenue, Debt Service and Capital Projects Fund are adopted on a basis inconsistent with generally accepted accounting principles (GAAP) Encumbrance accounting is not used by the School District.

Notes to Financial Statements (continued)

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debts Service Fund and Capital Projects Fund.

Appropriations do not lapse at the end of the fiscal year and unexpended fund balances are budgeted in the succeeding fiscal year. The Board of Education 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 State of New Mexico, Department of Finance and Administration, Department of Education. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations.

Expenditures of the School District may not legally exceed appropriations at the level at which the budget is adopted, that is, expenditures in each category of line items may not exceed the budgeted appropriation for that category.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. Accounts Receivable

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Accounts receivable consist of the following:

| | <u>General</u> | <u>Other Major</u> | <u>Other Governmental</u> | <u>Total</u> |
|----------------|-----------------|------------------------|-------------------------------|------------------|
| Property taxes | <u>\$ 1,664</u> | <u>\$ 25,949</u> | <u>\$ -</u> | <u>\$ 27,613</u> |

3. Inventories

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

4. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets.

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

Notes to Financial Statements (continued)

| | |
|-----------------------------------|-------------|
| Land improvements | 10-25 years |
| Buildings & building improvements | 30-50 years |
| Furniture & equipment | 5-25 years |
| Vehicles | 8-10 years |

GASB Statement #34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets as of June 30.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

5. Deferred Revenues

The District reports deferred revenues on its Statement of Net Assets and fund balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

6. Compensated Absences

Qualified employees are entitled to accumulate annual leave of 12 days per fiscal year. Upon termination, employees will be paid for up to 15 days of accrued annual leave. In addition, terminating employees will be paid one day of sick leave for each year of service in excess of three years.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net assets.

7. Long-Term Liabilities

For government-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

For fund financial reporting issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as an other financing source.

8. **Fund Balances of Fund Financial Statements**

Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The District designates the portion of the year-end fund balance, not otherwise designated or reserved, for subsequent years' expenditures. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

9. **Restricted Net Assets**

The governmental activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net assets - This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. REVENUES

1. Property Tax Levies

Truth of Consequences Municipal Schools receives property taxes from the Sierra County Treasurer for operational, public school capital improvements and debt service purposes. Property taxes are assessed on January 1st of each year, except on livestock, and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year. Property taxes are collected by the County Treasurer and remitted to the School District in the month following collection.

Although there are no restrictions placed on property taxes collected for operation purposes, restrictions do exist on the amounts collected under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) and the amounts collected as a result of issuing general obligation bonds.

Under the provisions of the Public School Capital Improvements Act, any local school board may adopt a resolution to submit to the qualified electors of the school district the question of whether or not a property tax should be imposed on the net taxable value of property allocated to the school district for the purpose of capital improvements. The resolution shall:

1. Identify the capital improvements;

Notes to Financial Statements (continued)

2. Specify the rate of the proposed tax, which shall not exceed two dollars (\$2.00) on each \$1,000 of net taxable value of property;
3. Specify the date an election will be held;
4. Limit the imposition of the tax to no more than three property tax years.

If approved, any revenues produced by the tax and any state distribution resulting to the District under the Act shall be expended only for the capital improvements specified in the authorized resolution.

General obligation bonds may be issued for the purpose of erecting, remodeling, making additions to and the furnishing of school buildings, or purchasing or improving school grounds or any combination of these purposes. Such bonds shall be fully negotiable and constitute negotiable instruments.

The school board shall establish adequate budgetary provisions, approved by the School Management Division, to promptly pay, as it becomes due, all principal and interest on general obligation bonds issued by the school district.

The full faith and credit of a school district shall be pledged to the payment of the principal and interest on general obligation bonds issued by the school district.

The board of county commissioners shall levy and collect upon all taxable property within a school district in the county such tax as is necessary to pay the interest and principal on general obligation bonds issued by the school district as the interest and principal become due, without limitation as to rate or amount.

2. State Equalization Guarantee

Each school district in the State of New Mexico receives 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 8-25, NMSA 1978) "is at least equal to the school district's program cost."

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi-cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$9,463,998 in state equalization guarantee distributions during the year.

3. Transportation Distribution

Money in the transportation distribution of the public school fund shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocation education programs are being offered, pursuant to Section 22-16-4.1 (NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$854,029 in transportation distribution during the year.

4. SB-9 State Match

The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount

by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District received \$31,502 in state SB-9 matching during the year.

5. Critical Capital Outlay

Under the provisions of Chapter 22, Article 24, a critical capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner.
4. The district is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

Notes to Financial Statements (continued)

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

During the year ended June 30, the District received \$0 in critical capital outlay funds and \$0 in special capital outlay funds.

6. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2002, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in prior years. During the year ended June 30, the District received \$56,610 in instructional materials allocation.

7. Federal Grants

The District receives revenues from various Federal departments (both direct and indirect) which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Department of Education). The various budgets are approved by the Local School Board and the New Mexico Department of Education.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

Notes to Financial Statements (continued)

H. Interfund Transactions

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

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

I. 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 the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

| | | | |
|-------------------------------|--------------------|-------------------------------|----------------------------|
| Bank of the Southwest | Checking | Debt Service | \$ 1,322,279 |
| Bank of the Southwest | Checking | Critical Capital Outlay | 857,652 |
| Bank of the Southwest | Savings | Investment | - |
| Bank of the Southwest | Checking | Operational | 868,638 |
| Bank of the Southwest | Checking | Federal | 404,410 |
| Bank of the Southwest | Savings | Howe Trust | 5,000 |
| Bank of the Southwest | Savings | Lang Trust | 2,914 |
| Bank of the Southwest | Checking | Payroll Clearing | <u>1,130,814</u> |
| | | | <u>\$ 4,591,707</u> |
| First Savings Bank | Checking | Cafeteria | <u>\$ 108,023</u> |
| Compass Bank | Checking | Activity | <u>\$ 173,342</u> |
| New Mexico State Treasurer | Investment Pool | | <u>\$ 3,339,053</u> |

Notes to Financial Statements (continued)

| | |
|-------------------------|--------------|
| Total amount on deposit | \$ 8,212,125 |
| Outstanding checks | (1,436,216) |
| Deposits in transit | 74,482 |
| Due to REC | (8,727) |
| Petty Cash | <u>180</u> |

Total per financial statements **\$ 6,841,844**

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$4,341,707 of the School's bank balance of \$4,873,072 was exposed to custodial credit risk as follows:

| | |
|--|------------------|
| A. Uninsured and uncollateralized | \$ 1,654,067 |
| B. Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name | <u>2,687,640</u> |

Total **\$ 4,341,707**

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution. 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. The following schedule details the public money held by financial institutions and pledged collateral held by the District as follows:

| | <u>Bank of the Southwest</u> | <u>First Savings Bank</u> | <u>Compass Bank</u> |
|--|------------------------------|---------------------------|---------------------|
| Cash on deposit at June 30 | \$ 4,591,707 | \$ 108,023 | \$ 173,342 |
| Less F.D.I.C. | <u>(250,000)</u> | <u>(108,023)</u> | <u>(173,342)</u> |
| Uninsured funds | 4,341,707 | - | - |
| 50% Collateral requirement (as per section 6-10-17, NMSA, 1978) | 2,170,854 | - | - |
| Pledged collateral by pledging banks trust department or agent but not in the Schools name | <u>2,687,640</u> | <u>-</u> | <u>-</u> |
| Excess of pledged collateral | <u>\$ 516,786</u> | <u>\$ -</u> | <u>\$ -</u> |

| <u>Wells Fargo Bank in Dallas, TX</u> | <u>Maturity Date</u> | <u>Fair Market Value</u> |
|---------------------------------------|----------------------|----------------------------|
| GNMA II Pool CUSIP #80119 | 10/20/27 | \$ 12,640 |
| FHLB Letter of Credit | 1/05/11 | 2,225,000 |
| FHLB Letter of Credit | 6/02/11 | 200,000 |
| FHLB Letter of Credit | 6/06/11 | <u>250,000</u> |
| | | <u>\$ 2,687,640</u> |

Notes to Financial Statements (continued)

The accounts of the State Treasurers Investment Pool are monitored by the State Treasurers Office and the State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk.

The Local Government Investment Pool does not have unit shares. Per Section 6-10-10, 1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts in the fund were invested. Participation in the local government investment pool is voluntary.

The credit rating of the investment pool at the New Mexico State Treasurer is as follows:

New MexiGrow LGIP AAAM rated \$3,339,053 50-day WAM

3. DUE FROM GRANTOR

The amount shown as due from grantor represents federal, state and local expenditures in excess of revenues. Most federal, state or local projects earn revenue as expenditures are incurred and are subsequently reimbursed by the grantor.

4. CASH OVERDRAFTS

The cash overdrafts shown in some federal, state and local projects in the special revenue fund represent expenditures made by the District which will be reimbursed by the grantor. Receivables from grantor are presented to off-set these overdrafts.

5. DEFERRED REVENUE

Deferred revenue represents advances on cost-reimbursement type grants which have not yet been earned.

Notes to Financial Statements (continued)

6. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

| | <u>Balance</u> <u>June 30, 2009</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2010</u> | <u>Due Within</u> <u>One Year</u> |
|--------------------------------|--|----------------------------|--------------------------|--|--------------------------------------|
| General Obligation Bonds | \$ 7,565,000 | \$ 1,500,000 | \$ 885,000 | \$ 8,180,000 | \$1,625,000 |
| Compensated Absences | <u>183,704</u> | <u>6,200</u> | - | <u>189,904</u> | - |
| Total | <u>\$ 7,748,704</u> | <u>\$ 1,506,200</u> | <u>\$ 885,000</u> | <u>\$ 8,369,904</u> | <u>\$1,625,000</u> |

Payments on the general obligation bonds are made by the debt service funds. The compensated absences liability will ultimately be liquidated by several of the Districts governmental funds, with most being paid by the General Fund, Transportation Fund, Cafeteria Fund and Title I Fund.

B. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The annual requirements to retire general obligation bonds as of June 30, are as follows:

Date of issue - April 30, 2001
Original amount - \$2,500,000
Interest rate - 3.850% to 4.750%

| <u>Due in</u> <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| 2011 | \$ 125,000 | \$ 33,550 | \$ 158,550 |
| 2012 | 150,000 | 27,500 | 177,500 |
| 2013 | 150,000 | 20,825 | 170,825 |
| 2014 | 175,000 | 13,425 | 188,425 |
| 2015 | <u>200,000</u> | <u>4,700</u> | <u>204,700</u> |
| Total | <u>\$ 800,000</u> | <u>\$ 100,000</u> | <u>\$ 900,000</u> |

Notes to Financial Statements (continued)

Date of issue - August 16, 2002
 Original amount - \$1500,000
 Interest rate - 1.964% to 4.304%

| <u>Due in Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|------------------|-------------------|
| 2011 | \$ 100,000 | \$ 20,111 | \$ 120,111 |
| 2012 | 100,000 | 16,150 | 116,150 |
| 2013 | 100,000 | 12,129 | 112,129 |
| 2014 | 100,000 | 8,031 | 108,031 |
| 2015 | 50,000 | 4,918 | 54,918 |
| 2016 | 90,000 | 1,937 | 91,937 |
| Total | <u>\$ 540,000</u> | <u>\$ 63,276</u> | <u>\$ 603,276</u> |

Date of issue - April 16, 2004
 Original amount - \$1,750,000
 Interest rate - 1.047% to 3.492%

| <u>Due in Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|-------------------|---------------------|
| 2011 | \$ 100,000 | \$ 29,397 | \$ 129,397 |
| 2012 | 100,000 | 26,640 | 126,640 |
| 2013 | 100,000 | 23,698 | 123,698 |
| 2014 | 100,000 | 20,609 | 120,609 |
| 2015 | 125,000 | 16,998 | 141,998 |
| 2016 | 200,000 | 11,583 | 211,583 |
| 2017 | 235,000 | 4,103 | 239,103 |
| Total | <u>\$ 960,000</u> | <u>\$ 133,028</u> | <u>\$ 1,093,028</u> |

