



STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**

**ANNUAL FINANCIAL REPORT**  
June 30, 2007

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



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**VAUGHN MUNICIPAL SCHOOLS**  
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STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
Official Roster  
June 30, 2007

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**BOARD OF EDUCATION**

Louis Guana	President
Brahaim Hindi	Vice-President
Lilia Gallegos	Secretary
Floraida Tapia	Member
Henrietta Garcia	Member

**SCHOOL OFFICIALS**

Lorena Garcia	Superintendent
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De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(505) 253-4313

## Independent Auditor's Report

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the VAUGHN MUNICIPAL SCHOOLS

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of VAUGHN MUNICIPAL SCHOOLS, (District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's non major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparisons for the capital projects funds and debt service fund and all nonmajor 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 a report dated April 23, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*De'Aun Willoughby* CPA PC

April 23, 2009



## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 863,375
Taxes Receivable	3,490
Due from Other Governmental Units	263,154
Inventory and prepaid expenses	1,495
Total Current Assets	<u>1,131,514</u>
Noncurrent Assets	
Capital Assets	7,401,930
Less: Accumulated Depreciation	<u>(3,910,465)</u>
Total Noncurrent Assets	<u>3,491,465</u>
Total Assets	<u>4,622,979</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	4,912
Accrued Interest	30,717
Deferred Revenue	13,105
Current Portion of Long-Term Debt	135,000
Total Current Liabilities	<u>183,734</u>
Noncurrent Liabilities	
Bonds and Notes, Net	1,449,300
Compensated Absences	8,618
Total Noncurrent Liabilities	<u>1,457,918</u>
Total Liabilities	<u>1,641,652</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	1,907,165
Restricted for:	
Capital Projects	409,787
Debt Service	95,318
Unrestricted	569,057
Total Net Assets	<u>\$ 2,981,327</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
Statement of Activities  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>					
Instruction	\$ 908,071	\$ 12,324	\$ 117,247	\$ 0	\$ (778,500)
Support Services-Students	473,552	0	220,284	0	(253,268)
Support Services-Instruction	22,440	0	1,995	0	(20,445)
General Administration	150,587	0	0	0	(150,587)
School Administration	69,136	0	0	0	(69,136)
Central Services	98,357	0	14,460	0	(83,897)
Operation of Plant	296,563	0	0	0	(296,563)
Food Services	46,173	0	30,823	0	(15,350)
Transportation	85,821	0	110,631	0	24,810
Interest on Long-Term Obligations	81,901	0	0	0	(81,901)
Total Governmental Activities	\$ <u>2,232,601</u>	\$ <u>12,324</u>	\$ <u>495,440</u>	\$ <u>0</u>	\$ <u>(1,724,837)</u>
<b>General Revenues</b>					
Taxes					
Property Taxes, Levied for General Purposes				\$	19,391
Property Taxes, Levied for Debt Service					255,949
Property Taxes, Levied for Capital Projects					77,208
Federal and State aid not restricted to specific purpose					1,390,738
General					0
Capital					970
Interest and investment earnings					45,526
Miscellaneous					<u>1,789,782</u>
Subtotal, General Revenues					
Change in Net Assets					<u>64,945</u>
Net Assets - beginning					2,928,178
Restatement					<u>(11,796)</u>
					<u>2,916,382</u>
Net Assets - ending				\$	<u>2,981,327</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 GOVERNMENTAL FUNDS  
 Balance Sheet  
 June 30, 2007

	General Fund			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0	0
Receivables				
Taxes	254	0	0	0
Due From Grantor	0	0	0	8,467
Interfund Balance	166,621	20,415	40,435	0
Inventory	0	0	0	0
Total Assets	<u>\$ 166,875</u>	<u>\$ 20,415</u>	<u>\$ 40,435</u>	<u>\$ 8,467</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Interfund Balance	\$ 0	\$ 0	\$ 0	8,467
Accounts Payable	4,088	0	824	0
Current Portion Due for Debt Obligations				
Principal	0	0	0	0
Interest	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	<u>4,088</u>	<u>0</u>	<u>824</u>	<u>8,467</u>
<b>Fund Balances</b>				
<b>Reserved for:</b>				
Retirement of Long-Term Debt	0	0	0	0
Capital Improvements	0	0	0	0
<b>Unreserved, Undesignated, reported in:</b>				
General Fund	162,787	20,415	39,611	0
Special Revenue Funds	0	0	0	0
Total Fund Balances	<u>162,787</u>	<u>20,415</u>	<u>39,611</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 166,875</u>	<u>\$ 20,415</u>	<u>\$ 40,435</u>	<u>\$ 8,467</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2007

	Reading First Fund 24167	Bond Building 31100	Senate Bill Nine 31700	Debt Service 41000
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 0	\$ 374,104	\$ 209,693	\$ 249,763
Receivables				
Taxes	0	0	623	2,613
Due From Grantor	211,910	0	0	0
Interfund Balance	0	35,683	0	0
Inventory	0	0	0	0
<b>Total Assets</b>	<b>\$ 211,910</b>	<b>\$ 409,787</b>	<b>\$ 210,316</b>	<b>\$ 252,376</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Interfund Balance	\$ 211,910	\$ 0	\$ 0	\$ 0
Accounts Payable	0	0	0	0
Current Portion Due for Debt Obligations				
Principal	0	0	0	135,000
Interest	0	0	0	22,058
Deferred Revenue	0	0	0	0
<b>Total Liabilities</b>	<b>211,910</b>	<b>0</b>	<b>0</b>	<b>157,058</b>
<b>Fund Balances</b>				
<b>Reserved for:</b>				
Retirement of Long-Term Debt	0	0	0	95,318
Capital Improvements	0	409,787	210,316	0
<b>Unreserved, Undesignated, reported in:</b>				
General Fund	0	0	0	0
Special Revenue Funds	0	0	0	0
<b>Total Fund Balances</b>	<b>0</b>	<b>409,787</b>	<b>210,316</b>	<b>95,318</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 211,910</b>	<b>\$ 409,787</b>	<b>\$ 210,316</b>	<b>\$ 252,376</b>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2007

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	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 29,815	\$ 863,375
Receivables		
Taxes	0	3,490
Due From Grantor	42,777	263,154
Interfund Balance	0	263,154
Inventory	1,495	1,495
Total Assets	<u>\$ 74,087</u>	<u>\$ 1,394,668</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Interfund Balance	\$ 42,777	\$ 263,154
Accounts Payable	0	4,912
Current Portion Due for Debt Obligations		
Principal	0	135,000
Interest	0	22,058
Deferred Revenue	13,105	13,105
Total Liabilities	<u>55,882</u>	<u>438,229</u>
<b>Fund Balances</b>		
<b>Reserved for:</b>		
Retirement of Long-Term Debt	0	95,318
Capital Improvements	0	620,103
<b>Unreserved, Undesignated, reported in:</b>		
General Fund	0	222,813
Special Revenue Funds	18,205	18,205
Total Fund Balances	<u>18,205</u>	<u>956,439</u>
Total Liabilities and Fund Balances	<u>\$ 74,087</u>	<u>\$ 1,394,668</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Assets  
 June 30, 2007

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

Total Fund Balance - Governmental Funds	\$	956,439
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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	\$	7,401,930	
Accumulated depreciation is		<u>(3,910,465)</u>	3,491,465

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 :

Bond payable	(1,520,000)	
Bond Issue Costs	70,700	
Accrued interest on bonds	(8,659)	
Compensated Absences	<u>(8,618)</u>	<u>(1,466,577)</u>

Total net assets - governmental activities	\$	<u><u>2,981,327</u></u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2007

	General Fund			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
<b>Revenues</b>				
Fees	\$ 2,709	\$ 0	\$ 0	\$ 0
Taxes	22,069	0	0	0
Investment Income	970	0	0	0
State & Local Grants	1,390,738	0	110,631	16,620
Federal Grants	0	0	0	0
Miscellaneous	35,726	9,800	0	0
Total Revenues	<u>1,452,212</u>	<u>9,800</u>	<u>110,631</u>	<u>16,620</u>
<b>Expenditures</b>				
Current				
Instruction	709,012	0	0	18,021
Support Services-Students	179,822	0	0	0
Support Services Instruction	17,850	0	0	0
Support Services-General Administration	133,252	0	0	0
Support Services-School Administration	69,136	0	0	0
Central Services	83,199	0	0	0
Operation & Maintenance of Plant	262,788	1,775	0	0
Food Service Operation	0	0	0	0
Transportation	0	0	85,821	0
Capital Outlay	0	0	0	0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	<u>1,455,059</u>	<u>1,775</u>	<u>85,821</u>	<u>18,021</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,847)</u>	<u>8,025</u>	<u>24,810</u>	<u>(1,401)</u>
Fund Balances at Beginning of Year	191,930	12,390	14,801	1,401
Restatement	<u>(26,296)</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>165,634</u>	<u>12,390</u>	<u>14,801</u>	<u>1,401</u>
Fund Balance End of Year	<u>\$ 162,787</u>	<u>\$ 20,415</u>	<u>\$ 39,611</u>	<u>\$ 0</u>