Date of issue - September 21, 2005
 Original amount - \$1,750,000
 Interest rate - 2.376% to 3.290%

| <u>Due in Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|------------------|-------------------|
| 2011 | \$ 100,000 | \$ 21,539 | \$ 121,539 |
| 2012 | 100,000 | 18,715 | 118,715 |
| 2013 | 100,000 | 15,785 | 115,785 |
| 2014 | 100,000 | 12,766 | 112,766 |
| 2015 | 100,000 | 9,672 | 109,672 |
| 2016 | 100,000 | 6,507 | 106,507 |
| 2017 | 100,000 | 3,276 | 103,276 |
| 2018 | 50,000 | 822 | 50,822 |
| Total | <u>\$ 750,000</u> | <u>\$ 89,082</u> | <u>\$ 839,082</u> |

Date of issue - June 12, 2006
 Original amount - \$1,500,000
 Interest rate - 3.530% to 4.210%

| <u>Due in Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2011 | \$ 100,000 | \$ 38,405 | \$ 138,405 |
| 2012 | 100,000 | 34,685 | 134,685 |
| 2013 | 100,000 | 30,900 | 130,900 |
| 2014 | 75,000 | 27,515 | 102,515 |
| 2015 | 25,000 | 25,542 | 50,542 |
| 2016 | 50,000 | 24,023 | 74,023 |
| 2017 | 100,000 | 20,945 | 120,945 |
| 2018 | 150,000 | 15,758 | 165,758 |
| 2019 | 300,000 | 6,315 | 306,315 |
| Total | <u>\$ 1,000,000</u> | <u>\$ 224,088</u> | <u>\$ 1,224,088</u> |

Notes to Financial Statements (continued)

Date of issue - March 1, 2007
 Original amount - \$1,750,000
 Interest rate - 3.235% to 3.412%

| <u>Due in Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2011 | \$ 100,000 | \$ 32,402 | \$ 132,402 |
| 2012 | 75,000 | 29,568 | 104,568 |
| 2013 | 50,000 | 27,536 | 77,536 |
| 2014 | 50,000 | 25,903 | 75,903 |
| 2015 | 100,000 | 23,437 | 123,437 |
| 2016 | 100,000 | 20,127 | 120,127 |
| 2017 | 145,000 | 16,030 | 161,030 |
| 2018 | 200,000 | 10,209 | 210,209 |
| 2019 | 200,000 | 3,412 | 203,412 |
| Total | <u>\$ 1,020,000</u> | <u>\$ 188,624</u> | <u>\$ 1,208,624</u> |

Date of issue - March 28, 2008
 Original amount - \$1,750,000
 Interest rate - 2.82% to 3.88%

| <u>Due in Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2011 | \$ 175,000 | \$ 55,743 | \$ 230,743 |
| 2012 | 75,000 | 52,069 | 127,069 |
| 2013 | 25,000 | 50,563 | 75,563 |
| 2014 | 25,000 | 49,789 | 74,789 |
| 2015 | 25,000 | 48,992 | 73,992 |
| 2016 | 50,000 | 47,752 | 97,752 |
| 2017 | 50,000 | 46,061 | 96,061 |
| 2018 | 100,000 | 43,399 | 143,399 |
| 2019 | 100,000 | 39,743 | 139,743 |
| 2020 | 475,000 | 28,845 | 503,845 |
| 2021 | 510,000 | 9,898 | 519,898 |
| Total | <u>\$ 1,610,000</u> | <u>\$ 472,854</u> | <u>\$ 2,082,854</u> |

Date of issue - October 23, 2009
 Original amount - \$1,500,000
 Interest rate - .650% to 4.060%

| <u>Due in Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2011 | \$ 825,000 | \$ 26,567 | \$ 851,597 |
| 2012 | 100,000 | 17,626 | 117,626 |
| 2013 | 25,000 | 16,994 | 41,994 |
| 2014 | 25,000 | 16,614 | 41,614 |
| 2015 | 25,000 | 16,156 | 41,156 |
| 2016 | 25,000 | 15,624 | 40,624 |
| 2017 | - | 15,342 | 15,342 |
| 2018 | 75,000 | 14,331 | 89,331 |
| 2019 | - | 13,320 | 13,320 |
| 2020 | 50,000 | 12,568 | 62,568 |
| 2021 | 50,000 | 11,030 | 61,030 |
| 2022 | 100,000 | 8,593 | 108,593 |
| 2023 | 100,000 | 5,230 | 105,230 |
| 2024 | 100,000 | 1,759 | 101,759 |
| Total | <u>\$ 1,500,000</u> | <u>\$ 191,784</u> | <u>\$ 1,691,784</u> |

Totals
 - all issues \$ 8,180,000 \$ 1,462,736 \$ 9,642,736

Notes to Financial Statements (continued)

C. Operating Leases

The District was not entered into any operating leases during the fiscal year.

D. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.

7. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and Workmens Compensation. For these risks of loss the School District belongs to a public entity risk pool currently operated as a common risk management and insurance program for 89 member school districts. (New Mexico Public School Insurance Authority). Amounts of settlement have not exceeded insurance coverage in the past three years.

8. SOUTHWEST REGIONAL EDUCATIONAL COOPERATIVE #10

The School District is a member of the Southwest Regional Educational Cooperative #10. The Southwest Regional Educational Cooperative #10 issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that audit report can be obtained by writing to the Southwest Regional Educational Cooperative #10, PO Box 952, Truth or Consequences, NM 87901.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

| | <u>General</u> | <u>Title I</u> | <u>SEG-Stimulus</u> |
|---|---------------------|----------------------|---------------------|
| Revenues per modified accrual basis | \$10,938,644 | \$ 936,252 | \$ 691,628 |
| Receivables | 269 | - | - |
| Deferred revenues/Due from grantor | - | (8,914) | 24,808 |
| Revenues per budgetary basis | <u>\$10,938,913</u> | <u>\$ 927,338</u> | <u>\$ 716,436</u> |
| Expenditures per modified accrual basis | \$10,922,401 | \$ 936,252 | \$ 691,628 |
| Accounts payable | (7,256) | 2,524 | - |
| Expenditures per budgetary basis | <u>\$10,915,145</u> | <u>\$ 938,776</u> | <u>\$ 691,628</u> |
| | <u>Spaceport</u> | <u>Bond Building</u> | <u>Debt Service</u> |
| Revenues per modified accrual basis | \$ 37,043 | \$ 4,498 | \$ 1,476,951 |
| Receivables | - | - | 3,118 |
| Deferred revenues/Due from grantor | 101,184 | - | - |
| Revenues per budgetary basis | <u>\$ 138,227</u> | <u>\$ 4,498</u> | <u>\$ 1,480,069</u> |
| Expenditures per modified accrual basis | \$ 37,043 | \$ 2,027,382 | \$ 1,158,349 |
| Inventory changes | - | - | - |
| Accounts payable | - | - | - |
| Expenditures per budgetary basis | <u>\$ 37,043</u> | <u>\$ 2,027,382</u> | <u>\$ 1,158,349</u> |

Notes to Financial Statements (continued)

| | Capital Improvements SB-9 | Non-Major Special Revenue | Non-Major Capital Projects |
|--|---------------------------------|---------------------------------|----------------------------------|
| Revenues per modified accrual basis | \$ 539,531 | \$ 1,794,308 | \$ 233,500 |
| Receivables | 1,078 | - | - |
| Deferred revenues/Due from grantor | - | 53,738 | - |
| Revenues per budgetary basis | <u>\$ 540,609</u> | <u>\$ 1,848,046</u> | <u>\$ 233,500</u> |
| Expenditures per modified accrual basis | \$ 547,325 | \$ 1,769,035 | \$ 233,500 |
| Accounts payable | - | 4,923 | - |
| Expenditures per budgetary basis | <u>\$ 547,325</u> | <u>\$ 1,773,958</u> | <u>\$ 233,500</u> |

The reconciliation for each non-major fund can be found in the Supplementary information section of this report.

10. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2010 are as follows:

| | Balance July 1, 2009 | Additions | Adjustments | Deletions | Balance June 30, 2010 |
|--|-------------------------|---------------------|-------------|--------------------|--------------------------|
| Governmental activities: | | | | | |
| Land | \$ 102,596 | \$ 4,165 | \$ - | \$ - | \$ 106,761 |
| Total capital assets not being depreciated | <u>102,596</u> | <u>4,165</u> | <u>-</u> | <u>-</u> | <u>106,761</u> |
| Land improvements | - | 25,356 | 514,353 | - | 539,709 |
| Vehicles | - | 112,277 | 1,673,038 | - | 1,785,315 |
| Buildings & improvements | 33,776,177 | 4,443,325 | (2,187,391) | (1,239,481) | 34,792,630 |
| Furniture & equipment | 4,681,381 | 39,390 | - | (1,279,534) | 3,441,237 |
| Total | <u>38,560,154</u> | <u>4,624,513</u> | <u>-</u> | <u>(2,519,015)</u> | <u>40,665,652</u> |
| Less accumulated depreciation: | | | | | |
| Land improvements | - | (22,449) | (127,347) | - | (149,796) |
| Vehicles | - | (102,835) | (1,103,588) | - | (1,206,423) |
| Buildings & improvements | (7,168,806) | (320,786) | 930,935 | - | (6,558,657) |
| Furniture & equipment | (4,773,178) | (18,034) | 300,000 | 2,519,015 | (1,972,197) |
| Total | <u>(11,941,984)</u> | <u>(464,104)</u> | <u>-</u> | <u>2,519,015</u> | <u>(9,887,073)</u> |
| Governmental activities Capital assets, net | <u>\$ 26,618,170</u> | <u>\$ 4,160,409</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,778,579</u> |

Notes to Financial Statements (continued)

The District had no infrastructure as of June 30, 2010. The District received \$1,591,232 in Capital Asset Improvements from the Public School Finance Authority, \$104,628 from the E-Rate program and .0833 acres was donated at the assessed cost of \$4,165. A bus owned by an owner/operator was donated back to the District during the year at the purchase value of \$33,800.

Depreciation expense was charged to governmental activities as follows:

| | |
|----------------------------|--------------------------|
| Unallocated | <u>\$ 464,104</u> |
| Total depreciation expense | <u>\$ 464,104</u> |

11. ENDOWMENTS

The District received an endowment from the Estate of Joe W. Lang. This endowment is to be used for investment purposes with only the proceeds from such investments restricted to use for scholarships. The corpus of \$39,558 which was received in 1999 is to remain intact indefinitely. The District received a \$10,000 endowment from the Sarah Genevieve Howe Estate to be called the Robert Howe Educational Trust. This endowment is to be used for investment purposes restricted to use for scholarships. The corpus of \$-0- is to remain intact indefinitely. The District received a \$30,000 endowment from the Mary E. Irvin Revocable Trust in 1995. This endowment is to be used for scholarships. The amount is to be paid out at \$3,000 per year for 10 years. Any proceeds received from investing the \$30,000 can also be used for scholarship purposes.

12. RETIREMENT PLAN

Plan Description. Substantially all of the Truth or Consequences Municipal Schools full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERA) is the administrator of the plan, which is a cost-sharing multiple employer defined benefit retirement plan. The plan provides for retirement 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). ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERA, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERA's website at www.nmerb.org.

Funding Policy. Plan members are required to contribute 7.825% of their gross salary. Truth or Consequences Municipal Schools is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer

Notes to Financial Statements (continued)

contribution will be 13.9%. The contribution requirements of plan members and the Truth or Consequences Municipal Schools are established in State statute under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Truth or Consequences Municipal Schools contributions to ERA for the years ending June 30, 2010, 2009, and 2008 were \$926,492, \$981,473 and \$913,925, respectively, which equals the amount of the required contributions for each fiscal year.

13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. Truth or Consequences Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided 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 event the time period required for employee and employer contributions shall become the period of time between the employers 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 post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized 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

Notes to Financial Statements (continued)

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 for the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and 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 01/01/98 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.

Truth or Consequences Municipal Schools contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$108,395, \$109,515 and \$109,000, respectively, which equal the required contributions for each year.

14. DEFERRED COMPENSATION PLAN

The District has adopted a deferred compensation plan under Code Section 457. Employees can contribute up to 25% of their salary. The plan is managed by First Financial Administrators, Inc. with One America being the transfer agent holding the funds. Employee contributions to this plan for the year end, June 30, was \$278,840.