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



STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2007

	Reading First 24167	Bond Building 31100	Senate Bill Nine 31700	Debt Service 41000
<b>Revenues</b>				
Fees	\$ 0	\$ 0	\$ 0	\$ 0
Taxes	0	0	88,821	0
Investment Income	0	0	0	289,879
State & Local Grants	0	0	0	0
Federal Grants	248,678	0	0	0
Miscellaneous	0	0	0	0
<b>Total Revenues</b>	<u>248,678</u>	<u>0</u>	<u>88,821</u>	<u>289,879</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	16,270	0	0	0
Support Services-Students	217,948	0	0	0
Support Services Instruction	0	0	0	0
Support Services-General Administration	0	0	1,226	2,760
Support Services-School Administration	0	0	0	0
Central Services	14,460	0	0	0
Operation & Maintenance of Plant	0	0	23,751	0
Food Service Operation	0	0	0	0
Transportation	0	0	0	0
Capital Outlay	0	466,913	34,700	0
<b>Debt Service</b>				
Principal	0	0	0	135,000
Interest	0	0	0	91,839
<b>Total Expenditures</b>	<u>248,678</u>	<u>466,913</u>	<u>59,677</u>	<u>229,599</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>0</u>	<u>(466,913)</u>	<u>29,144</u>	<u>60,280</u>
<b>Fund Balances at Beginning of Year</b>	0	876,700	181,172	20,538
<b>Restatement</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>14,500</u>
	<u>0</u>	<u>876,700</u>	<u>181,172</u>	<u>35,038</u>
<b>Fund Balance End of Year</b>	<u>\$ 0</u>	<u>\$ 409,787</u>	<u>\$ 210,316</u>	<u>\$ 95,318</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended June 30, 2007

	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>		
Fees	\$ 9,615	\$ 12,324
Taxes	0	110,890
Investment Income	0	290,849
State & Local Grants	5,248	1,523,237
Federal Grants	114,263	362,941
Miscellaneous	0	45,526
Total Revenues	129,126	2,345,767
<b>Expenditures</b>		
Current		
Instruction	102,499	845,802
Support Services-Students	2,336	400,106
Support Services Instruction	1,995	19,845
Support Services-General Administration	0	137,238
Support Services-School Administration	0	69,136
Central Services	0	97,659
Operation & Maintenance of Plant	0	288,314
Food Service Operation	39,341	39,341
Transportation	0	85,821
Capital Outlay	0	501,613
Debt Service		
Principal	0	135,000
Interest	0	91,839
Total Expenditures	146,171	2,711,714
Excess (Deficiency) of Revenues Over Expenditures	(17,045)	(365,947)
Fund Balances at Beginning of Year	35,250	1,334,182
Restatement	0	(11,796)
	35,250	1,322,386
Fund Balance End of Year	\$ 18,205	\$ 956,439

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 To the Statement of Activities  
 June 30, 2007

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Excess (Deficiency) of Revenues Over Expenditures \$ (365,947)

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

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities. (48,221)

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

Depreciation expense	\$ (162,634)	
Capital Outlays	<u>501,613</u>	338,979

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal paid for bonds (Note H)	130,000	
Difference in current amount due in the Debt Service Fund	<u>5,000</u>	135,000

Bond issue costs are amortized in the Statement of Activities but are expensed in the year of issue on the Statement of Revenues, Expenditures and Changes in Fund Balances.

Amortization of Bond Issue Costs (9,273)

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 19,211

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (4,804)

Changes in Net Assets of Governmental Activities \$ 64,945

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GENERAL FUND-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Sources</b>				
Fees	\$ 16,521	\$ 16,521	\$ 21,967	\$ 5,446
Taxes	0	0	970	970
Investment Income	0	0	2,709	2,709
Miscellaneous	4,000	4,000	35,726	31,726
Total State & Local Sources	<u>20,521</u>	<u>20,521</u>	<u>61,372</u>	<u>40,851</u>
<b>State &amp; Local Sources</b>				
State Grant	<u>1,356,791</u>	<u>1,356,791</u>	<u>1,390,738</u>	<u>33,947</u>
Total State & Local Sources	<u>1,356,791</u>	<u>1,356,791</u>	<u>1,390,738</u>	<u>33,947</u>
Total Revenues	<u>1,377,312</u>	<u>1,377,312</u>	<u>1,452,110</u>	<u>74,798</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	529,500	539,769	539,769	0
Employee Benefits	142,579	157,625	157,625	0
Professional & Tech Services	0	542	542	0
Other Purchased Services	28,500	2,643	0	2,643
Supplies	16,500	16,500	11,076	5,424
Total Direct Instruction	<u>717,079</u>	<u>717,079</u>	<u>709,012</u>	<u>8,067</u>
<b>Support Services-Students</b>				
Personnel Services	29,454	33,201	33,201	0
Employee Benefits	14,440	13,566	12,108	1,458
Professional & Tech Services	0	2,278	223	2,055
Other Purchased Services	90,500	117,087	116,557	530
Supplies	12,500	17,324	14,788	2,536
Supply Assets	0	2,746	2,746	0
Total Instructional Support	<u>146,894</u>	<u>186,202</u>	<u>179,623</u>	<u>6,579</u>
<b>Support Services Instruction</b>				
Personnel Services	14,100	14,350	14,350	0
Employee Benefits	0	3,210	3,208	2
Supplies	0	293	292	1
Total Administration	<u>\$ 14,100</u>	<u>\$ 17,853</u>	<u>\$ 17,850</u>	<u>\$ 3</u>

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GENERAL FUND-11000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Support Services-General Administration</b>				
Personnel Services	\$ 70,726	\$ 70,726	\$ 70,726	\$ 0
Employee Benefits	19,762	23,795	21,720	2,075
Professional & Tech Services	15,400	21,318	14,363	6,955
Other Purchased Services	18,000	28,342	24,817	3,525
Supplies	3,000	3,097	1,251	1,846
Total Business Support	<u>126,888</u>	<u>147,278</u>	<u>132,877</u>	<u>14,401</u>
<b>Support Services-School Administration</b>				
Personnel Services	52,500	52,500	52,500	0
Employee Benefits	16,279	16,575	14,772	1,803
Other Purchased Services	0	1,626	1,626	0
Supplies	2,000	374	278	96
Total Operation of Plant	<u>70,779</u>	<u>71,075</u>	<u>69,176</u>	<u>1,899</u>
<b>Central Services</b>				
Personnel Services	56,468	57,218	57,218	0
Employee Benefits	11,138	11,732	10,758	974
Professional & Tech Services	6,000	6,000	5,735	265
Other Purchased Services	8,500	3,549	3,213	336
Supplies	10,000	7,316	6,396	920
Total Food Service	<u>92,106</u>	<u>85,815</u>	<u>83,320</u>	<u>2,495</u>
<b>Operation &amp; Maintenance of Plant</b>				
Personnel Services	50,764	49,040	48,965	75
Employee Benefits	19,306	13,845	13,845	0
Purchased Property Services	146,800	105,583	105,579	4
Other Purchased Services	13,266	83,926	83,926	0
Supplies	30,500	9,660	9,659	1
Total Athletics	<u>260,636</u>	<u>262,054</u>	<u>261,974</u>	<u>80</u>
<b>Food Services Operations</b>				
Personnel Services	26,643	26,643	0	26,643
Employee Benefits	19,481	19,481	0	19,481
Total Non-Instruct. Support	<u>46,124</u>	<u>46,124</u>	<u>0</u>	<u>46,124</u>
<b>Total Expenditures</b>	<u>1,474,606</u>	<u>1,533,480</u>	<u>1,453,832</u>	<u>79,648</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(97,294)	(156,168)	(1,722)	154,446
<b>Cash Balance Beginning of Year</b>	<u>168,343</u>	<u>168,343</u>	<u>168,343</u>	<u>0</u>
<b>Cash Balance End of Year</b>	<u>\$ 71,049</u>	<u>\$ 12,175</u>	<u>\$ 166,621</u>	<u>\$ 154,446</u>