15. JOINT POWERS AGREEMENTS

A Joint Powers Agreement was entered into with the City of Truth or Consequences. The School District obtained a grant from the Department of Transportation to help pay for the construction of a specific road. The City is responsible for providing the improvements to the specified road. The JPA is dated October 27, 2009. The Grant is dated August 26, 2009. The end date will be when the construction of the road is completed. The total amount of the project is unknown. The total amount of the Grant is \$15,681. The School District is responsible for the audit of the Grant. The Department of Transportation is the fiscal agent concerning this Grant.

OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Bond Building
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------|---------------------|---------------------|---------------------|--|
| REVENUES | | | | |
| Earnings from investments | \$ 22,905 | \$ 22,905 | \$ 4,498 | \$ (18,407) |
| Total revenues | <u>\$ 22,905</u> | <u>\$ 22,905</u> | <u>\$ 4,498</u> | <u>\$ (18,407)</u> |
| EXPENDITURES | | | | |
| Capital outlay | \$ 4,289,835 | \$ 4,289,835 | \$ 2,027,382 | \$ 2,262,453 |
| Total expenditures | <u>\$ 4,289,835</u> | <u>\$ 4,289,835</u> | <u>\$ 2,027,382</u> | <u>\$ 2,262,453</u> |
| OTHER FINANCING SOURCES | | | | |
| Loan proceeds | \$ 1,500,000 | \$ 1,500,000 | \$ 1,500,000 | \$ - |
| Total other financing sources | <u>\$ 1,500,000</u> | <u>\$ 1,500,000</u> | <u>\$ 1,500,000</u> | <u>\$ -</u> |
| BUDGETED CASH BALANCE | <u>\$ 2,766,930</u> | <u>\$ 2,766,930</u> | | |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Capital Improvements SB-9
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Taxes | \$ 481,704 | \$ 481,704 | \$ 508,736 | \$ 27,032 |
| State sources | - | 31,502 | 31,502 | - |
| Earnings from investments | 492 | 492 | 371 | (121) |
| Total revenues | <u>\$ 482,196</u> | <u>\$ 513,698</u> | <u>\$ 540,609</u> | <u>\$ 26,911</u> |
| EXPENDITURES | | | | |
| Capital outlay | \$ 930,162 | \$ 961,664 | \$ 547,325 | \$ 414,339 |
| Total expenditures | <u>\$ 930,162</u> | <u>\$ 961,664</u> | <u>\$ 547,325</u> | <u>\$ 414,339</u> |
| BUDGETED CASH BALANCE | <u>\$ 447,966</u> | <u>\$ 447,966</u> | | |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Debt Service
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|----------------------------|----------------------------|---------------------------|--|
| REVENUES | | | | |
| Taxes | \$ 1,172,529 | \$ 1,172,529 | \$1,478,377 | \$ 305,848 |
| Earnings from investments | 13,247 | 13,247 | 1,692 | (11,555) |
| Total revenues | <u>\$ 1,185,776</u> | <u>\$ 1,185,776</u> | <u>\$1,480,069</u> | <u>\$ 294,293</u> |
| EXPENDITURES | | | | |
| Instructional support | \$ 13,993 | \$ 13,993 | \$ 13,993 | \$ - |
| Bonds | 885,000 | 885,000 | 885,000 | - |
| Interest | 259,356 | 259,356 | 259,356 | - |
| Total expenditures | <u>\$ 1,158,349</u> | <u>\$ 1,158,349</u> | <u>\$1,158,349</u> | <u>\$ -</u> |

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

NON-MAJOR FUNDS

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Governmental Funds
 Combined Balance Sheet - By Fund Type
 June 30, 2010

| | Special Revenue Funds | Capital Project Funds | Total |
|---------------------------------------|-----------------------------|-----------------------------|--------------------------|
| ASSETS | | | |
| Cash on deposit | \$ 154,726 | \$ - | \$ 154,726 |
| Taxes receivable | - | - | - |
| Due from grantor | 52,891 | - | 52,891 |
| Inventory, at cost | <u>15,363</u> | <u>-</u> | <u>15,363</u> |
| Total assets | <u><u>\$ 222,980</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 222,980</u></u> |
| LIABILITIES | | | |
| Cash overdraft | \$ 52,891 | \$ - | \$ 52,891 |
| Deferred revenues | 56,610 | - | 56,610 |
| Accounts payable | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | <u>109,501</u> | <u>-</u> | <u>109,501</u> |
| FUND BALANCE | | | |
| Reserved for inventory | 15,363 | - | 15,363 |
| Unreserved: | | | |
| Undesignated | <u>98,116</u> | <u>-</u> | <u>98,116</u> |
| Total fund balance | <u>113,479</u> | <u>-</u> | <u>113,479</u> |
| Total liabilities and fund balance | <u><u>\$ 222,980</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 222,980</u></u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Governmental Funds
 Combined Statement of Revenues, Expenditures and Changes in
 Fund Balances - By Fund Type
 Year Ended June 30, 2010

| | Special Revenue Funds | Capital Project Funds | Total |
|--------------------------------|-----------------------------|-----------------------------|-------------------|
| REVENUES | | | |
| Taxes | \$ - | \$ - | \$ - |
| Charges for services | 129,436 | - | 129,436 |
| Local sources | 65,589 | - | 65,589 |
| State sources | 245,881 | 233,500 | 479,381 |
| Federal sources | 1,353,334 | - | 1,353,334 |
| Earnings from investments | 68 | - | 68 |
| | <u>1,794,308</u> | <u>233,500</u> | <u>2,027,808</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Direct instruction | 911,499 | - | 911,499 |
| Instructional support | 214,446 | - | 214,446 |
| Food services | 614,101 | - | 614,101 |
| Capital outlay | 28,989 | 233,500 | 262,489 |
| | <u>1,769,035</u> | <u>233,500</u> | <u>2,002,535</u> |
| Net change in fund balance | 25,273 | - | 25,273 |
| Fund balance beginning of year | <u>88,206</u> | <u>-</u> | <u>88,206</u> |
| Fund balance end of year | <u>\$ 113,479</u> | <u>\$ -</u> | <u>\$ 113,479</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Combined Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Governmental Fund Types - Non-Major
 Special Revenue Funds
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|---------------------|---------------------|---------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 119,137 | \$ 119,137 | \$ 129,436 | \$ 10,299 |
| Local sources | - | 65,589 | - | (65,589) |
| State sources | 148,712 | 315,932 | 279,599 | (36,333) |
| Federal sources | 1,113,380 | 1,972,926 | 1,438,943 | (533,983) |
| Earnings from investments | 53 | 53 | 68 | 15 |
| Total revenues | <u>\$ 1,381,282</u> | <u>\$ 2,473,637</u> | <u>\$ 1,848,046</u> | <u>\$ (625,591)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 618,952 | \$ 1,402,686 | \$ 911,499 | \$ 491,187 |
| Instructional support | 49,747 | 346,367 | 214,446 | 131,921 |
| Food services | 796,679 | 808,680 | 648,013 | 160,667 |
| Total expenditures | <u>\$ 1,465,378</u> | <u>\$ 2,557,733</u> | <u>\$ 1,773,958</u> | <u>\$ 783,775</u> |
| BUDGETED CASH BALANCE | <u>\$ 84,096</u> | <u>\$ 84,096</u> | | |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Combined Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Governmental Fund Types - Non-Major
 Capital Projects Funds
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| State sources | \$ 153,265 | \$ 233,500 | \$ 233,500 | \$ - |
| Total revenues | <u>\$ 153,265</u> | <u>\$ 233,500</u> | <u>\$ 233,500</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Capital outlay | \$ 153,265 | \$ 233,500 | \$ 233,500 | \$ - |
| Total expenditures | <u>\$ 153,265</u> | <u>\$ 233,500</u> | <u>\$ 233,500</u> | <u>\$ -</u> |

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

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

TITLE I STIMULUS - To account for funds received from the Federal Government to supplement State and Local funding to help low-achieving children, especially in high-poverty schools. The program finances the additional academic support and learning opportunities that are often required to help disadvantaged students progress along with their classmates. Financing and authority for this program are the American Recovery and Reinvestment Act.

TITLE I MIGRANT - To account for revenues and expenditures of supplemental educational programs for students that show a deficiency in various subjects. (P.L. 100-297)

TITLE III REHABILITATION - Created to assist in operating comprehensive, coordinated, effective, efficient and accountable programs of vocational rehabilitation. (Rehabilitation Act of 1973 Part A & B, Section 100-111).

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

TITLE I SCHOOL IMPROVEMENT - To account for federal resources passed through the New Mexico Department of Education to provide for educational improvement through state assessments and related activities authorized by P.L. 107-110.

FRESH FRUIT & VEGETABLE PROGRAM - To account for cash received to assist States in providing free fresh fruits and vegetables to school children in designated participating schools. Authority is Section 120 of the Child Nutrition and WIC Reauthorization Act (Public Law 108-265).

TECHNOLOGY LITERACY CHALLENGE - To account for monies received to be used to improve student learning through the use of technology as a teaching tool. Authority for this program is Public Law 103-382.

PL94-142 ENTITLEMENT - To account for resources for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17

TITLE I HOMELESS STIMULUS - To account for grant monies received to help the McKinney-Vento Homeless Education Program. Financing and authority for this program is Title I of the Elementary and Secondary Education Act, and the General Education Provision Act (PL 103-382).

TITLE I HOMELESS - To account for grant monies received to help the McKinney-Vento Homeless Education Program. Financing and authority for this program is Title I of the Elementary and Secondary Education Act, and the General Education Provision Act (PL 103-382).

(Non-Major Special Revenue Funds - continued)

INNOVATIVE EDUCATION PROGRAM STRATEGIES - To account for grant funds to help combat illiteracy among children through a reading program. Also, through the acquisition and use of instructional materials. Financing and authority is provided by Elementary and Secondary Education Act of 1965, Title VI, as amended, 20 U.S.C. 7301-7373.

IMPROVING TEACHER QUALITY - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

CARL D. PERKINS - SECONDARY FUND - To account for grant monies received to develop more fully the academic, vocational, and technical skills of secondary and post secondary students who elect to enroll in vocational and technical programs. Financing and authority for this program is Carl D. Perkins Vocational and Technical Education Act of 1998, Title I; Workforce Investment Act, Section 503.

ROTC - Federally funded program to provide a ROTC to the District.

PL 94-142 DISCRETIONARY - To account for federal resources administered by the State Department of Education to provide for special educational needs for handicapped children 6-21 years old. Financing and authority is provided by the Individual With Disabilities Education Act, Part B.

ENGLISH LANGUAGE ACQUISITION - To account for monies received to ensure that Limited English Proficient children (LEP) and youth, including immigrant children and youth, attain English proficiency and meet the same challenging State academic content and student academic achievement standards as all children and youth are expected to meet. Financing and authority for this program is Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101, 3129.

SCHOOL IMPROVEMENT FRAMEWORK - To account for resources received from the State for the purpose of providing an additional math or reading class for students who are not proficient on the (NMSBA) New Mexico Standards Based Assessment.

K-3 PLUS PROGRAM - To account for resources received from the State of New Mexico for full-day Kindergarten and grades one through three for extended year classrooms.

SCHOOLS IN NEED IMPROVEMENT FRAMEWORK - To account for resources received from the State to help with the original School Improvement Framework program.

MICROSOFT SETTLEMENT - To account for resources received from the Microsoft New Mexico Class Action Settlement for the purpose of purchasing qualifying hardware, non-custom software or the purchase of equipment needed for networking and infrastructure.

(Non-Major Special Revenue Funds - continued)

TECHNOLOGY FOR EDUCATION - To account for State funding which is to be used by the District to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities.

DUAL CREDIT - To account for resources received from House Bill 2, 2009, to be used for dual credit instructional materials through a course approved by Higher Education Department and through a college/university for which the district has an approved agreement.

LIBRARY BOND - To account for resources received from the State of New Mexico Public Education Department and the Department of Cultural Affairs through a GO Bond C specifically issued for public school libraries. Laws 2002, Chapter 93 appropriate "funds to acquire library books, equipment and library resources for public school libraries.

BEGINNING TEACHER MENTORING PROGRAM - To account for monies appropriated by the State Legislature to be used for stipends to mentors, for professional development opportunities, release time; including payment of substitutes, materials and supplies and for minor administrative costs. Financing and authority is provided by the State Legislature.

INCENTIVES FOR SCHOOL IMPROVEMENT ACT - To account for monies received to be used as determined by the school principal and teachers in cooperation with other school employees and the community. It shall not be used for salaries, salary increases or bonuses. Financing and authority is provided by NMSA 22-13A-5.

BREAKFAST PROGRAM - To account for monies received from the 2006 Legislative General Appropriations Act to be used for Elementary Breakfast food expenses. Financing and authority is provided by the State Legislature.

PRE K START UP PROGRAM - To account for monies received from the State Legislature to start a Pre Kindergarten Program. Funding is to be used for supplies used in the classroom. Financing and authority is provided by the State Legislature.

PRE K PROGRAM - To account for monies received from the State Legislature to provide a Pre-Kindergarten Program. Funding is to be used for salaries, benefits, limited supplies and transportation costs. Financing and authority is provided by the State Legislature.

LIBRARY BOOK - To account for monies received to be used for the purchase of school library books. Financing and authority is provided by the New Mexico State Legislature, 2008 Senate Bill 471.

ATHLETICS FUND - To account for the activities of the athletic functions of the District. (State Department of Education Regulation 93-1).

(Non-Major Special Revenue Funds - continued)

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2010

Statement B-1
 Page 1 of 4

| | Title I Stimulus | Title I Migrant | Title III | Rural Low Income Grant | Title I Improvement | Fresh Fruit & Vegetable Program | Technology Literacy Challenge | PL94-142 Entitlement |
|--|---------------------|--------------------|-------------|------------------------------|------------------------|---------------------------------------|-------------------------------------|-------------------------|
| ASSETS | | | | | | | | |
| Cash on deposit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,433 | \$ - | \$ 19,088 |
| Due from grantor | 20,762 | 7,971 | - | 6,309 | - | - | 3,600 | - |
| Inventory, at cost | - | - | - | - | - | - | - | - |
| Total assets | \$ 20,762 | \$ 7,971 | \$ - | \$ 6,309 | \$ - | \$ 1,433 | \$ 3,600 | \$ 19,088 |
| LIABILITIES | | | | | | | | |
| Cash overdraft | \$ 20,762 | \$ 7,971 | \$ - | \$ 6,309 | \$ - | \$ - | \$ 3,600 | \$ - |
| Deferred revenue | - | - | - | - | - | 1,433 | - | 19,088 |
| Total liabilities | 20,762 | 7,971 | - | 6,309 | - | 1,433 | 3,600 | 19,088 |
| FUND BALANCES | | | | | | | | |
| Reserved for inventory | - | - | - | - | - | - | - | - |
| Unreserved: | | | | | | | | |
| Undesignated | - | - | - | - | - | - | - | - |
| Total fund balance | - | - | - | - | - | - | - | - |
| Total liabilities and fund balances | \$ 20,762 | \$ 7,971 | \$ - | \$ 6,309 | \$ - | \$ 1,433 | \$ 3,600 | \$ 19,088 |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2010

Statement B-1
 Page 2 of 4

| | Title I Homeless Stimulus | Title I Homeless | Innovative Education | Improving Teacher Quality | Carl D. Perkins Secondary | ROTC | PL 94-142 Discretionary | English Language Acquisition |
|--|---------------------------------|---------------------|-------------------------|---------------------------------|---------------------------------|-----------------|----------------------------|------------------------------------|
| ASSETS | | | | | | | | |
| Cash on deposit | \$ - | \$ - | \$ - | \$ 1,441 | \$ - | \$ 1,625 | \$ - | \$ - |
| Due from grantor | - | - | - | - | - | - | - | 1,213 |
| Inventory, at cost | - | - | - | - | - | - | - | - |
| Total assets | \$ - | \$ - | \$ - | \$ 1,441 | \$ - | \$ 1,625 | \$ - | \$ 1,213 |
| LIABILITIES | | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,213 |
| Deferred revenue | - | - | - | 1,441 | - | 1,625 | - | - |
| Total liabilities | - | - | - | 1,441 | - | 1,625 | - | 1,213 |
| FUND BALANCES | | | | | | | | |
| Reserved for inventory | - | - | - | - | - | - | - | - |
| Unreserved: | | | | | | | | |
| Undesignated | - | - | - | - | - | - | - | - |
| Total fund balance | - | - | - | - | - | - | - | - |
| Total liabilities and fund balances | \$ - | \$ - | \$ - | \$ 1,441 | \$ - | \$ 1,625 | \$ - | \$ 1,213 |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2010

Statement B-1
 Page 3 of 4

| | School Improvement Framework | K-3 Plus Program | Schools in Need Improvement Framework | Microsoft | Technology For Education | Dual Credit | Library Bond | Beginning Teacher Mentoring Program |
|--|------------------------------------|------------------------|--|--------------------|--------------------------------|------------------------|------------------------|--|
| ASSETS | | | | | | | | |
| Cash on deposit | \$ - | \$ - | \$ - | \$ - | \$ 6,997 | \$ - | \$ - | \$ 11,637 |
| Due from grantor | - | - | 1,304 | - | - | 1,000 | 3,409 | - |
| Inventory, at cost | - | - | - | - | - | - | - | - |
| Total assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,304</u> | <u>\$ -</u> | <u>\$ 6,997</u> | <u>\$ 1,000</u> | <u>\$ 3,409</u> | <u>\$ 11,637</u> |
| LIABILITIES | | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ 1,304 | \$ - | \$ - | \$ 1,000 | \$ 3,409 | \$ - |
| Deferred revenue | - | - | - | - | 6,997 | - | - | 11,637 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>1,304</u> | <u>-</u> | <u>6,997</u> | <u>1,000</u> | <u>3,409</u> | <u>11,637</u> |
| FUND BALANCES | | | | | | | | |
| Reserved for inventory | - | - | - | - | - | - | - | - |
| Unreserved: | | | | | | | | |
| Undesignated | - | - | - | - | - | - | - | - |
| Total fund balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,304</u> | <u>\$ -</u> | <u>\$ 6,997</u> | <u>\$ 1,000</u> | <u>\$ 3,409</u> | <u>\$ 11,637</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Funds
 Combining Balance Sheet
 June 30, 2010

Statement B-1
 Page 4 of 4

| | Incentives For School Improvements | Breakfast Program | Pre K Start Up Program | Pre K Program | Library Book | Athletics | Student Cafeteria Account | Totals |
|--|--|----------------------|------------------------------|------------------|-----------------|------------------|---------------------------------|-------------------|
| ASSETS | | | | | | | | |
| Cash on deposit | \$ 3,294 | \$ 11,081 | \$ - | \$ - | \$ 14 | \$ 16,217 | \$ 81,899 | \$ 154,726 |
| Due from grantor | - | - | 1,122 | 6,201 | - | - | - | 52,891 |
| Inventory, at cost | - | - | - | - | - | - | 15,363 | 15,363 |
| Total assets | \$ 3,294 | \$ 11,081 | \$ 1,122 | \$ 6,201 | \$ 14 | \$ 16,217 | \$ 97,262 | \$ 222,980 |
| LIABILITIES | | | | | | | | |
| Cash overdraft | \$ - | \$ - | \$ 1,122 | \$ 6,201 | \$ - | \$ - | \$ - | \$ 52,891 |
| Deferred revenue | 3,294 | 11,081 | - | - | 14 | - | - | 56,610 |
| Total liabilities | 3,294 | 11,081 | 1,122 | 6,201 | 14 | - | - | 109,501 |
| FUND BALANCES | | | | | | | | |
| Reserved for inventory | - | - | - | - | - | - | 15,363 | 15,363 |
| Unreserved: | | | | | | | | |
| Undesignated | - | - | - | - | - | 16,217 | 81,899 | 98,116 |
| Total fund balance | - | - | - | - | - | 16,217 | 97,262 | 113,479 |
| Total liabilities and fund balances | \$ 3,294 | \$ 11,081 | \$ 1,122 | \$ 6,201 | \$ 14 | \$ 16,217 | \$ 97,262 | \$ 222,980 |

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

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2010

| | Title I Stimulus | Title I Migrant | Title III | Rural Low Income Grant | Title I Improvement | Fresh Fruit & Vegetable Program | Technology Literacy Challenge | PL94-142 Entitlement |
|--------------------------------------|---------------------|--------------------|-------------|------------------------------|------------------------|---------------------------------------|-------------------------------------|-------------------------|
| REVENUES | | | | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | 137,726 | 32,048 | - | 18,296 | 22,901 | - | - | 365,668 |
| Earnings from investments | - | - | - | - | - | - | - | - |
| Total revenues | 137,726 | 32,048 | - | 18,296 | 22,901 | - | - | 365,668 |
| EXPENDITURES | | | | | | | | |
| Direct instruction | 134,872 | 32,048 | - | 18,296 | 22,901 | - | - | 207,646 |
| Instructional support | 2,854 | - | - | - | - | - | - | 158,022 |
| Food services | - | - | - | - | - | - | - | - |
| Total expenditures | 137,726 | 32,048 | - | 18,296 | 22,901 | - | - | 365,668 |
| Net change in fund balance | - | - | - | - | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - | - | - | - | - |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2010

| | Title I Homeless Stimulus | Title I Homeless | Innovative Education | Improving Teacher Quality | Carl D. Perkins Secondary | ROTC | PL 94-142 Discretionary | English Language Acquisition |
|--------------------------------------|---------------------------------|---------------------|-------------------------|---------------------------------|---------------------------------|---------------|----------------------------|------------------------------------|
| REVENUES | | | | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | - | - | - | - | - |
| State sources | - | - | - | - | - | - | - | - |
| Federal sources | 1,631 | 5,000 | 2,490 | 110,496 | 19,278 | 60,507 | - | 4,801 |
| Earnings from investments | - | - | - | - | - | - | - | - |
| Total revenues | <u>1,631</u> | <u>5,000</u> | <u>2,490</u> | <u>110,496</u> | <u>19,278</u> | <u>60,507</u> | <u>-</u> | <u>4,801</u> |
| EXPENDITURES | | | | | | | | |
| Direct instruction | - | - | 2,490 | 108,344 | 19,278 | 60,507 | - | 4,801 |
| Instructional support | 1,631 | 5,000 | - | 2,152 | - | - | - | - |
| Food services | - | - | - | - | - | - | - | - |
| Total expenditures | <u>1,631</u> | <u>5,000</u> | <u>2,490</u> | <u>110,496</u> | <u>19,278</u> | <u>60,507</u> | <u>-</u> | <u>4,801</u> |
| Net change in fund balance | - | - | - | - | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - | - | - | - | - |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2010

| | School Improvement Framework | K-3 Plus Program | School in Need Improvement Framework | Microsoft | Technology For Education | Dual Credit | Library Bond | Beginning Teacher Mentoring Program |
|--------------------------------------|------------------------------------|------------------------|---|---------------|--------------------------------|----------------|-----------------|--|
| REVENUES | | | | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Local sources | - | - | - | 65,589 | - | - | - | - |
| State sources | - | 67,235 | 27,789 | - | 8,561 | 1,000 | 3,409 | 3,542 |
| Federal sources | - | - | - | - | - | - | - | - |
| Earnings from investments | - | - | - | - | - | - | - | - |
| Total revenues | <u>-</u> | <u>67,235</u> | <u>27,789</u> | <u>65,589</u> | <u>8,561</u> | <u>1,000</u> | <u>3,409</u> | <u>3,542</u> |
| EXPENDITURES | | | | | | | | |
| Direct instruction | - | 67,235 | 27,789 | 65,589 | - | 1,000 | - | 2,542 |
| Instructional support | - | - | - | - | 8,561 | - | 3,409 | 1,000 |
| Food services | - | - | - | - | - | - | - | - |
| Total expenditures | <u>-</u> | <u>67,235</u> | <u>27,789</u> | <u>65,589</u> | <u>8,561</u> | <u>1,000</u> | <u>3,409</u> | <u>3,542</u> |
| Net change in fund balance | - | - | - | - | - | - | - | - |
| Fund balance at beginning of year | - | - | - | - | - | - | - | - |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2010