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**

GENERAL FUND-11000

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

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,722)	
Net change in Taxes Receivable			(2,576)	
Net change in Accounts Payable			(1,227)	
Net change in Deferred Revenue			<u>2,678</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ (2,847)</u></u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GENERAL FUND-TEACHERAGE-12000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Federal Sources</b>				
Miscellaneous	\$ 9,000	\$ 9,000	\$ 9,800	\$ 800
Total Federal Sources	<u>9,000</u>	<u>9,000</u>	<u>9,800</u>	<u>800</u>
Total Revenues	<u>9,000</u>	<u>9,000</u>	<u>9,800</u>	<u>800</u>
<b>Expenditures</b>				
<b>Operation &amp; Maintenance of Plant</b>				
Purchased Property Services	12,207	12,207	1,268	10,939
Supplies	9,000	9,000	507	8,493
Total Operation & Maintenance	<u>21,207</u>	<u>21,207</u>	<u>1,775</u>	<u>19,432</u>
Total Expenditures	<u>21,207</u>	<u>21,207</u>	<u>1,775</u>	<u>19,432</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,207)	(12,207)	8,025	20,232
Cash Balance Beginning of Year	<u>12,390</u>	<u>12,390</u>	<u>12,390</u>	<u>0</u>
Cash Balance End of Year	\$ <u>183</u>	\$ <u>183</u>	\$ <u>20,415</u>	\$ <u>20,232</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>8,025</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>8,025</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GENERAL FUND-TRANSPORTATION-13000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Sources</b>				
State Grant	\$ 109,677	\$ 109,677	\$ 110,631	\$ 954
Total State & Local Sources	<u>109,677</u>	<u>109,677</u>	<u>110,631</u>	<u>954</u>
Total Revenues	<u>109,677</u>	<u>109,677</u>	<u>110,631</u>	<u>954</u>
<b>Expenditures</b>				
<b>Transportation</b>				
Personnel Services	36,566	43,103	43,103	0
Employee Benefits	14,310	14,310	14,086	224
Professional & Tech Services	0	265	265	0
Other Purchased Services	38,465	38,465	27,543	10,922
Total Transportation	<u>89,341</u>	<u>96,143</u>	<u>84,997</u>	<u>11,146</u>
Total Expenditures	<u>89,341</u>	<u>96,143</u>	<u>84,997</u>	<u>11,146</u>
Excess (Deficiency) of Revenues Over Expenditures	20,336	13,534	25,634	12,100
Cash Balance Beginning of Year	<u>14,801</u>	<u>14,801</u>	<u>14,801</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 35,137</u>	<u>\$ 28,335</u>	<u>\$ 40,435</u>	<u>\$ 12,100</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 25,634	
Net change in Accounts Payable			(824)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 24,810</u>	

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



STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
GENERAL FUND-INSTRUCTIONAL MATERIALS-14000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State & Local Sources				
State Grant	\$ 8,153	\$ 8,153	\$ 8,153	\$ 0
Total Federal Sources	<u>8,153</u>	<u>8,153</u>	<u>8,153</u>	<u>0</u>
Total Revenues	<u>8,153</u>	<u>8,153</u>	<u>8,153</u>	<u>0</u>
<b>Expenditures</b>				
Instruction				
Supplies	9,554	8,153	18,021	(9,868)
Total Direct Instruction	<u>9,554</u>	<u>8,153</u>	<u>18,021</u>	<u>(9,868)</u>
Total Expenditures	<u>9,554</u>	<u>8,153</u>	<u>18,021</u>	<u>(9,868)</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,401)	0	(9,868)	(9,868)
Cash Balance Beginning of Year	<u>1,401</u>	<u>1,401</u>	<u>1,401</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 1,401</u>	<u>\$ (8,467)</u>	<u>\$ (9,868)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (9,868)	
Net change in Accounts Receivable			8,467	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,401)</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-READING FIRST-24167  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Sources				
Grants	\$ 0	\$ 338,292	\$ 36,768	\$ (301,524)
Total Federal Sources	<u>0</u>	<u>338,292</u>	<u>36,768</u>	<u>(301,524)</u>
Total Revenues	<u>0</u>	<u>338,292</u>	<u>36,768</u>	<u>(301,524)</u>
Expenditures				
Instruction				
Purchased Services	0	6,612	6,612	0
Supplies	0	9,658	9,658	0
Total Instruction	<u>0</u>	<u>16,270</u>	<u>16,270</u>	<u>0</u>
Support Services-Students				
Personnel Services	0	165,135	165,135	0
Employee Benefits	0	22,880	18,904	3,976
Purchased Services	0	82,263	18,755	63,508
Supplies		18,743	15,154	
Total Support Services-Students	<u>0</u>	<u>289,021</u>	<u>217,948</u>	<u>67,484</u>
Central Services				
Personnel Services	0	33,000	5,500	27,500
Professional & Tech Services	0	0	8,960	(8,960)
Total Central Services	<u>0</u>	<u>33,000</u>	<u>14,460</u>	<u>18,540</u>
Total Expenditures	<u>0</u>	<u>338,291</u>	<u>248,678</u>	<u>86,024</u>
Excess (Deficiency) of Revenues Over Expenditures	0	1	(211,910)	(211,911)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ (211,910)</u>	<u>\$ (211,911)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (211,910)	
Net change in Due from Grantor			211,910	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
Statement of Fiduciary Net Assets and Liabilities-Agency Funds  
For the Year Ended June 30, 2007

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	<u>Agency Funds</u>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 33,173
<b>Total Assets</b>	<u>\$ 33,173</u>
<b>Liabilities</b>	
Deposits Held for Others	\$ 33,173
<b>Total Liabilities</b>	<u>\$ 33,173</u>

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

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

The financial statements of the VAUGHN MUNICIPAL SCHOOLS (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

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

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

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2007.

**Financial Reporting Entity**

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

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the 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.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District 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 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. The fund classification and a description of each existing fund type follows below:

***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 capital assets and the servicing of general long-term debt.

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

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

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

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

***Fiduciary Fund Type***

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

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

**Major Funds**

The District reports the following major governmental funds:

**GENERAL FUND (11000)(12000)(13000)(14000)**

The General Fund consist of four sub funds. The first is the operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage Fund is to provide teachers affordable housing to entice them to teach there. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

## **SPECIAL REVENUE FUND**

### **Reading First(24167)**

The purpose of this grant is to ensure that all children can read at grade level or above by the end of third grade. The Reading First program is authorized by Title I, Part B, Subpart 1 of the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001 (20 USC 6361 et seq.).

## **CAPITAL PROJECT FUNDS**

### **Bond Building (31100)**

The revenues are derived from a School Building Bond Issue. The expenditures are restricted to major capital improvements.

### **Senate Bill Nine (31700)**

The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

## **DEBT SERVICE FUND (41000)**

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

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

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

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

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

### **Program Revenues**

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

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

Governmental Funds

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

Revenues

Ad valorem 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.

*Entitlement and shared revenues* (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred 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 are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Basis of Budgeting

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

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

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

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



Cash and Cash Equivalents

The 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.

Investments

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

(a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

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

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

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. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

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

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

#### Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

#### Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

#### Long-Term Liabilities

For district-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.

#### Restricted Net Assets

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

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

- Imposed by law through constitutional provisions or enabling legislation.

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

#### Fund Balances of Fund Financial Statements

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

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

#### Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

### Deferred Revenue

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 combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

### Compensated Absences

Employees will earn 10 days annual leave per year for the first 5 years. After 5 years of service employees will earn 1 1/4 days per month for a total of 15 days per year. This annual leave must be taken between July 1st of the current year and August 31st of the following year, except for that annual leave that an employee wishes to convert to sick leave.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

### Estimates

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
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**NOTE B: CASH AND INVESTMENTS**

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

**Wells Fargo Bank**

<u>Name of Account</u>	<u>Balance Per Bank 06-30-07</u>	<u>Reconciled Balance</u>	<u>Type</u>
General Operation	\$ 511,605	\$ 511,605	Checking
High School Activity	45,640	45,640	Checking
Special Purpose	583,881	89,540	Checking
Debt Service	249,763	249,763	Checking
TOTAL Deposited	<u>\$ 1,390,889</u>	<u>\$ 896,548</u>	
Less: FDIC Coverage	(100,000)		
Uninsured Amount	1,290,889		
50% collateral requirement	645,445		
Pledged securities	<u>701,021</u>		
Over (Under) requirement	<u>\$ 55,577</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at **Wells Fargo**

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNCL	31384VP22	8,116	01-01-30	WF-California
FNCL	31409CV69	620,300	05-01-36	WF-California
GNSF	36225BL30	35,478	02-15-31	WF-California
GNSF	36225BM39	37,127	04-15-31	WF-California
		<u>\$ 701,021</u>		

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 100,000
Collateralized:	
Collateral held by the pledging bank in District's name	701,021
Uninsured and uncollateralized	589,868
Total Deposits	<u>\$ 1,390,889</u>

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Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2007 \$589,868 of the District's bank balance of \$1,390,889, was exposed to custodial credit risk.

**NOTE C: INTERFUND BALANCES AND ACTIVITY**

The composition of interfund balances is as follows:

	Payable Funds			Total
	Instructional Material Fund	Reading First Fund	Other Governmental Funds	
General	\$ 8,467	\$ 158,154	0	\$ 166,621
Teacherage	0	20,415	0	20,415
Transportation	0	33,341	0	33,341
Bond Building	0	0	42,777	42,777
Totals	\$ 8,467	\$ 211,910	42,777	\$ 263,154

The above interfund balances resulted from reimbursement grants and shortfalls in revenues. The loans were covered by the General, Teacherage, Transportation and Bond Building Funds. All transactions will be repaid within one year.