| | Incentives For School Improvements | Breakfast Program | Pre K Start Up Program | Pre K Program | Library Book | Athletics | Student Cafeteria Account | Totals |
|--------------------------------------|--|----------------------|------------------------------|------------------|-----------------|-----------|---------------------------------|------------|
| REVENUES | | | | | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 42,246 | \$ 87,190 | \$ 129,436 |
| Local sources | - | - | - | - | - | - | - | 65,589 |
| State sources | - | 954 | - | 128,851 | 4,540 | - | - | 245,881 |
| Federal sources | - | - | - | - | - | - | 572,492 | 1,353,334 |
| Earnings from investments | - | - | - | - | - | - | 68 | 68 |
| Total revenues | - | 954 | - | 128,851 | 4,540 | 42,246 | 659,750 | 1,794,308 |
| EXPENDITURES | | | | | | | | |
| Direct instruction | - | - | - | 101,574 | - | 34,587 | - | 911,499 |
| Instructional support | - | - | - | 27,277 | 4,540 | - | - | 214,446 |
| Food services | - | 954 | - | - | - | - | 642,136 | 643,090 |
| Total expenditures | - | 954 | - | 128,851 | 4,540 | 34,587 | 642,136 | 1,769,035 |
| Net change in fund balance | - | - | - | - | - | 7,659 | 17,614 | 25,273 |
| Fund balance at beginning of year | - | - | - | - | - | 8,558 | 79,648 | 88,206 |
| Fund balance at end of year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 16,217 | \$ 97,262 | \$ 113,479 |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Title I Stimulus
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 264,841 | \$ 508,064 | \$ 135,823 | \$ (372,241) |
| Total revenues | <u>\$ 264,841</u> | <u>\$ 508,064</u> | <u>\$ 135,823</u> | <u>\$ (372,241)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 258,935 | \$ 496,470 | \$ 134,872 | \$ 361,598 |
| Instructional support | 5,906 | 11,594 | 2,854 | 8,740 |
| Total expenditures | <u>\$ 264,841</u> | <u>\$ 508,064</u> | <u>\$ 137,726</u> | <u>\$ 370,338</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Title I Migrant
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 19,967 | \$ 34,967 | \$ 25,909 | \$ (9,058) |
| Total revenues | <u>\$ 19,967</u> | <u>\$ 34,967</u> | <u>\$ 25,909</u> | <u>\$ (9,058)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 19,967 | \$ 34,967 | \$ 32,048 | \$ 2,919 |
| Total expenditures | <u>\$ 19,967</u> | <u>\$ 34,967</u> | <u>\$ 32,048</u> | <u>\$ 2,919</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Title III
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|------------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ - | \$ 13,916 | \$ 13,916 |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,916</u> | <u>\$ 13,916</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Rural Low Income Grant
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 38,514 | \$ 10,580 | \$ (27,934) |
| Total revenues | <u>\$ -</u> | <u>\$ 38,514</u> | <u>\$ 10,580</u> | <u>\$ (27,934)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 38,514 | \$ 18,296 | \$ 20,218 |
| Total expenditures | <u>\$ -</u> | <u>\$ 38,514</u> | <u>\$ 18,296</u> | <u>\$ 20,218</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Title I Improvement
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 40,000 | \$ 22,901 | \$ (17,099) |
| Total revenues | <u>\$ -</u> | <u>\$ 40,000</u> | <u>\$ 22,901</u> | <u>\$ (17,099)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 40,000 | \$ 22,901 | \$ 17,099 |
| Total expenditures | <u>\$ -</u> | <u>\$ 40,000</u> | <u>\$ 22,901</u> | <u>\$ 17,099</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Fresh Fruit and Vegetable Program
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|-------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Food services | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Technology Literacy Challenge
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|-------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - PL 94-142 Entitlement
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 471,549 | \$ 430,602 | \$ (40,947) |
| Total revenues | <u>\$ -</u> | <u>\$ 471,549</u> | <u>\$ 430,602</u> | <u>\$ (40,947)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 225,475 | \$ 207,646 | \$ 17,829 |
| Instructional support | - | 246,074 | 158,022 | 88,052 |
| Total expenditures | <u>\$ -</u> | <u>\$ 471,549</u> | <u>\$ 365,668</u> | <u>\$ 105,881</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Title I Homeless-Stimulus
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|------------------|-----------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 12,500 | \$ 1,631 | \$ (10,869) |
| Total revenues | <u>\$ -</u> | <u>\$ 12,500</u> | <u>\$ 1,631</u> | <u>\$ (10,869)</u> |
| EXPENDITURES | | | | |
| Instructional support | \$ - | \$ 12,500 | \$ 1,631 | \$ 10,869 |
| Total expenditures | <u>\$ -</u> | <u>\$ 12,500</u> | <u>\$ 1,631</u> | <u>\$ 10,869</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Title I Homeless
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 5,000 | \$ 5,000 | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ 5,000</u> | <u>\$ 5,000</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Instructional support | \$ - | \$ 5,000 | \$ 5,000 | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ 5,000</u> | <u>\$ 5,000</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Innovative Education
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 2,490 | \$ 2,490 | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ 2,490</u> | <u>\$ 2,490</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 2,490 | \$ 2,490 | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ 2,490</u> | <u>\$ 2,490</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Improving Teacher Quality
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 110,850 | \$ 111,005 | \$ 115,303 | \$ 4,298 |
| Total revenues | <u>\$ 110,850</u> | <u>\$ 111,005</u> | <u>\$ 115,303</u> | <u>\$ 4,298</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 108,698 | \$ 108,853 | \$ 108,344 | \$ 509 |
| Instructional support | <u>2,152</u> | <u>2,152</u> | <u>2,152</u> | <u>-</u> |
| Total expenditures | <u>\$ 110,850</u> | <u>\$ 111,005</u> | <u>\$ 110,496</u> | <u>\$ 509</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Carl D. Perkins Secondary
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 26,325 | \$ 23,506 | \$ 20,737 | \$ (2,769) |
| Total revenues | <u>\$ 26,325</u> | <u>\$ 23,506</u> | <u>\$ 20,737</u> | <u>\$ (2,769)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 26,325 | \$ 23,506 | \$ 19,278 | \$ 4,228 |
| Total expenditures | <u>\$ 26,325</u> | <u>\$ 23,506</u> | <u>\$ 19,278</u> | <u>\$ 4,228</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - ROTC
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Federal sources | \$ 60,525 | \$ 60,525 | \$ 61,218 | \$ 693 |
| Total revenues | <u>\$ 60,525</u> | <u>\$ 60,525</u> | <u>\$ 61,218</u> | <u>\$ 693</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 60,525 | \$ 60,525 | \$ 60,507 | \$ 18 |
| Total expenditures | <u>\$ 60,525</u> | <u>\$ 60,525</u> | <u>\$ 60,507</u> | <u>\$ 18</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - PL 94-142 Discretionary
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|------------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ - | \$ 16,306 | \$ 16,306 |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 16,306</u> | <u>\$ 16,306</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - English Language Acquisition
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|-----------------|--|
| REVENUES | | | | |
| Federal sources | \$ - | \$ 33,934 | \$ 4,035 | \$ (29,899) |
| Total revenues | <u>\$ -</u> | <u>\$ 33,934</u> | <u>\$ 4,035</u> | <u>\$ (29,899)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 33,934 | \$ 4,801 | \$ 29,133 |
| Total expenditures | <u>\$ -</u> | <u>\$ 33,934</u> | <u>\$ 4,801</u> | <u>\$ 29,133</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - School Improvement Framework
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ - | \$ 3,437 | \$ 3,437 |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,437</u> | <u>\$ 3,437</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - K-3 Plus Program
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ 89,854 | \$ 86,160 | \$ (3,694) |
| Total revenues | <u>\$ -</u> | <u>\$ 89,854</u> | <u>\$ 86,160</u> | <u>\$ (3,694)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 89,854 | \$ 67,235 | \$ 22,619 |
| Total expenditures | <u>\$ -</u> | <u>\$ 89,854</u> | <u>\$ 67,235</u> | <u>\$ 22,619</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - School in Need Improvement Framework
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------|----------------------------|-------------------------|------------------|---|
| REVENUES | | | | |
| State sources | \$ - | \$ 30,000 | \$ 26,485 | \$ (3,515) |
| Total revenues | <u>\$ -</u> | <u>\$ 30,000</u> | <u>\$ 26,485</u> | <u>\$ (3,515)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 30,000 | \$ 27,789 | \$ 2,211 |
| Total expenditures | <u>\$ -</u> | <u>\$ 30,000</u> | <u>\$ 27,789</u> | <u>\$ 2,211</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Microsoft
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Local sources | \$ - | \$ 65,589 | \$ - | \$ (65,589) |
| Total revenues | <u>\$ -</u> | <u>\$ 65,589</u> | <u>\$ -</u> | <u>\$ (65,589)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 65,589 | \$ 65,589 | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ 65,589</u> | <u>\$ 65,589</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Technology for Education
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ 9,170 | \$ 9,616 | \$ 446 |
| Total revenues | <u>\$ -</u> | <u>\$ 9,170</u> | <u>\$ 9,616</u> | <u>\$ 446</u> |
| EXPENDITURES | | | | |
| Instructional support | \$ - | \$ 9,170 | \$ 8,561 | \$ 609 |
| Total expenditures | <u>\$ -</u> | <u>\$ 9,170</u> | <u>\$ 8,561</u> | <u>\$ 609</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Dual Credit
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ 1,000 | \$ - | \$ (1,000) |
| Total revenues | <u>\$ -</u> | <u>\$ 1,000</u> | <u>\$ -</u> | <u>\$ (1,000)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 1,000 | \$ 1,000 | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ 1,000</u> | <u>\$ 1,000</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Library Bond
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|------------------|-----------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ 17,188 | \$ - | \$ (17,188) |
| Total revenues | <u>\$ -</u> | <u>\$ 17,188</u> | <u>\$ -</u> | <u>\$ (17,188)</u> |
| EXPENDITURES | | | | |
| Instructional support | \$ - | \$ 17,188 | \$ 3,409 | \$ 13,779 |
| Total expenditures | <u>\$ -</u> | <u>\$ 17,188</u> | <u>\$ 3,409</u> | <u>\$ 13,779</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Beginning Teacher Mentoring
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ 8,007 | \$ 7,475 | \$ (532) |
| Total revenues | <u>\$ -</u> | <u>\$ 8,007</u> | <u>\$ 7,475</u> | <u>\$ (532)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ 7,007 | \$ 2,542 | \$ 4,465 |
| Instructional support | - | 1,000 | 1,000 | - |
| Total expenditures | <u>\$ -</u> | <u>\$ 8,007</u> | <u>\$ 3,542</u> | <u>\$ 4,465</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Incentives for School Improvements
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|-------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Breakfast Program
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ 12,001 | \$ 12,001 | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ 12,001</u> | <u>\$ 12,001</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Food services | \$ - | \$ 12,001 | \$ 954 | \$ 11,047 |
| Total expenditures | <u>\$ -</u> | <u>\$ 12,001</u> | <u>\$ 954</u> | <u>\$ 11,047</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Pre K Start Up Program
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-----------------|-------------|--|
| REVENUES | | | | |
| State sources | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ - | \$ - | \$ - |
| Total expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Pre K Program
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| State sources | \$ 144,158 | \$ 144,158 | \$ 134,425 | \$ (9,733) |
| Total revenues | <u>\$ 144,158</u> | <u>\$ 144,158</u> | <u>\$ 134,425</u> | <u>\$ (9,733)</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 107,023 | \$ 107,023 | \$ 101,574 | \$ 5,449 |
| Instructional support | <u>37,135</u> | <u>37,135</u> | <u>27,277</u> | <u>9,858</u> |
| Total expenditures | <u>\$ 144,158</u> | <u>\$ 144,158</u> | <u>\$ 128,851</u> | <u>\$ 15,307</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Library Book
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| State sources | \$ 4,554 | \$ 4,554 | \$ - | \$ (4,554) |
| Total revenues | <u>\$ 4,554</u> | <u>\$ 4,554</u> | <u>\$ -</u> | <u>\$ (4,554)</u> |
| EXPENDITURES | | | | |
| Instructional support | \$ 4,554 | \$ 4,554 | \$ 4,540 | \$ 14 |
| Total expenditures | <u>\$ 4,554</u> | <u>\$ 4,554</u> | <u>\$ 4,540</u> | <u>\$ 14</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Athletics
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|-----------------------|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 29,065 | \$ 29,065 | \$ 42,246 | \$ 13,181 |
| Total revenues | <u>\$ 29,065</u> | <u>\$ 29,065</u> | <u>\$ 42,246</u> | <u>\$ 13,181</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 37,479 | \$ 37,479 | \$ 34,587 | \$ 2,892 |
| Total expenditures | <u>\$ 37,479</u> | <u>\$ 37,479</u> | <u>\$ 34,587</u> | <u>\$ 2,892</u> |
| BUDGETED CASH BALANCE | <u>\$ 8,414</u> | <u>\$ 8,414</u> | | |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Cafeteria
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------|--------------------------|--------------------------|--------------------------|--|
| REVENUES | | | | |
| Charges for services | \$ 90,072 | \$ 90,072 | \$ 87,190 | \$ (2,882) |
| Federal sources | 630,872 | 630,872 | 572,492 | (58,380) |
| Earnings from investments | <u>53</u> | <u>53</u> | <u>68</u> | <u>15</u> |
| Total revenues | <u>\$ 720,997</u> | <u>\$ 720,997</u> | <u>\$ 659,750</u> | <u>\$ (61,247)</u> |
| EXPENDITURES | | | | |
| Food services | \$ 796,679 | \$ 796,679 | \$ 647,059 | \$ 149,620 |
| Total expenditures | <u>\$ 796,679</u> | <u>\$ 796,679</u> | <u>\$ 647,059</u> | <u>\$ 149,620</u> |
| BUDGETED CASH BALANCE | <u>\$ 75,682</u> | <u>\$ 75,682</u> | | |