**NOTE D: TAXES RECEIVABLE**

Following is a schedule of property taxes receivable as of June 30, 2007:

	General Fund 11000	Senate Bill Nine 31700	Debt Service 41000	Total
Property Taxes Receivable:				
Available	\$ 254	623	2,613	3,490
Unavailable	0	0	0	0
TOTAL Property Taxes Receivable	\$ 254	\$ 623	\$ 2,613	\$ 3,490

**NOTE E: DUE FROM OTHER GOVERNMENT UNITS**

Amounts due from other agencies and units of government were as follows as of June 30, 2007:

Federal Agencies	\$ 251,409
State Agencies	3,278
Total	\$ 254,687

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**NOTE F: DEFERRED REVENUES**

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the Fund Financial Statements for the fiscal year ended June 30, 2007:

	Other Governmental Funds	Total
Property Taxes	\$ 0	\$ 0
Federal Revenues	13,105	13,105
<b>TOTAL Deferred Revenues</b>	<b>\$ 13,105</b>	<b>\$ 13,105</b>

**NOTE G: CAPITAL ASSETS**

Capital Assets Balances and Activity for the Year Ended June 30, 2007, is as follows:

	Balance 6/30/06	Increases	Decreases	Balance 6/30/07
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 157,366	\$ 0	\$ 0	\$ 157,366
Construction in Progress	54,362	466,913	0	521,275
Total Capital Assets, not being Depreciated	211,728	466,913	0	678,641
Capital Assets, being Depreciated				
Buildings & Improvements	5,686,042	34,700	0	5,720,742
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	1,002,547	0	0	1,002,547
Total Capital Assets, being Depreciated	6,688,589	34,700	0	6,723,289
Total Capital Assets	6,900,317	501,613	0	7,401,930
<b>Less Accumulated Depreciation</b>				
Buildings & Improvements	3,567,356	153,015	0	3,720,371
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	180,475	9,619	0	190,094
Total Accumulated Depreciation	3,747,831	162,634	0	3,910,465
Capital Assets, net	\$ 3,152,486	\$ 338,979	\$ 0	\$ 3,491,465

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Depreciation expense was charged to governmental activities as follows:

Instructional Support	\$	62,269
Support Services-Students		73,446
Support Services-Instruction		2,595
Support Services-General Administration		8,929
Operation & Maintenance of Plant		7,013
Food Service		6,831
Teacherage		1,551
Total depreciation expenses	\$	<u>162,634</u>

**NOTE H: LONG TERM DEBT**

A summary of activity in the Long-Term Debt is as follows:

	Balance 6/30/06	Additions	Reductions	Balance 6/30/07	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 1,785,000	\$ 0	\$ 130,000	\$ 1,655,000	\$ 135,000
Total Bonds	<u>1,785,000</u>	<u>0</u>	<u>130,000</u>	<u>1,655,000</u>	<u>135,000</u>
Other Liabilities					
Compensated Absences	3,814	9,970	5,166	8,618	0
Total Other Liabilities	<u>3,814</u>	<u>9,970</u>	<u>5,166</u>	<u>8,618</u>	<u>0</u>
Long-Term	<u>\$ 1,788,814</u>	<u>\$ 9,970</u>	<u>\$ 135,166</u>	<u>\$ 1,663,618</u>	<u>\$ 135,000</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 District's governmental funds, with most being paid by the General Fund, Transportation Fund, Cafeteria Fund and Title I Fund.

The current portion of the compensated absences is estimated at zero since there are no anticipated retirements or terminations.

**General Obligation Bonds.**

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.



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<u>Series</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
2000	07-01-00	600,000	5.1%-5.25%	\$ 110,000
2001	04-01-01	742,000	5.4%-5.95%	690,000
2005	09-15-05	855,000	4.006%-4.25%	855,000
				<u>\$ 1,655,000</u>

The annual requirements to amortize the 2000 Series general obligation bonds as of June 30, 2007, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 110,000	\$ 2,832	\$ 112,832
	<u>\$ 110,000</u>	<u>\$ 2,832</u>	<u>\$ 112,832</u>

The annual requirements to amortize the 2001 Series general obligation bonds as of June 30, 2007, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 25,000	\$ 37,756	\$ 62,756
2009	100,000	34,263	134,263
2010	105,000	28,496	133,496
2011	110,000	22,395	132,395
2012	110,000	16,290	126,290
2013-2014	240,000	13,380	253,380
	<u>\$ 690,000</u>	<u>\$ 152,580</u>	<u>\$ 842,580</u>

The annual requirements to amortize the 2005 Series general obligation bonds as of June 30, 2007, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 0	\$ 34,637	\$ 34,637
2009	40,000	33,787	73,787
2010	40,000	32,088	72,088
2011	45,000	30,281	75,281
2012	50,000	28,263	78,263
2013-2017	375,000	103,500	478,500
2018-2020	305,000	18,500	323,500
	<u>\$ 855,000</u>	<u>\$ 281,056</u>	<u>\$ 1,136,056</u>

Reconciliation of Long-Term Debt disclosed in Note H to the Long-Term Debt reported in the Statement of Net Assets.

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Note H	\$ 1,655,000
Issue Costs/Premium/Discounts on Bond Issues	(108,010)
Accumulated Amortization	37,310
	<u>\$ 1,584,300</u>
Long-Term Per Government Wide Financial Statements	\$ 1,449,300
Current Portion	135,000
Statement of Net Assets	<u>\$ 1,584,300</u>

**NOTE I: COMMITMENTS**

The District has no construction commitments at June 30, 2007.

**NOTE J: PENSION PLAN**

Substantially all of the (name of employer)'s full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

Plan members are required to contribute 7.825% of their gross salary. The District is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the District are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The District's contributions to ERB for the fiscal years ending June 30, 2007, 2006, and 2005, were \$151,211, \$125,431 and \$112,861, respectively, which equal the amount of the required contributions for each fiscal year.

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

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The District's contributions to the RHCA for the years ended June 30, 2007, 2006 and 2005 were \$14,304, \$14,315 and \$15,846, respectively, which equal the required contributions for each year.

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

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

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

Reconciliations are located at the bottom of each budget actual.

**NOTE M: INSURANCE COVERAGE**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

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

**NOTE N: JOINT POWERS AGREEMENT**

The District entered into a joint powers agreement with other school districts to establish the Central Regional Education Cooperative (CREC) dated July 1, 1990. Under this agreement, the participating school districts establish and maintain a cooperative program of supplementary special educational and other services funded by each school district and the CREC. CREC is not a component unit of the District. CREC issues a separate publicly available audited financial report. The audited financial report for CREC may be obtained by writing to P.O. Box 37440, Albuquerque, New Mexico 87176.

The REC passed-through \$1,000 to the District for salaries and fringe benefits. As required by SAO 2.2.2.12 C (3) (d), the revenues and expenditures are reported in the following Special Revenue Fund:

24106	IDEA, Part B Entitlement
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**NOTE O: SURETY BOND**

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

**NOTE P: RESTATEMENTS**

The Beginning Net Assets and cash in fund 31400 was restated by \$(11,796). It was determined that the State would not be reimbursing the District for the capital project accounted for in fund 31400. The Operational fund was restated by \$(26,296) for loans made to fund 31400 and debt service. Debt Service fund balance was restated by \$14,500 for a very old loan from the Operational fund. We could not determine if the Debt Service fund owed Operational fund, so the fund balance was restated.

**SUPPLEMENTAL INFORMATION RELATED TO  
MAJOR FUNDS**

STATE OF NEW MEXICO  
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 CAPITAL PROJECT FUND-BOND BUILDING-31100  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State Sources</b>				
Grants	\$ 0	\$ 0	\$ 0	\$ 0
Total State Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
<b>Capital Outlay</b>				
Professional & Tech Services	20,000	20,000	2,421	17,579
Purchased Property	200,000	200,000	129,802	70,198
Property	711,061	711,061	334,690	376,371
Total Capital Outlay	<u>931,061</u>	<u>931,061</u>	<u>466,913</u>	<u>464,148</u>
Total Expenditures	<u>931,061</u>	<u>931,061</u>	<u>466,913</u>	<u>464,148</u>
Excess (Deficiency) of Revenues Over Expenditures	(931,061)	(931,061)	(466,913)	464,148
Cash Balance Beginning of Year	<u>876,700</u>	<u>876,700</u>	<u>876,700</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>(54,361)</u></u>	\$ <u><u>(54,361)</u></u>	\$ <u><u>409,787</u></u>	\$ <u><u>464,148</u></u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u><u>(466,913)</u></u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>(466,913)</u></u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 CAPITAL PROJECT FUND-SENATE BILL NINE-31700  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Local Sources</b>				
Taxes	\$ 67,161	\$ 67,161	\$ 88,846	\$ 21,685
Total Local Sources	<u>67,161</u>	<u>67,161</u>	<u>88,846</u>	<u>21,685</u>
Total Revenues	<u>67,161</u>	<u>67,161</u>	<u>88,846</u>	<u>21,685</u>
<b>Expenditures</b>				
<b>Support Service-General Administration</b>				
Professional & Tech Services	<u>2,121</u>	<u>2,121</u>	<u>1,226</u>	<u>895</u>
Total Support Service-General Administration	<u>2,121</u>	<u>2,121</u>	<u>1,226</u>	<u>895</u>
<b>Operation &amp; Maintenance of Plant</b>				
Purchased Property Services	<u>75,000</u>	<u>75,000</u>	<u>13,543</u>	<u>61,457</u>
Supplies	<u>50,000</u>	<u>50,000</u>	<u>10,208</u>	<u>39,792</u>
Total Operation & Maintenance of Plant	<u>125,000</u>	<u>125,000</u>	<u>23,751</u>	<u>101,249</u>
<b>Capital Outlay</b>				
Property	<u>112,508</u>	<u>112,508</u>	<u>34,700</u>	<u>77,808</u>
Total Capital Outlay	<u>112,508</u>	<u>112,508</u>	<u>34,700</u>	<u>77,808</u>
Total Expenditures	<u>239,629</u>	<u>239,629</u>	<u>59,677</u>	<u>179,952</u>
Excess (Deficiency) of Revenues Over Expenditures	(172,468)	(172,468)	29,169	201,637
Cash Balance Beginning of Year	<u>180,524</u>	<u>180,524</u>	<u>180,524</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 8,056</u>	<u>\$ 8,056</u>	<u>\$ 209,693</u>	<u>\$ 201,637</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 29,169	
Net change in Taxes Receivable			(11,638)	
Net change in Deferred Revenue			<u>11,613</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 29,144</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
DEBT SERVICE-41000

Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Local Sources</b>				
Taxes	\$ 212,103	\$ 212,103	\$ 289,125	\$ 77,022
Total Local Sources	<u>212,103</u>	<u>212,103</u>	<u>289,125</u>	<u>77,022</u>
Total Revenues	<u>212,103</u>	<u>212,103</u>	<u>289,125</u>	<u>77,022</u>
<b>Expenditures</b>				
<b>Support Service-General Administration</b>				
Professional & Tech Services	<u>2,121</u>	<u>2,760</u>	<u>2,760</u>	<u>0</u>
Total Support Service-General Administration	<u>2,121</u>	<u>2,760</u>	<u>2,760</u>	<u>0</u>
<b>Debt Service</b>				
Principal	130,000	130,000	130,000	0
Interest	<u>95,188</u>	<u>95,188</u>	<u>95,188</u>	<u>0</u>
Total Debt Service	<u>225,188</u>	<u>225,188</u>	<u>225,188</u>	<u>0</u>
Total Expenditures	<u>2,121</u>	<u>227,948</u>	<u>227,948</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	209,982	(15,845)	61,177	77,022
Cash Balance Beginning of Year	<u>188,586</u>	<u>188,586</u>	<u>188,586</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 398,568</u>	<u>\$ 172,741</u>	<u>\$ 249,763</u>	<u>\$ 77,022</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 61,177	
Net change in Taxes Receivable			(33,176)	
Net change in Deferred Revenue			33,930	
Net change in Principal			(5,000)	
Net change in Interest			3,349	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 60,280</u>	

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



**SUPPLEMENTAL INFORMATION RELATED TO  
NON MAJOR FUNDS**

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR GOVERNMENT FUNDS  
Combining Balance Sheet - By Fund Type  
June 30, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 29,815	\$ 0	\$ 29,815
Receivables			
Due From Grantor	42,777	0	42,777
Inventory	1,495	0	1,495
Total Assets	<u>\$ 74,087</u>	<u>\$ 0</u>	<u>\$ 74,087</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	\$ 42,777	\$ 0	\$ 42,777
Deferred Revenue	13,105	0	13,105
Total Liabilities	<u>55,882</u>	<u>0</u>	<u>55,882</u>
Fund Balance			
Reserved for Special Revenue	0	0	0
Unreserved, Undesignated	18,205	0	18,205
Total Fund Balance	<u>18,205</u>	<u>0</u>	<u>18,205</u>
Total Liabilities and Fund Balance	<u>\$ 74,087</u>	<u>\$ 0</u>	<u>\$ 74,087</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balance - By Fund Type  
For the Year Ended June 30, 2007

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	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues			
Fees	\$ 9,615	\$ 0	\$ 9,615
State Grants	5,248	0	5,248
Federal Grants	114,263	0	114,263
Total Revenues	<u>129,126</u>	<u>0</u>	<u>129,126</u>
Expenditures			
Current			
Instruction	102,499	0	102,499
Support Service-Students	2,336	0	2,336
Support Service-Instruction	1,995	0	1,995
Food Service Operations	39,341	0	39,341
Total Expenditures	<u>146,171</u>	<u>0</u>	<u>146,171</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,045)	0	(17,045)
Fund Balances at Beginning of Year	<u>35,250</u>	<u>0</u>	<u>35,250</u>
Fund Balance End of Year	<u>\$ 18,205</u>	<u>\$ 0</u>	<u>\$ 18,205</u>

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

**NONMAJOR SPECIAL REVENUE FUNDS**

**Food Services (21000).** To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

**Athletics (22000).** To account for revenue and expenditures associated with the District's budgeted athletic activities. (NMAC 6.20.2).

**Title I (24101).** To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

**IDEA Part B, Entitlement (24106).** To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

**Character Counts (24129).** To account for a Federal grant designed to promote character in the schools. The grant has emphasis on communications within the school district and within the community. The Fund was created by federal provisions.

**Enhancing Education Through Technology (24133).** To account for a Federal grant designed to strengthen teacher learning in the field of technology. The fund was created by the authority of federal grant provisions. (PL 103-382).

**Title V-A (24150).** To account for monies received to improve elementary and secondary education for children attending both public and private schools. The fund was created by grant provisions. (PL 103-382).

**Title II-A (24154).** To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

**Title IV-A (24157).** To offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco, and drugs, involve parents, and coordinated with related Federal, State, and community efforts and resources. Elementary and Secondary Education Act, Title IV, Part A, Subpart 1, as amended. 20 USC 7111-7118.

**School Renovation (24166).** The grant program was designed to help high poverty and rural Local Educational Agencies. The funds have been awarded on a competitive basis and are for emergency repairs and renovations, excluding new construction. The fund was created by authority of federal grant provisions. (PL 103-382)

**NONMAJOR SPECIAL REVENUE FUNDS**

**Medicaid XIX-(25153).** To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

**Rural Education Achievement Program (25233).** To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

**Tech For Education (27117)** To account for funds received from the Technology for Education Grant created by the 1994 State Legislation to establish funding of any costs associated with educational technology. Funding provided by the State of New Mexico. (NMSA 22-15A-1-10).

**Parents Reaching Out (29102).** To account for revenue and expenditures from a non-profit organization, Parents Reaching Out for the purpose of development and implementation of the School Parent Community Involvement Plan. The fund was created by grant provisions.

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2007

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	Food Service 21000	Athletics 22000	Title I 24101
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,433	\$ 12,467	\$ 0
Receivables			
Due From Grantor	0	0	23,664
Inventory	1,495	0	0
Total Assets	<u>\$ 2,928</u>	<u>\$ 12,467</u>	<u>\$ 23,664</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 23,664
Deferred Revenue	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>23,664</u>
Fund Balance			
Unreserved, Undesignated	<u>2,928</u>	<u>12,467</u>	<u>0</u>
Total Fund Balance	<u>2,928</u>	<u>12,467</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 2,928</u>	<u>\$ 12,467</u>	<u>\$ 23,664</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2007

	IDEA-B Entitlement <u>24106</u>	Character Counts <u>24129</u>	Enhancing Education Through Technology <u>24133</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 176
Receivables			
Due From Grantor	1,000	1,630	0
Inventory	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 1,000</u>	<u>\$ 1,630</u>	<u>\$ 176</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	\$ 1,000	\$ 1,630	\$ 0
Deferred Revenue	<u>0</u>	<u>0</u>	<u>176</u>
Total Liabilities	<u>1,000</u>	<u>1,630</u>	<u>176</u>
Fund Balance			
Unreserved, Undesignated	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,000</u>	<u>\$ 1,630</u>	<u>\$ 176</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2007

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	Title V 24150	Title II-A 24154	Title IV-A 24157
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,420	\$ 0	\$ 0
Receivables			
Due From Grantor	0	9,723	3,482
Inventory	0	0	0
Total Assets	<u>\$ 10,420</u>	<u>\$ 9,723</u>	<u>\$ 3,482</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	\$ 0	\$ 9,723	\$ 3,482
Deferred Revenue	10,420	0	0
Total Liabilities	<u>10,420</u>	<u>9,723</u>	<u>3,482</u>
Fund Balance			
Unreserved, Undesignated	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 10,420</u>	<u>\$ 9,723</u>	<u>\$ 3,482</u>

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



STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2007

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	School Renovations 24166	Medicaid XIX 25153	Rural Education Achievement Program 25233
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,990	\$ 2,642	\$ 519
Receivables			
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 1,990</u>	<u>\$ 2,642</u>	<u>\$ 519</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	\$ 0	\$ 0	\$ 0
Deferred Revenue	1,990	0	519
Total Liabilities	<u>1,990</u>	<u>0</u>	<u>519</u>
Fund Balance			
Unreserved, Undesignated	0	2,642	0
Total Fund Balance	<u>0</u>	<u>2,642</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 1,990</u>	<u>\$ 2,642</u>	<u>\$ 519</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2007

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	Tech For Education 27117	Parents Reaching Out 29102	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 168	\$ 29,815
Receivables			
Due From Grantor	3,278	0	42,777
Inventory	0	0	1,495
Total Assets	<u>\$ 3,278</u>	<u>\$ 168</u>	<u>\$ 74,087</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Interfund Balance	\$ 3,278	\$ 0	\$ 42,777
Deferred Revenue	0	0	13,105
Total Liabilities	<u>3,278</u>	<u>0</u>	<u>55,882</u>
Fund Balance			
Unreserved, Undesignated	0	168	18,205
Total Fund Balance	<u>0</u>	<u>168</u>	<u>18,205</u>
Total Liabilities and Fund Balance	<u>\$ 3,278</u>	<u>\$ 168</u>	<u>\$ 74,087</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2007

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	Food Service 21000	Athletics 22000	Title I 24101
Revenues			
Fees	\$ 0	\$ 9,615	\$ 0
State & Local Grants	1,970	0	0
Federal Grants	28,853	0	76,943
Total Revenues	<u>30,823</u>	<u>9,615</u>	<u>76,943</u>
Expenditures			
Current			
Instruction	0	18,142	76,943
Support Service-Students	0	0	0
Support Service-Instruction	0	0	0
Food Service Operations	39,341	0	0
Total Expenditures	<u>39,341</u>	<u>18,142</u>	<u>76,943</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,518)	(8,527)	0
Fund Balances at Beginning of Year	<u>11,446</u>	<u>20,994</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 2,928</u>	<u>\$ 12,467</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2007

	IDEA-B Entitlement 24106	Character Counts 24129	Enhancing Education Through Technology 24133
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	0
Federal Grants	1,000	0	0
Total Revenues	<u>1,000</u>	<u>0</u>	<u>0</u>
Expenditures			
Current			
Instruction	0	0	0
Support Service-Students	0	0	0
Support Service-Instruction	1,000	0	0
Food Service Operations	0	0	0
Total Expenditures	<u>1,000</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2007

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	Title V-A 24150	Title II-A 24154	Title IV-A 24157
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	0
Federal Grants	0	6,843	624
Total Revenues	<u>0</u>	<u>6,843</u>	<u>624</u>
Expenditures			
Current			
Instruction	0	3,512	624
Support Service-Students	0	2,336	0
Support Service-Instruction	0	995	0
Food Service Operations	0	0	0
Total Expenditures	<u>0</u>	<u>6,843</u>	<u>624</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2007

	School Renovations 24166	Medicaid XIX 25153	Rural Education Achievement Program 25233
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	0
Federal Grants	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures			
Current			
Instruction	0	0	0
Support Service-Students	0	0	0
Support Service-Instruction	0	0	0
Food Service Operations	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>2,642</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 2,642</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balance  
For the Year Ended June 30, 2007

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	Tech For Education 27117	Parents Reaching Out 29102	Total
Revenues			
Fees	\$ 0	\$ 0	\$ 9,615
State & Local Grants	3,278	0	5,248
Federal Grants	0	0	114,263
Total Revenues	<u>3,278</u>	<u>0</u>	<u>129,126</u>
Expenditures			
Current			
Instruction	3,278	0	102,499
Support Service-Students	0	0	2,336
Support Service-Instruction	0	0	1,995
Food Service Operations	0	0	39,341
Total Expenditures	<u>3,278</u>	<u>0</u>	<u>146,171</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(17,045)
Fund Balances at Beginning of Year	<u>0</u>	<u>168</u>	<u>35,250</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 168</u>	<u>\$ 18,205</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-FOOD SERVICE-21000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Sources</b>				
Fees	\$ 2,500	\$ 2,500	\$ 1,971	\$ (529)
Total State & Local Sources	<u>2,500</u>	<u>2,500</u>	<u>1,971</u>	<u>(529)</u>
<b>Federal Sources</b>				
Grant	32,000	32,000	26,488	(5,512)
Total Federal Sources	<u>32,000</u>	<u>32,000</u>	<u>26,488</u>	<u>(5,512)</u>
Total Revenues	<u>34,500</u>	<u>34,500</u>	<u>28,459</u>	<u>(6,041)</u>
<b>Expenditures</b>				
<b>Food Service Operations</b>				
Personnel Services	0	3,000	3,000	0
Employee Benefits	0	551	551	0
Purchased Services	1,000	1,000	325	675
Supplies	38,526	38,526	33,153	5,373
Total Food Service Operations	<u>39,526</u>	<u>43,077</u>	<u>37,029</u>	<u>6,048</u>
Total Expenditures	<u>39,526</u>	<u>43,077</u>	<u>37,029</u>	<u>6,048</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,026)	(8,577)	(8,570)	7
Cash Balance Beginning of Year	<u>10,003</u>	<u>10,003</u>	<u>10,003</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,977</u>	<u>\$ 1,426</u>	<u>\$ 1,433</u>	<u>\$ 7</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (8,570)	
Net change in Inventory			52	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (8,518)</u>	

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



STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-ATHLETICS-22000  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Sources</b>				
Fees	\$ 15,000	\$ 15,000	\$ 9,615	\$ (5,385)
Total State & Local Sources	<u>15,000</u>	<u>15,000</u>	<u>9,615</u>	<u>(5,385)</u>
Total Revenues	<u>15,000</u>	<u>15,000</u>	<u>9,615</u>	<u>(5,385)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Other Charges	0	740	740	0
Other Purchased Services	0	616	616	0
Student Travel	3,000	7,088	7,088	0
General Supplies	0	9,698	9,698	0
Total Instruction	<u>3,000</u>	<u>18,142</u>	<u>18,142</u>	<u>0</u>
Total Expenditures	<u>3,000</u>	<u>18,142</u>	<u>18,142</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	12,000	(3,142)	(8,527)	(5,385)
Cash Balance Beginning of Year	<u>20,994</u>	<u>20,994</u>	<u>20,994</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 32,994</u>	<u>\$ 17,852</u>	<u>\$ 12,467</u>	<u>\$ (5,385)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (8,527)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (8,527)</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TITLE I-24101  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Federal Sources</b>				
Federal Grant	\$ 77,258	\$ 109,877	\$ 83,838	\$ (26,039)
Total Federal Sources	<u>77,258</u>	<u>109,877</u>	<u>83,838</u>	<u>(26,039)</u>
Total Revenues	<u>77,258</u>	<u>109,877</u>	<u>83,838</u>	<u>(26,039)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Personnel Services	32,000	49,014	49,014	0
Employee Benefits	12,250	26,025	26,025	0
Purchased Services	0	1,830	1,830	0
Supplies	2,449	2,449	74	2,375
Total Instruction	<u>46,699</u>	<u>79,318</u>	<u>76,943</u>	<u>2,375</u>
Total Expenditures	<u>46,699</u>	<u>79,318</u>	<u>76,943</u>	<u>2,375</u>
Excess (Deficiency) of Revenues Over Expenditures	30,559	30,559	6,895	(23,664)
Cash Balance Beginning of Year	<u>(30,559)</u>	<u>(30,559)</u>	<u>(30,559)</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(23,664)</u>	\$ <u>(23,664)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 6,895	
Net change in Due from Grantor			<u>(6,895)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-IDEA-B-ENTITLEMENT-24106  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Federal Sources</b>				
Federal Grant	\$ 0	\$ 1,000	\$ 0	\$ (1,000)
Total Federal Sources	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
Total Revenues	<u>0</u>	<u>1,000</u>	<u>0</u>	<u>(1,000)</u>
<b>Expenditures</b>				
<b>Support Service-Instruction</b>				
Personnel Services	0	1,000	1,000	0
Employee Benefits				
Total Support Service-Instruction	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(1,000)	(1,000)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,000)	
Net change in Due from Grantor			<u>1,000</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-CHARACTER COUNTS-24129  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Federal Sources</b>				
Federal Grant	\$ 9,130	\$ 9,130	\$ 0	\$ (9,130)
Total Federal Sources	<u>9,130</u>	<u>9,130</u>	<u>0</u>	<u>(9,130)</u>
Total Revenues	<u>9,130</u>	<u>9,130</u>	<u>0</u>	<u>(9,130)</u>
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Purchased Services	2,500	2,500	0	2,500
Supplies	5,000	5,000	0	5,000
Total Support Services-Students	<u>7,500</u>	<u>7,500</u>	<u>0</u>	<u>7,500</u>
Total Expenditures	<u>7,500</u>	<u>7,500</u>	<u>0</u>	<u>7,500</u>
Excess (Deficiency) of Revenues Over Expenditures	1,630	1,630	0	(1,630)
Cash Balance Beginning of Year	<u>(1,630)</u>	<u>(1,630)</u>	<u>(1,630)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (1,630)</u>	<u>\$ (1,630)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-ENHANCING EDUCATION THROUGH TECHNOLOGY-24133  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Federal Sources</b>				
Federal Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Sources	0	0	0	0
Total Revenues	0	0	0	0
<b>Expenditures</b>				
<b>Support Services-Students</b>				
Fixed Assets	0	0	0	0
Total Instruction	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	176	176	176	0
Cash Balance End of Year	\$ 176	\$ 176	\$ 176	\$ 0
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TITLE V-24150  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Sources				
Federal Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
Instruction				
Supplies	10,420	10,420	0	10,420
Total Instruction	<u>10,420</u>	<u>10,420</u>	<u>0</u>	<u>10,420</u>
Total Expenditures	<u>10,420</u>	<u>10,420</u>	<u>0</u>	<u>10,420</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,420)	(10,420)	0	10,420
Cash Balance Beginning of Year	<u>10,420</u>	<u>10,420</u>	<u>10,420</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,420</u>	<u>\$ 10,420</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TITLE II A-24154  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Sources				
Federal Grant	\$ 15,496	\$ 15,496	\$ 0	\$ (15,496)
Total Federal Sources	<u>15,496</u>	<u>15,496</u>	<u>0</u>	<u>(15,496)</u>
Total Revenues	<u>15,496</u>	<u>15,496</u>	<u>0</u>	<u>(15,496)</u>
Expenditures				
Instruction				
Purchased Services	<u>5,250</u>	<u>5,250</u>	<u>3,512</u>	<u>1,738</u>
Total Instruction	<u>5,250</u>	<u>5,250</u>	<u>3,512</u>	<u>1,738</u>
Support Services-Students				
Purchased Services	5,766	5,766	1,772	3,994
Supplies	<u>600</u>	<u>600</u>	<u>564</u>	<u>36</u>
Total Support Services-Students	<u>6,366</u>	<u>6,366</u>	<u>2,336</u>	<u>3,994</u>
Support Services-Instruction				
Personnel Services	<u>1,000</u>	<u>1,000</u>	<u>995</u>	<u>5</u>
Total Support Services-Instruction	<u>1,000</u>	<u>1,000</u>	<u>995</u>	<u>5</u>
Total Expenditures	<u>12,616</u>	<u>12,616</u>	<u>6,843</u>	<u>1,738</u>
Excess (Deficiency) of Revenues Over Expenditures	2,880	2,880	(6,843)	(9,723)
Cash Balance Beginning of Year	<u>(2,880)</u>	<u>(2,880)</u>	<u>(2,880)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (9,723)</u>	<u>\$ (9,723)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (6,843)	
Net change in Due from Grantor			<u>6,843</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TITLE IV-A-24157  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Federal Sources</b>				
Federal Grant	\$ 0	\$ 806	\$ 0	\$ (806)
Total Federal Sources	<u>0</u>	<u>806</u>	<u>0</u>	<u>(806)</u>
Total Revenues	<u>0</u>	<u>806</u>	<u>0</u>	<u>(806)</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Supplies	0	0	0	0
Property	0	624	624	0
Total Instruction	<u>0</u>	<u>624</u>	<u>624</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>624</u>	<u>624</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	182	(624)	(806)
Cash Balance Beginning of Year	<u>(2,858)</u>	<u>(2,858)</u>	<u>(2,858)</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>(2,858)</u></u>	\$ <u><u>(2,676)</u></u>	\$ <u><u>(3,482)</u></u>	\$ <u><u>(806)</u></u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (624)	
Net change in Due from Grantor			624	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>0</u></u>	