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

NON-MAJOR CAPITAL PROJECTS FUNDS

SPECIAL CAPITAL OUTLAY LOCAL - To account for resources received from the New Mexico State Legislature, Laws of 2007, Chapter 42, to install security cameras in the High School.

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Capital Projects Funds
 Balance Sheet
 June 30, 2010

| | Special Capital Outlay State |
|--|---------------------------------------|
| | |
| ASSETS | |
| Cash on deposit | \$ - |
| Taxes receivable | - |
| | - |
| Total assets | \$ - |
| LIABILITIES | |
| Accounts payable | \$ - |
| | - |
| Total liabilities | - |
| FUND BALANCE | |
| Unreserved: | |
| Undesignated | - |
| Designated for subsequent years expenditures | - |
| | - |
| Total fund balance | - |
| | - |
| Total liabilities and fund balance | \$ - |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Capital Projects Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 Year Ended June 30, 2010

| | Special Capital Outlay State |
|--------------------------------------|---------------------------------------|
| | |
| REVENUES | |
| Taxes | \$ - |
| State sources | 233,500 |
| Earnings from investments | - |
| Total revenues | 233,500 |
| EXPENDITURES | |
| Instructional support | - |
| Capital outlay | 233,500 |
| Total expenditures | 233,500 |
| Net change in fund balance | - |
| Fund balance at beginning of year | - |
| Fund balance at end of year | \$ - |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Non-Major Capital Projects Fund - Special Capital Outlay State
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------|--------------------|-------------------|-------------------|--|
| REVENUES | | | | |
| State sources | \$ 153,265 | \$ 233,500 | \$ 233,500 | \$ - |
| Total revenues | <u>\$ 153,265</u> | <u>\$ 233,500</u> | <u>\$ 233,500</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Capital outlay | \$ 153,265 | \$ 233,500 | \$ 233,500 | \$ - |
| Total expenditures | <u>\$ 153,265</u> | <u>\$ 233,500</u> | <u>\$ 233,500</u> | <u>\$ -</u> |

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

GENERAL FUND

OPERATIONAL FUND - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

TRANSPORTATION FUND - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

INSTRUCTIONAL MATERIALS FUND - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Combining Balance Sheet
 General Fund
 June 30, 2010

| | <u>Operational</u> | <u>Transporation</u> | <u>Instructional Materials</u> | <u>Total</u> |
|--|----------------------------|----------------------|------------------------------------|----------------------------|
| ASSETS | | | | |
| Cash on deposit | \$ 1,537,130 | \$ 62 | \$ 17,864 | \$ 1,555,056 |
| Accounts receivable, collectible | <u>1,664</u> | <u>-</u> | <u>-</u> | <u>1,664</u> |
| Total assets | <u>\$ 1,538,794</u> | <u>\$ 62</u> | <u>\$ 17,864</u> | <u>\$ 1,556,720</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 28,701 | \$ - | \$ - | \$ 28,701 |
| Total liabilities | <u>28,701</u> | <u>-</u> | <u>-</u> | <u>28,701</u> |
| FUND BALANCES | | | | |
| Unreserved: | | | | |
| Undesignated | <u>1,510,093</u> | <u>62</u> | <u>17,864</u> | <u>1,528,019</u> |
| Total fund balance | <u>1,510,093</u> | <u>62</u> | <u>17,864</u> | <u>1,528,019</u> |
| Total liabilities and fund balances | <u>\$ 1,538,794</u> | <u>\$ 62</u> | <u>\$ 17,864</u> | <u>\$ 1,556,720</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balances
 General Fund
 Year Ended June 30, 2010

| | Operational | Transporation | Instructional Materials | Total |
|-----------------------------------|---------------------|----------------|----------------------------|---------------------|
| REVENUES | | | | |
| Taxes | \$ 126,980 | \$ - | \$ - | \$ 126,980 |
| Charges for services | 1,760 | - | - | 1,760 |
| Local sources | 75,899 | 38 | 810 | 76,747 |
| State sources | 9,463,998 | 854,029 | 56,610 | 10,374,637 |
| Federal sources | 355,571 | - | - | 355,571 |
| Earnings from investments | 2,949 | - | - | 2,949 |
| | <u>10,027,157</u> | <u>854,067</u> | <u>57,420</u> | <u>10,938,644</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Direct instruction | 6,534,638 | - | 138,764 | 6,673,402 |
| Instructional support | 3,329,734 | 834,761 | 6,027 | 4,170,522 |
| Food services | - | - | - | - |
| Capital outlay | - | 78,477 | - | 78,477 |
| | <u>9,864,372</u> | <u>913,238</u> | <u>144,791</u> | <u>10,922,401</u> |
| Net change in fund balance | 162,785 | (59,171) | (87,371) | 16,243 |
| Fund balance at beginning of year | <u>1,347,308</u> | <u>59,233</u> | <u>105,235</u> | <u>1,511,776</u> |
| Fund balance at end of year | <u>\$ 1,510,093</u> | <u>\$ 62</u> | <u>\$ 17,864</u> | <u>\$ 1,528,019</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 General Fund - Operational Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|----------------------|----------------------|----------------------|--|
| REVENUES | | | | |
| Taxes | \$ 120,427 | \$ 120,427 | \$ 127,249 | \$ 6,822 |
| Charges for services | 1,039 | 1,039 | 1,760 | 721 |
| Local sources | 56,216 | 56,216 | 75,899 | 19,683 |
| State sources | 9,892,459 | 9,471,842 | 9,463,998 | (7,844) |
| Federal sources | 338,427 | 338,427 | 355,571 | 17,144 |
| Earnings from investments | 11,426 | 11,426 | 2,949 | (8,477) |
| Total revenues | <u>\$ 10,419,994</u> | <u>\$ 9,999,377</u> | <u>\$ 10,027,426</u> | <u>\$ 28,049</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 7,213,925 | \$ 7,030,848 | \$ 6,527,382 | \$ 503,466 |
| Instructional support | 3,841,175 | 3,603,635 | 3,329,734 | 273,901 |
| Capital outlay | 490,540 | 490,540 | - | 490,540 |
| Total expenditures | <u>\$ 11,545,640</u> | <u>\$ 11,125,023</u> | <u>\$ 9,857,116</u> | <u>\$ 1,267,907</u> |
| BUDGETED CASH BALANCE | <u>\$ 1,125,646</u> | <u>\$ 1,125,646</u> | | |
| REVENUES | | | | |
| Budgetary basis | | | \$ 10,027,426 | |
| Decrease in receivables | | | (269) | |
| Modified accrual basis | | | <u>\$ 10,027,157</u> | |
| EXPENDITURES | | | | |
| Budgetary basis | | | \$ 9,857,116 | |
| Increase in payables | | | 7,256 | |
| Modified accrual basis | | | <u>\$ 9,864,372</u> | |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 General Fund - Transportation Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------------|--------------------------|--------------------------|--|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - |
| Local sources | - | - | 38 | 38 |
| State sources | 854,029 | 854,029 | 854,029 | - |
| Federal sources | - | - | - | - |
| Earnings from investments | - | - | - | - |
| Total revenues | <u>\$ 854,029</u> | <u>\$ 854,029</u> | <u>\$ 854,067</u> | <u>\$ 38</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ - | \$ - | \$ - | \$ - |
| Instructional support | 852,662 | 834,786 | 834,761 | 25 |
| Capital outlay | - | 78,477 | 78,477 | - |
| Total expenditures | <u>\$ 852,662</u> | <u>\$ 913,263</u> | <u>\$ 913,238</u> | <u>\$ 25</u> |
| BUDGETED CASH BALANCE | <u>\$ -</u> | <u>\$ 59,234</u> | | |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 General Fund - Instructional Materials Fund
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2010

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------|--------------------------|--------------------------|--------------------------|--|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Charges for services | - | - | - | - |
| Local sources | - | - | 810 | 810 |
| State sources | 56,610 | 56,610 | 56,610 | - |
| Federal sources | - | - | - | - |
| Earnings from investments | - | - | - | - |
| Total revenues | <u>\$ 56,610</u> | <u>\$ 56,610</u> | <u>\$ 57,420</u> | <u>\$ 810</u> |
| EXPENDITURES | | | | |
| Direct instruction | \$ 152,233 | \$ 152,233 | \$ 138,764 | \$ 13,469 |
| Instructional support | 6,096 | 6,096 | 6,027 | 69 |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>\$ 158,329</u> | <u>\$ 158,329</u> | <u>\$ 144,791</u> | <u>\$ 13,538</u> |
| BUDGETED CASH BALANCE | <u>\$ 101,719</u> | <u>\$ 101,719</u> | | |

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Schedule of Changes in Assets
 and Liabilities - All Agency Funds
 Year Ended June 30, 2010

| | Balances June 30, 2009 | Additions | Deletions | Balances June 30, 2010 |
|--------------------------|---------------------------|-------------------|-------------------|---------------------------|
| ASSETS | | | | |
| Cash of deposit | \$ 184,541 | \$ 205,840 | \$ 216,469 | \$ 173,912 |
| Total assets | <u>\$ 184,541</u> | <u>\$ 205,840</u> | <u>\$ 216,469</u> | <u>\$ 173,912</u> |
| LIABILITIES | | | | |
| Deposits held for others | | | | |
| T or C Elementary | \$ 33,914 | \$ 33,266 | \$ 37,852 | \$ 29,328 |
| SEC Elementary | 14,865 | 7,276 | 7,950 | 14,191 |
| Arrey Elementary | 4,407 | 18,962 | 11,766 | 11,603 |
| T or C Middle School | 34,008 | 19,254 | 22,364 | 30,898 |
| Hot Springs High School | 89,583 | 119,361 | 130,780 | 78,164 |
| Alternative School | 2,642 | - | - | 2,642 |
| Central Office | 5,122 | 7,721 | 5,757 | 7,086 |
| Total liabilities | <u>\$ 184,541</u> | <u>\$ 205,840</u> | <u>\$ 216,469</u> | <u>\$ 173,912</u> |

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

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Schedule of Cash Receipts and
 Disbursements - All Funds by
 School District Classification
 Year Ended June 30, 2010

| | Operational | Transportation | Instructional Materials | Cafeteria | Athletics |
|-------------------------------|----------------------------|--------------------------|----------------------------|---------------------------------------|--------------------------------|
| Cash balance, June 30, 2009 | \$ 1,366,820 | \$ 59,233 | \$ 105,235 | \$ 69,208 | \$ 8,558 |
| Cash Receipts, 2009-2010 | 10,027,426 | 854,067 | 57,420 | 659,750 | 42,246 |
| Cash Disbursements, 2009-2010 | <u>(9,857,116)</u> | <u>(913,238)</u> | <u>(144,791)</u> | <u>(647,059)</u> | <u>(34,587)</u> |
| Cash balance, June 30, 2010 | <u>\$ 1,537,130</u> | <u>\$ 62</u> | <u>\$ 17,864</u> | <u>\$ 81,899</u> | <u>\$ 16,217</u> |
| | Federal Projects | Local/ State | Bond Building | Special Capital Outlay State | Capital Improvement SB-9 |
| Cash balance, June 30, 2009 | \$ (54,936) | \$ 51,858 | \$ 2,833,211 | \$ - | \$ 477,025 |
| Cash Receipts, 2009-2010 | 2,510,225 | 417,825 | 4,498 | 233,500 | 540,609 |
| Loan proceeds | - | - | 1,500,000 | - | - |
| Cash Disbursements, 2009-2010 | <u>(2,411,246)</u> | <u>(348,513)</u> | <u>(2,027,382)</u> | <u>(233,500)</u> | <u>(547,325)</u> |
| Cash balance, June 30, 2010 | <u>\$ 44,043</u> | <u>\$ 121,170</u> | <u>\$ 2,310,327</u> | <u>\$ -</u> | <u>\$ 470,309</u> |
| | Debt Service | Agency | Expendable Trust | Non- Expendable Trust | Non- Expendable Trust |
| Cash balance, June 30, 2009 | \$ 1,699,662 | \$ 184,541 | \$ 2,051 | \$ 43,409 | \$ 7,000 |
| Cash Receipts, 2009-2010 | 1,480,069 | 205,840 | - | 69 | 3,500 |
| Cash Disbursements, 2009-2010 | <u>(1,158,349)</u> | <u>(216,469)</u> | <u>(2,000)</u> | <u>(1,000)</u> | <u>(5,500)</u> |
| Cash balance, June 30, 2010 | <u>\$ 2,021,382</u> | <u>\$ 173,912</u> | <u>\$ 51</u> | <u>\$ 42,478</u> | <u>\$ 5,000</u> |

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Schedule of Budgetary Basis
 To GAAP Basis Reconciliation
 Non-Major Funds
 Year Ended June 30, 2010

| | Title I Stimulus | Title I Migrant | Title III | Rural Low Income Grant | Title I Improvement | Fresh Fruit and Vegetable Program | Technology Literacy Challenge | PL 94-142 Entitlement | Title I Homeless Stimulus |
|--|---------------------|--------------------|------------------|------------------------------|------------------------|---|-------------------------------------|--------------------------|---------------------------------|
| Revenues per modified accrual basis | \$ 137,726 | \$ 32,048 | \$ - | \$ 18,296 | \$ 22,901 | \$ - | \$ - | \$ 365,668 | \$ 1,631 |
| Receivables | - | - | - | - | - | - | - | - | - |
| Deferred revenue/Due from grantor | (1,903) | (6,139) | 13,916 | (7,716) | - | - | - | 64,934 | - |
| Revenues per budgetary basis | <u>\$ 135,823</u> | <u>\$ 25,909</u> | <u>\$ 13,916</u> | <u>\$ 10,580</u> | <u>\$ 22,901</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 430,602</u> | <u>\$ 1,631</u> |
| Expenditures per modified accrual basis | \$ 137,726 | \$ 32,048 | \$ - | \$ 18,296 | \$ 22,901 | \$ - | \$ - | \$ 365,668 | \$ 1,631 |
| Inventory changes | - | - | - | - | - | - | - | - | - |
| Accounts payable | - | - | - | - | - | - | - | - | - |
| Expenditures per budgetary basis | <u>\$ 137,726</u> | <u>\$ 32,048</u> | <u>\$ -</u> | <u>\$ 18,296</u> | <u>\$ 22,901</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 365,668</u> | <u>\$ 1,631</u> |

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Schedule of Budgetary Basis
 To GAAP Basis Reconciliation
 Non-Major Funds
 Year Ended June 30, 2010

| | Title I Homeless | Innovative Education | Improving Teacher Quality | Carl D. Perkins Secondary | ROTC | PL 94-142 Discretionary | English Language Acquisition | School Improvement Framework | K-3 Plus Program |
|--|---------------------|-------------------------|---------------------------------|---------------------------------|------------------|----------------------------|------------------------------------|------------------------------------|------------------------|
| Revenues per modified accrual basis | \$ 5,000 | \$ 2,490 | \$ 110,496 | \$ 19,278 | \$ 60,507 | \$ - | \$ 4,801 | \$ - | \$ 67,235 |
| Receivables | - | - | - | - | - | - | - | - | - |
| Deferred revenue/Due from grantor | - | - | 4,807 | 1,459 | 711 | 16,306 | (766) | 3,437 | 18,925 |
| Revenues per budgetary basis | <u>\$ 5,000</u> | <u>\$ 2,490</u> | <u>\$ 115,303</u> | <u>\$ 20,737</u> | <u>\$ 61,218</u> | <u>\$ 16,306</u> | <u>\$ 4,035</u> | <u>\$ 3,437</u> | <u>\$ 86,160</u> |
| Expenditures per modified accrual basis | \$ 5,000 | \$ 2,490 | \$ 110,496 | \$ 19,278 | \$ 60,507 | \$ - | \$ 4,801 | \$ - | \$ 67,235 |
| Inventory changes | - | - | - | - | - | - | - | - | - |
| Accounts payable | - | - | - | - | - | - | - | - | - |
| Expenditures per budgetary basis | <u>\$ 5,000</u> | <u>\$ 2,490</u> | <u>\$ 110,496</u> | <u>\$ 19,278</u> | <u>\$ 60,507</u> | <u>\$ -</u> | <u>\$ 4,801</u> | <u>\$ -</u> | <u>\$ 67,235</u> |

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Schedule of Budgetary Basis
 To GAAP Basis Reconciliation
 Non-Major Funds
 Year Ended June 30, 2010

| | Schools in Need Improvement Framework | Microsoft | Technology for Education | Dual Credit | Library Bond | Beginning Teacher Mentoring Program | Incentives for School Improvement | Breakfast Program | Pre K Start-Up Program |
|--|--|------------------|--------------------------------|-----------------|-----------------|--|---|----------------------|------------------------------|
| Revenues per modified accrual basis | \$ 27,789 | \$ 65,589 | \$ 8,561 | \$ 1,000 | \$ 3,409 | \$ 3,542 | \$ - | \$ 954 | \$ - |
| Receivables | - | - | - | - | - | - | - | - | - |
| Deferred revenue/Due from grantor | (1,304) | (65,589) | 1,055 | (1,000) | (3,409) | 3,933 | - | 11,047 | - |
| Revenues per budgetary basis | <u>\$ 26,485</u> | <u>\$ -</u> | <u>\$ 9,616</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,475</u> | <u>\$ -</u> | <u>\$ 12,001</u> | <u>\$ -</u> |
| Expenditures per modified accrual basis | \$ 27,789 | \$ 65,589 | \$ 8,561 | \$ 1,000 | \$ 3,409 | \$ 3,542 | \$ - | \$ 954 | \$ - |
| Inventory changes | - | - | - | - | - | - | - | - | - |
| Accounts payable | - | - | - | - | - | - | - | - | - |
| Expenditures per budgetary basis | <u>\$ 27,789</u> | <u>\$ 65,589</u> | <u>\$ 8,561</u> | <u>\$ 1,000</u> | <u>\$ 3,409</u> | <u>\$ 3,542</u> | <u>\$ -</u> | <u>\$ 954</u> | <u>\$ -</u> |

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Schedule of Budgetary Basis
 To GAAP Basis Reconciliation
 Non-Major Funds
 Year Ended June 30, 2010

| | Pre-K Program | Library Book | Athletics | Cafeteria | Total Special Revenue |
|--|-------------------|-----------------|------------------|-------------------|-----------------------------|
| Revenues per modified accrual basis | \$ 128,851 | \$ 4,540 | \$ 42,246 | \$ 659,750 | \$ 1,794,308 |
| Receivables | - | - | - | - | - |
| Deferred revenue/Due from grantor | 5,574 | (4,540) | - | - | 53,738 |
| Revenues per budgetary basis | <u>\$ 134,425</u> | <u>\$ -</u> | <u>\$ 42,246</u> | <u>\$ 659,750</u> | <u>\$ 1,848,046</u> |
| Expenditures per modified accrual basis | \$ 128,851 | \$ 4,540 | \$ 34,587 | \$ 642,136 | \$ 1,769,035 |
| Inventory changes | - | - | - | 4,923 | 4,923 |
| Accounts payable | - | - | - | - | - |
| Expenditures per budgetary basis | <u>\$ 128,851</u> | <u>\$ 4,540</u> | <u>\$ 34,587</u> | <u>\$ 647,059</u> | <u>\$ 1,773,958</u> |

STATE OF NEW MEXICO
 TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2010

| <u>Source and Program</u> | <u>Federal Number</u> | <u>Pass-Through Entity Number</u> | <u>Federal Expenditures</u> |
|---|---------------------------|---------------------------------------|---------------------------------|
| <u>U.S. Department of Education</u> | | | |
| Passed through State of NM | | | |
| Department of Education: | | | |
| Impact Aid Title I | | | |
| (Chapter 1) Basic | 84.010 | 24.101 | \$ 938,776 |
| Title I Migrant | 84.011 | 24.103 | 32,048 |
| Title I Stimulus | 84.010 | 24.201 | 137,726 |
| Title I Improvement | 84.010 | 24.162 | 22,901 |
| Title I Homeless | 84.196 | 24.113 | 5,000 |
| Title I Homeless-Stimulus | 84.196 | 24.213 | 1,631 |
| Title III | 84.263 | 24.163 | - |
| * 94-142 Entitlement | 84.027 | 24.106 | 365,668 |
| 94-142 Discretionary | 84.027 | 24.107 | - |
| Technology Literacy Challenge | 84.318 | 24.133 | - |
| Rural Low Income Grant | 84.358 | 24.160 | 18,296 |
| English Language Grant | 84.365 | 24.153 | 4,801 |
| Improving Teacher Quality | 84.367 | 24.154 | 110,496 |
| Carl D. Perkins-Secondary | 84.048 | 24.174 | 19,278 |
| Innovative Education | 84.298 | 24.150 | <u>2,490</u> |
| Sub-total | | | <u>1,659,111</u> |
| <u>U.S. Department of Education</u> | | | |
| Direct Program | | | |
| *SEG-Stimulus | 84.394 | 25.250 | <u>691,628</u> |
| <u>U.S. Department of Defense</u> | | | |
| Direct Program | | | |
| R.O.T.C. | 12.000 | 25.200 | <u>60,507</u> |
| <u>U.S. Department of Agriculture</u> | | | |
| Passed through State of NM | | | |
| Department of Finance and Administration: | | | |
| Forest Reserve | 10.665 | N/A | 329,173 |
| Passed through State of NM | | | |
| Department of Education: | | | |
| National School Lunch Program | 10.555 | N/A | 374,560 |
| School Breakfast Program | 10.553 | N/A | 168,426 |
| Fresh Fruit & Vegetable Program | 10.582 | N/A | - |
| Passed through State of NM | | | |
| Health and Human Services: | | | |
| U.S.D.A. Commodities | 10.550 | N/A | <u>29,054</u> |
| Sub-total | | | <u>901,213</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 3,312,459</u> |

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Truth or Consequences Municipal Schools and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Non-Cash Assistance

The District did not receive any federal awards in the form of non-cash assistance except for U.S.D.A. Commodities during the year.

3. Subrecipients

The District did not provide any federal awards to subrecipients during the year.