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



STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-SCHOOL RENOVATION-24166  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Sources				
Federal Grant	\$ 0	\$ 0	0	\$ 0
Total Federal Sources	0	0	0	0
Total Revenues	0	0	0	0
Expenditures				
Instruction				
Supplies	0	0	0	0
Total Instruction	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	1,990	1,990	1,990	0
Cash Balance End of Year	\$ 1,990	\$ 1,990	\$ 1,990	\$ 0
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-MEDICAID XIX-25153  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Sources				
Federal Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Instructional				
Supplies	0	0	0	0
Total Instruction	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>2,642</u>	<u>2,642</u>	<u>2,642</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,642</u>	<u>\$ 2,642</u>	<u>\$ 2,642</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-RURAL EDUCATION ACHIEVEMENT PROGRAM-25233  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Sources				
Federal Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Instruction				
Supplies	519	519	0	519
Total Instruction	<u>519</u>	<u>519</u>	<u>0</u>	<u>519</u>
Total Expenditures	<u>519</u>	<u>519</u>	<u>0</u>	<u>519</u>
Excess (Deficiency) of Revenues Over Expenditures	(519)	(519)	0	519
Cash Balance Beginning of Year	<u>519</u>	<u>519</u>	<u>519</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 519</u>	<u>\$ 519</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-TECH FOR EDUCATION-27117  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Sources				
State Grant	\$ 3,375	\$ 3,375	\$ 0	\$ (3,375)
Total State & Local Sources	<u>3,375</u>	<u>3,375</u>	<u>0</u>	<u>(3,375)</u>
Total Revenues	<u>3,375</u>	<u>3,375</u>	<u>0</u>	<u>(3,375)</u>
Expenditures				
Instruction				
Supplies	3,375	3,375	3,278	97
Total Instruction	<u>3,375</u>	<u>3,375</u>	<u>3,278</u>	<u>97</u>
Total Expenditures	<u>3,375</u>	<u>3,375</u>	<u>3,278</u>	<u>97</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(3,278)	(3,278)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>(3,278)</u>	\$ <u>(3,278)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,278)	
Net change in Due from Grantor			<u>3,278</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>0</u>	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
SPECIAL REVENUE FUND-PARENTS REACHING OUT-29102  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>State &amp; Local Sources</b>				
State Grant	\$ 0	\$ 0	\$ 0	\$ 0
Total State & Local Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
<b>Instruction</b>				
Supplies	<u>168</u>	<u>168</u>	<u>0</u>	<u>168</u>
Total Instruction	<u>168</u>	<u>168</u>	<u>0</u>	<u>168</u>
Total Expenditures	<u>168</u>	<u>168</u>	<u>0</u>	<u>168</u>
Excess (Deficiency) of Revenues Over Expenditures	(168)	(168)	0	168
Cash Balance Beginning of Year	<u>168</u>	<u>168</u>	<u>168</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 168</u>	<u>\$ 168</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

**NONMAJOR CAPITAL PROJECTS FUNDS**

**Public School Capital Outlay (31200)**

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

**Special Capital Outlay-State (31400)**

To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of upgrading buildings.

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR CAPITAL PROJECTS FUNDS  
Combining Balance Sheet  
June 30, 2007

	Public School Capital Outlay 31200	Special Capital Outlay State 31400	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Loan From Other Funds	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Reserved for Capital Improvements	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
NONMAJOR CAPITAL PROJECTS FUNDS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended June 30, 2007

	Public School Capital Outlay 31200	Special Capital Outlay State 31400	Total
Revenues			
State Grants	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures			
Capital Outlay	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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



STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 CAPITAL PROJECTS FUND-PUBLIC SCHOOL CAPITAL OUTLAY-31200  
 Statement of Revenues, Expenditures, and Changes in Cash Balance  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Sources				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Total State & Local Sources	0	0	0	0
Total Revenues	0	0	0	0
Expenditures				
Capital Outlay				
Purchased Services	5,450	5,450	5,450	0
Total Capital Outlay	5,450	5,450	5,450	0
Total Expenditures	5,450	5,450	5,450	0
Excess (Deficiency) of Revenues Over Expenditures	(5,450)	(5,450)	(5,450)	0
Cash Balance Beginning of Year	5,450	5,450	5,450	0
Cash Balance End of Year	\$ 0	\$ 0	\$ 0	\$ 0
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (5,450)	
Net change in Deferred Revenue			5,450	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 0	

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 CAPITAL PROJECTS FUND-SPECIAL CAPITAL OUTLAY-STATE-31400  
 Statement of Revenues, Expenditures, and Changes in Cash Balance -  
 Budget and Actual (Budgetary Basis)  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Sources				
Special Capital Outlay	\$ 11,796	\$ 11,796	\$ 11,796	\$ 0
Total State & Local Sources	<u>11,796</u>	<u>11,796</u>	<u>11,796</u>	<u>0</u>
Total Revenues	<u>11,796</u>	<u>11,796</u>	<u>11,796</u>	<u>0</u>
Expenditures				
Instructional Support				
Materials & Supplies	0	0	0	0
Total Instructional Support	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	11,796	11,796	11,796	0
Cash Balance Beginning of Year	<u>(11,796)</u>	<u>(11,796)</u>	<u>(11,796)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 11,796	
Net change in Due from Grantor			(11,796)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

**OTHER SUPPLEMENTAL INFORMATION**

**FIDUCIARY FUND**

**Activity Trust Fund**

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 AGENCY FUNDS  
 Statement of Fiduciary Net Assets and Liabilities-Agency Funds  
 For the Year Ended June 30, 2007

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	<u>Balance</u> 06/30/06	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/07
<b>ASSETS</b>				
Activity Trust Fund	\$ 35,846	\$ 13,298	\$ 15,971	\$ 33,173
Total Assets	<u>\$ 35,846</u>	<u>\$ 13,298</u>	<u>\$ 15,971</u>	<u>\$ 33,173</u>
<b>LIABILITIES</b>				
Due to Student Groups	\$ 35,846	\$ 13,298	\$ 15,971	\$ 33,173
Total Liabilities	<u>\$ 35,846</u>	<u>\$ 13,298</u>	<u>\$ 15,971</u>	<u>\$ 33,173</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 AGENCY FUNDS - ACTIVITY  
 Schedule of Changes in Assets and Liabilities-Agency Funds  
 For the Year Ended June 30, 2007