*Treated as a Major Program

STATE OF NEW MEXICO
TRUTH OR CONSEQUENCES MUNICIPAL SCHOOLS
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part 1 - Summary of Auditor Results

1. Type of Report - Unqualified
2. Significant Deficiency - Imprest Bank Account (06-02)
3. Non-Compliance - Payment Made Before Goods/Services Received (09-02), New Hire Reporting (10-02), Payment Made Before Approval or Contract (10-03), Contract Prepared After Professional Services Were Obtained (10-04), Contract Cap (10-05), Contract Addendum (10-06), Bids/Quotes Not Obtained (10-07), Purchase Orders Dated After Invoice (10-08) and Change Orders Not Approved (10-09)
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unqualified
6. A-133 Audit Findings - NONE
7. Major Programs - SEG-Stimulus CFDA #84.394, 94-142 Entitlement CFDA #84.027
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. Truth or Consequences Municipal Schools did qualify as a low-risk auditee

Part 2 - Findings

1. Finding Imprest Bank Account (06-02), Payment Made Before Goods/Services Received (09-02), Board Meeting Minutes (10-01), New Hire Reporting (10-02), Payment Made Before Approval or Contract (10-03), Contract Prepared After Professional Services Were Obtained (10-04), Contract Cap (10-05), Contract Addendum (10-06), Bids/Quotes Not Obtained (10-07), Purchase Orders Dated After Invoice (10-08) and Change Orders Not Approved (10-09)

Part 3 - Questioned Costs

NONE

Rice and Associates, C.P.A.

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(505) 292-8275

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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**

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Education
Truth or Consequences Municipal Schools
Truth or Consequences, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I, SEG-Stimulus and Spaceport Funds of Truth or Consequences Municipal Schools, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 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 the Truth or Consequences Municipal Schools 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 Truth or Consequences Municipal Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control over financial reporting.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We

did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. It is listed as Imprest Bank Account (06-02). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Truth or Consequences Municipal Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which were described in the accompanying Status of Comments as Payment Made Before Goods/Services Received (09-02), New Hire reporting (10-02), Payment Made Before Approval or Contract (10-03), Contract Prepared After Professional Services Were Obtained (10-04), Contract Cap (10-05), Contract Addendum (10-06), Bids/Quotes Not Obtained (10-07), Purchase Orders Dated After Invoice (10-08) and Change Orders Not Approved (10-09).

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5 NMSA 1978, which are described in the accompanying Status of Comments as Board Meeting Minutes (10-01). We did not audit the Truth or Consequences Municipal Schools responses and, accordingly, we express no opinion on it.

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

Ray & Associates, LLP

November 15, 2010

Rice and Associates, C.P.A.

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BOOKKEEPING
(505) 292-8275

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Education
Truth or Consequences Municipal Schools
Truth or Consequences, New Mexico

Compliance

We have audited the compliance of Truth or Consequences Municipal Schools (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that

could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the School Board, management, the Office of the State Auditor, and the Public Education Department, the New Mexico Legislature, and any applicable federal granting agency and is not intended to be and should not be used by anyone other than these specified parties.

Rosa Casanova, CPA

November 15, 2010

STATUS OF COMMENTS

Prior Year Audit Findings:

1. Imprest Bank Account (06-02) - Repeated.
2. Cafeteria Inventory (09-01) - Resolved.
3. Payment Made Before Goods/Services Received (09-02) - Repeated.

Current Year Audit Findings:

1. Board Meeting Minutes (10-01)
2. New Hire Reporting (10-02)
3. Payment Made Before Approval or Contract Received (10-03)
4. Contract Prepared After Professional Services Were Obtained (10-04)
5. Contract Cap (10-05)
6. Contract Addendum (10-06)
7. Bids/Quotes Not Obtained (10-07)
8. Purchase Orders Dated After Invoice (10-08)
9. Change Orders Not Approved (10-09)

Imprest Bank Account

(06-02)

| | |
|----------------|---|
| CONDITION | The imprest account payroll clearing is not being reconciled correctly on a monthly basis. Because it is not reconciled correctly on a monthly basis it is ending the year with an incorrect cash balance. |
| CRITERIA | All imprest accounts should be reconciled correctly on a monthly basis, resulting in zero balances. |
| CAUSE | Management is not ensuring that this bank account be reconciled to a zero balance each month. The reconciliation has some sort of balance each month that is not being investigated as to what is creating the balance. |
| EFFECT | The operational fund must make up for all cash deficiencies. |
| RECOMMENDATION | Management needs to ensure that this account is reconciled correctly each month. |
| RESPONSE | Management will strive to reconcile the account in the future. |

Payment Made Before Goods/Services Received
(09-02)

| | |
|----------------|---|
| CONDITION | <p>A contract in the amount of \$98,522 was entered into by the Superintendent that included a statement that \$32,842 was due when the contract was accepted prior to work commencing.</p> <p>Another contract in the amount of \$15,050 was entered into by the Superintendent that included a statement that "upon signing of contract \$5,017 was required to begin the project".</p> |
| CRITERIA | <p>According to the Public Education Departments Manual of Procedures, payment of goods and services are to be made after the goods or services are received.</p> |
| CAUSE | <p>It is unclear why these payments were made before the goods were received.</p> |
| EFFECT | <p>Public Education Department Policies and Procedures were not adhered to.</p> |
| RECOMMENDATION | <p>Management should ensure that all goods and services are received before payment is made.</p> |
| RESPONSE | <p>Management assures that in the future no fees will be paid until services are rendered for projects and services.</p> |

Board Meeting Minutes
(10-01)

| | |
|----------------|--|
| CONDITION | The July 8, 2010 and July 21, 2010 Board Minutes were approved in the August 12, 2010 Board Meeting, however were never signed by the President or Secretary of the Board. |
| CRITERIA | According to NMSA 72-16-15 "A record shall be made of all...minutes of meetings" this includes a signature by the responsible Board members. |
| CAUSE | It is unclear as to why these two meetings were not signed by (both) responsible Board members. |
| EFFECT | It is not clear to the public if these are accurate and approved minutes by the Board. |
| RECOMMENDATION | The employee responsible for the creation of the board Minutes should also be responsible for ensuring they are signed when approved. |
| RESPONSE | The Board minutes will be signed immediately upon approval by the Board. |

New Hire Reporting
(10-02)

| | |
|----------------|---|
| CONDITION | The School District did not properly report newly hired employees to a State directory within 20 days of their hire date. |
| CRITERIA | New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42. U.S.C. 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire. |
| CAUSE | The School District had a changeover in the payroll department during the year. The new employee was not trained for this particular task. |
| EFFECT | The School District did not comply with New Mexico State Statute 50-13-1 or the PRWORA of 1996. |
| RECOMMENDATION | The new employee has updated the NM New Hires Directory. This employee is now trained for this task and can now comply with the NM New Hire Reporting on a timely basis. |
| RESPONSE | The Payroll Department will continue to update and comply with this requirement. |

Payment Made Before Approval or Contract Received
(10-03)

| | |
|----------------|---|
| CONDITION | The School District was invoiced for services on May 25, 2010 before a contract was signed by the School District. The contract was signed on July 26, 2010 and a Purchase Order created on September 10, 2010, the day the Vendor was paid. The Vendor was paid \$6,123. |
| CRITERIA | According to PED regulations all goods/services should be requested, a contract signed and a purchase order issued before the goods/services are received and/or paid for. |
| CAUSE | It is unclear as to which employee requested this service and why they were allowed to provide these services before the contract was signed. |
| EFFECT | The School District is not following PED regulations. |
| RECOMMENDATION | The School District should implement procedures to ensure that goods/services are not received before a contract is signed. |
| RESPONSE | Purchase orders will be processed after all contracts are signed. All payments will be processed after services are provided. |

Contract Prepared After Professional Services Were Obtained
(10-04)

| | |
|----------------|---|
| CONDITION | A Physical Therapy Services contract in the amount of \$49,999 was created and signed <u>after</u> the services had been performed. |
| CRITERIA | All services (requiring a contract) should have a contract prepared and signed by both parties before services begin. |
| CAUSE | The proper procedures for obtaining a signed contract before services start were not followed. |
| EFFECT | The Vendor may dispute the amount of the agreed upon payment. Thus, creating a legal dispute with the School District. |
| RECOMMENDATION | The School District should ensure that all contracts are signed and agreed upon before services start. |
| RESPONSE | Management will ensure that all contracts are signed before services begin. |

Contract Cap
(10-05)

| | |
|----------------|---|
| CONDITION | A contract was entered into for \$37,800. The Vendor was paid \$38,934. The original contract does not mention the School District being responsible for the Vendors Gross Receipts Taxes. This contract was also entered into by the Assistant Superintendent. |
| CRITERIA | All contracts should have a cap or limit to ensure that only the amount budgeted is paid. Also, all contracts should be approved by the Board and signed by the Superintendent. |
| CAUSE | It is unclear as to why the Assistant Superintendent signed this contract. Also, it is unclear as to why the Vendor was allowed to amend the contract to state that the School District was responsible for the "additional gross receipts taxes". |
| EFFECT | The contract was not approved by the Board. The contract was not signed by the Boards approved designee (the Superintendent). The School District overpaid the original contract. |
| RECOMMENDATION | Proper procedures should be followed to ensure the contracts entered into by the School District are correctly signed, approved and not overpaid. |
| RESPONSE | The School District will make sure that all contracts are signed and approved. The School District will also revise contracts based on student case loads or changes in gross receipts taxes. |

Contract Addendum
(10-06)

| | |
|----------------|---|
| CONDITION | The School District entered into a professional services agreement on October 16, 2008. It was extended by the Superintendent by e-mail on July 10, 2009. |
| CRITERIA | Contracts can be extended, however, a new signed contract should not only be approved by the Board, but it should also be signed by both parties to ensure that both the Vendor and the School District agree to the terms of the contract. |
| CAUSE | The Superintendent did not ensure that this Vendor agreed to the previous terms set out in the 2008 contract. |
| EFFECT | The School District has created a situation whereas a lawsuit could ensue. |
| RECOMMENDATION | All contracts should be approved by the Board and signed by both parties to ensure all terms are agreed upon. |
| RESPONSE | Management will ensure that ongoing contracts will be done annually with the vendors. |

Bids/Quotes Not Obtained

(10-07)

| | |
|----------------|--|
| CONDITION | The School District purchased \$19,950 in gravel without obtaining 3 quotes or bids. The School District purchased various construction type items in the amount of \$27,913 without obtaining 3 quotes or bids. The School District purchased \$19,189 worth of Roof Design & Consulting Services without obtaining 3 quotes or bids. |
| CRITERIA | When the School District is obtaining goods/services over \$5,000 3 quotes or bids should be obtained. |
| CAUSE | Management is not ensuring that 3 bids or quotes are received for goods/services obtained over \$5,000.00 |
| EFFECT | The School District is not following its own procurement policies. |
| RECOMMENDATION | Management should ensure that its procurement policies are followed when goods/services are purchased. |
| RESPONSE | In the future the School District will attach information to PO's such as Sole Source and any and all bids received. |

Purchase Orders Dated Afer Invoice
(10-08)

| | |
|----------------|--|
| CONDITION | Ten out of seventy-three paid invoices chosen had purchase orders dated after the invoice. |
| CRITERIA | According to the PED regulations purchase orders are to be used as part of the internal control process. They are used to ensure the purchase has been authorized, cash and budget authorized, cash and budget are available and the correct fund and line item have been charged. |
| CAUSE | Management of the School District are not ensuring that this internal control procedure is being done. |
| EFFECT | PED regulations have not been followed. |
| RECOMMENDATION | The School District should start dating purchase orders before the item is purchased/ordered. |
| RESPONSE | Central office procedures on all purchasing have been distributed to all administration and staff, which indicates consequences if those procedures are not followed. |

Change Orders Not Approved
(10-09)

| | |
|----------------|---|
| CONDITION | The School District had twelve change orders agreed to without Board approval and without ensuring that a revenue resource was available to cover the change order. |
| CRITERIA | All change orders requested should be investigated, approved by the Board and a proper revenue resource should be available before it is agreed to. |
| CAUSE | Management is not ensuring these change orders are brought to the Board and approved, properly investigated to ensure they are required and investigated to ensure that a proper revenue resource is available. |
| EFFECT | The School District may be paying for change orders that are not required. |
| RECOMMENDATION | Management should ensure that these change orders are ① valid ② approved by the Board, and ③ ensure that a proper revenue resource is available. |
| RESPONSE | All change orders and MCR's will be approved by the School Board in the future. |

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2010 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the School District on November 9, 2010, to discuss the current audit report. In attendance were Mr. Tom Burris, Superintendent, Ms. Cathy Vickers, Board Member, Mr. Paul Tooley, Board President, Ms. Barbara Chavez, Administrative Assistant, Ms. Sabrina Biener, Administrative Assistant, Ms. Becky Gutierrez, Business Manager and Ms. Pamela A. Rice, CPA, Contract Auditor.