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
<b>ASSETS</b>				
Annual/Newspaper	\$ 836	\$ 2,102	\$ 4,914	\$ (1,976)
Cheerleaders	131	0	0	131
HS Student Council	8,651	504	1,267	7,888
Activity Account	10,641	3,870	5,036	9,475
Pee Wees	423	164	156	431
Elementary Student Council	449	685	244	890
BPA	151	0	0	151
Shop	1,610	1,210	1,366	1,454
Scholarship Fund	25	0	0	25
Class of 2006	541	0	0	541
Fiesta Fund	8,793	1,605	1,304	9,094
Class of 2007	840	0	479	361
Class of 2008	553	1,333	1,148	738
Class of 2009	1,270	902	26	2,146
Class of 2010	130	80	31	179
Class of 2011	286	673	0	959
Class of 2012	0	170	0	170
PPAC Fund	516	0	0	516
Total Assets	<u>\$ 35,846</u>	<u>\$ 13,298</u>	<u>\$ 15,971</u>	<u>\$ 33,173</u>
<b>LIABILITIES</b>				
Deposits Held for Others	<u>\$ 35,846</u>	<u>\$ 13,298</u>	<u>\$ 15,971</u>	<u>\$ 33,173</u>
Total Liabilities	<u>\$ 35,846</u>	<u>\$ 13,298</u>	<u>\$ 15,971</u>	<u>\$ 33,173</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2007

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	Operational 11000	Teacherage 12000	Transportation 13000
Net Cash in Bank 6/30/06			
Cash in Bank	\$ 168,343	\$ 12,390	\$ 14,801
Restatement	0	0	0
Restated Beginning Balance 6/30/06	<u>168,343</u>	<u>12,390</u>	<u>14,801</u>
Add: 2006-07			
Revenues	<u>1,452,110</u>	<u>9,800</u>	<u>110,631</u>
TOTAL Cash Available	<u>1,620,453</u>	<u>22,190</u>	<u>125,432</u>
Less: 2006-07			
Expenditures	<u>1,453,832</u>	<u>1,775</u>	<u>84,997</u>
	<u>1,453,832</u>	<u>1,775</u>	<u>84,997</u>
TOTAL Cash 6/30/07	<u>\$ 166,621</u>	<u>\$ 20,415</u>	<u>\$ 40,435</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2007

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	Instructional Materials 14000	Food Service 21000	Athletics 22000
Net Cash in Bank 6/30/06			
Cash in Bank	\$ 1,401	\$ 10,003	\$ 20,994
Restatement	<u>0</u>	<u>0</u>	<u>0</u>
Restated Beginning Balance 6/30/06	<u>1,401</u>	<u>10,003</u>	<u>20,994</u>
Add: 2006-07			
Revenues	<u>8,153</u>	<u>28,459</u>	<u>9,615</u>
TOTAL Cash Available	<u>9,554</u>	<u>38,462</u>	<u>30,609</u>
Less: 2006-07			
Expenditures	<u>18,021</u>	<u>37,029</u>	<u>18,142</u>
	<u>18,021</u>	<u>37,029</u>	<u>18,142</u>
TOTAL Cash 6/30/07	<u>\$ (8,467)</u>	<u>\$ 1,433</u>	<u>\$ 12,467</u>

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



STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2007

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	Activities 23000	Federal Flowthrough 24000	Federal Grants 25000
Net Cash in Bank 6/30/06			
Cash in Bank	\$ 35,846	\$ (25,341)	\$ 3,160
Restatement	0	0	0
Restated Beginning Balance 6/30/06	<u>35,846</u>	<u>(25,341)</u>	<u>3,160</u>
Add: 2006-07			
Revenues	13,298	120,607	0
TOTAL Cash Available	<u>49,144</u>	<u>95,266</u>	<u>3,160</u>
Less: 2006-07			
Expenditures	15,971	334,088	0
	<u>15,971</u>	<u>334,088</u>	<u>0</u>
TOTAL Cash 6/30/07	<u>\$ 33,173</u>	<u>(238,822)</u>	<u>3,160</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2007

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	State Flowthrough 25000	Local Grant 29000	Bond Building 31100
Net Cash in Bank 6/30/06			
Cash in Bank	\$ 0	\$ 168	\$ 876,700
Restatement	0	0	0
Restated Beginning Balance 6/30/06	<u>0</u>	<u>168</u>	<u>876,700</u>
Add: 2006-07			
Revenues	0	0	0
TOTAL Cash Available	<u>0</u>	<u>168</u>	<u>876,700</u>
Less: 2006-07			
Expenditures	3,278	0	466,913
	<u>3,278</u>	<u>0</u>	<u>466,913</u>
TOTAL Cash 6/30/07	<u>(3,278)</u>	<u>168</u>	<u>\$ 409,787</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2007

	Public School Capital Outlay 31200	Special Capital Outlay-State 31400	Senate Bill Nine 31700
Net Cash in Bank 6/30/06			
Cash in Bank	\$ 5,450	\$ 0	\$ 180,524
Restatement	0	(11,796)	0
Restated Beginning Balance 6/30/06	<u>5,450</u>	<u>(11,796)</u>	<u>180,524</u>
Add: 2006-07			
Revenues	0	11,796	88,846
TOTAL Cash Available	<u>5,450</u>	<u>0</u>	<u>269,370</u>
Less: 2006-07			
Expenditures	5,450	0	59,677
	<u>5,450</u>	<u>0</u>	<u>59,677</u>
 TOTAL Cash 6/30/07	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 209,693</u>

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

STATE OF NEW MEXICO  
**VAUGHN MUNICIPAL SCHOOLS**  
 Cash Reconciliations - All Funds  
 For the Year Ended June 30, 2007

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	Debt Service 41000	Totals
Net Cash in Bank 6/30/06		
Cash in Bank	\$ 188,586	\$ 1,493,025
Restatement	0	(11,796)
Restated Beginning Balance 6/30/06	<u>188,586</u>	<u>1,481,229</u>
 Add: 2006-07		
Revenues	<u>289,125</u>	<u>2,142,440</u>
TOTAL Cash Available	<u>477,711</u>	<u>3,623,669</u>
 Less: 2006-07		
Expenditures	<u>227,948</u>	<u>2,727,121</u>
	<u>227,948</u>	<u>2,727,121</u>
 TOTAL Cash 6/30/07	<u>\$ 249,763</u>	<u>\$ 896,548</u>

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

October 28, 2005

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(505) 253-4313

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

Mr. Hector Balderas  
State Auditor of the State of New Mexico  
Board Members of the VAUGHN MUNICIPAL SCHOOLS

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, and the combining and individual funds presented as supplemental information of VAUGHN MUNICIPAL SCHOOLS, (District), as of and for the year ended June 30, 2007, and have issued our report thereon dated April 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of finds and responses to be significant deficiencies in internal control over financial reporting. Finding 2007-04.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies above, we consider item 2007-04 to be material weakness.. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2007-01, 2007-02 and 2007-03.

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

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

*De'Ann Willoughby CPA PC*

April 23, 2009

**Prior Year Audit Findings**

	<u><b>STATUS</b></u>
2006-1 <b>Lack of Pledged Securities-Compliance</b>	Resolved
2006-2 <b>Over expended Budget-Compliance</b>	Resolved

**Current Year Audit Findings**

**2007-01    Late Audit Report-Compliance**

Condition

The audit report was filed after the due date. The State Auditors Office received the audit report on 04/28/09.

Criteria

According to the New Mexico State Statute 2.2.2.9. the audit report due date for the school districts is November 15.

Cause

The auditor was not contracted until after the due date.

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

Recommendation

Auditors should be contracted in July of each year so that the due date will be met by all parties involved in the audit process.

Response

The audit will be filed timely in the future.

**2007-02    Employees were overpaid based on their contracts - Compliance**

Condition

There were three instances totaling \$4,292 of employees being paid an amount over the contract price agreed upon between the employee and the school district.

Criteria

"The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP." N.M. Admin. Code tit. 6, § 6.20.2.18.

Cause

The payroll department miscalculated or intentionally paid three employees more than the amount on the contracts, amended contracts and stipends. As a result these employees received an amount in excess of the agreed upon contract price for their services.

**Effect**

Employees were paid in excess of the agreed upon contract price. As a result, the school district overpaid for employees services and/or employees were paid in excess of services rendered.

**Recommendation**

There should be a reconciliation, review and approval of all payroll runs before the checks are given to the employees comparing contracts, amended contracts and stipends.

**Response**

Copies of contract adjustments will be provided to the Superintendent prior to changes being implemented. The Superintendent will be more involved in reviewing payroll reports prior to actual issuance of payroll.

**2007-03 Budget Over Expenditures**

**Condition**

The District incurred expenditures in excess of the approved budget in the following fund.

Fund	Approved Budget	Actual Expenditures	Amount over expended
Instructional Materials	8,153	18,021	(9,868)

**Criteria**

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

**Cause**

Purchases were approved in excess of available budget. Budget adjustments were not approved to cover the expenditures approved.

**Effect**

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

**Recommendation**

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

**Response**

Budgets will be monitored monthly to prevent over expenditure of funds.



## **2007-04 Preparation of Financial Statements**

### **Condition**

The financial statements were prepared by the auditor.

### **Criteria**

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

### **Cause**

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

### **Effect**

Management's ability to ascertain the accuracy and completeness of the financial statement's has been diminished.

### **Recommendation**

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

### **Response**

A system of controls will be developed and implemented that will allow management to determine the accuracy and fair presentation of the financial statements.

## **Financial Statement Preparation**

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

## **Exit Conference**

An exit conference was held on April 23, 2009. Those present were Louis Gauna, Board Member, Lorena Garcia, Superintendent, and De'Aun Willoughby, CPA: