

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS
ANNUAL FINANCIAL REPORT
JUNE 30, 2009

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Vaughn Municipal Schools
Official Roster
June 30, 2009

<u>Name</u>		<u>Title</u>
	<u>Board of Education</u>	
Brahaim Hindi		President
Floraida Tapia		Vice President
Lilia Gallegos		Secretary
Louis Guana		Member
Henrietta Garcia		Member
	<u>School Officials</u>	
Lorena Garcia		Superintendent

STATE OF NEW MEXICO
 Vaughn Municipal Schools
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 June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Vaughn Municipal Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund of the District, as of and for the year ended June 30, 2009, 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 nonmajor governmental funds, and the budgetary comparisons for the major capital project funds, major debt service fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital project funds, 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 our report dated December 15, 2010, 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 Government Auditing Standards and should be considered in assessing the results of our audit.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting

Standards Board has determined in necessary to supplement, although not required to be a part of, the basic financial statements and the combining and individual financial statement 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. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White + Sanabria + Campbell, LLP

El Paso, Texas
December 15, 2010

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Statement of Net Assets
 June 30, 2009

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 510,612
Property taxes receivable	2,715
Due from other governments	151,730
Other receivables	1,400
Inventory	1,495
	<u>667,952</u>
Total current assets	
Noncurrent assets	
Restricted cash and cash equivalents	200,250
Bond issuance costs, net of amortization of \$46,583	52,154
Capital assets	8,041,236
Less: accumulated depreciation	<u>(4,376,244)</u>
Total noncurrent assets	<u>3,917,396</u>
Total assets	<u><u>\$ 4,585,348</u></u>

The accompanying notes are an integral part of these financial statements

	<u>Governmental Activities</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 7,612
Accrued payroll	58,745
Accrued interest	29,455
Deferred revenue	35,185
Current portion of bonds payable	<u>145,000</u>
Total current liabilities	<u>275,997</u>
Noncurrent liabilities	
Bonds payable	1,235,000
Accrued compensated absences	<u>13,505</u>
Total noncurrent liabilities	<u>1,248,505</u>
Total liabilities	<u>1,524,502</u>
Net assets	
Invested in capital assets, net of related debt	2,284,992
Restricted for:	
Special revenue	163,303
Debt service	188,335
Capital projects	207,419
Unrestricted	<u>216,797</u>
Total net assets	<u>\$ 3,060,846</u>

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Statement of Activities
 For the Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental Activities:			
Education:			
Instruction	\$ 1,085,018	\$ 12,362	\$ 150,849
Support services	794,407	9,051	110,446
Central services	127,819	1,456	17,771
Operation & maintenance of plant	468,420	5,337	65,124
Student transportation	117,805	-	126,820
Food services operations	97,305	-	-
Interest on long-term debt	64,542	-	-
Amortization	9,273	-	-
	<u>\$ 2,764,589</u>	<u>\$ 28,206</u>	<u>\$ 471,010</u>
Total governmental activities			
General Revenues:			
Taxes			
Property taxes, levied for operating programs			
Property taxes, levied for debt services			
Property taxes, levied for capital projects			
State equalization guarantee			
Interest and investment earnings			
Miscellaneous			
Special item - Emergency funding			
Special item - Donation of capital assets			
Subtotal, general revenues			
Changes in net assets			
Net assets, beginning			
Net assets, ending			

The accompanying notes are an integral part of these financial statements

		Net (Expense) Revenue and Changes in Net Assets	
		Governmental Activities	
Capital Grants and Contributions		Total	
\$	26,296	\$	(895,511)
	19,253		(655,657)
	3,098		(105,494)
	11,353		(386,606)
	-		9,015
	-		(97,305)
	-		(64,542)
	-		(9,273)
\$	60,000		(2,205,373)

18,636
206,846
80,010
1,367,831
394
7,570
436,000
190,000
2,307,287
101,914
2,958,932
\$ 3,060,846

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Balance Sheet
 Governmental Funds
 June 30, 2009

	<u>General Fund</u>	<u>Bond Building</u>	<u>Capital Improvements SB- 9</u>	<u>Debt Service</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 110,725	\$ 131,769	\$ 74,948	\$ 200,250
Property taxes receivable	345	-	702	1,668
Due from other governments	-	-	-	-
Other receivables	1,400	-	-	-
Inventory	-	-	-	-
Due from other funds	172,991	-	-	-
<i>Total assets</i>	<u>\$ 285,461</u>	<u>\$ 131,769</u>	<u>\$ 75,650</u>	<u>\$ 201,918</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 7,612	\$ -	\$ -	\$ -
Accrued payroll	58,745	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	2,226	-	-	22,858
<i>Total liabilities</i>	<u>68,583</u>	<u>-</u>	<u>-</u>	<u>22,858</u>
<i>Fund balances</i>				
<i>Unreserved</i>				
Unreserved, reported in				
General fund	216,878	-	-	-
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	179,060
Capital projects funds	-	131,769	75,650	-
<i>Total fund balances</i>	<u>216,878</u>	<u>131,769</u>	<u>75,650</u>	<u>179,060</u>
<i>Total liabilities and fund balances</i>	<u>\$ 285,461</u>	<u>\$ 131,769</u>	<u>\$ 75,650</u>	<u>\$ 201,918</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ 193,170	\$ 710,862
-	2,715
151,730	151,730
-	1,400
1,495	1,495
-	172,991
<u>\$ 346,395</u>	<u>\$ 1,041,193</u>
\$ -	7,612
-	58,745
35,185	35,185
147,907	172,991
<u>183,092</u>	<u>274,533</u>
-	216,878
129,722	129,722
-	179,060
33,581	241,000
<u>163,303</u>	<u>766,660</u>
<u>\$ 346,395</u>	<u>\$ 1,041,193</u>

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STATE OF NEW MEXICO
Vaughn Municipal Schools
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2009

Exhibit B-1
Page 2 of 2

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

Fund balances - total governmental funds	\$	766,660
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		3,664,992
Bond issuance costs		52,154
Accrued interest		(29,455)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		<u>(1,393,505)</u>
Total net assets - governmental funds	\$	<u><u>3,060,846</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Vaughn Municipal Schools

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2009

	General Fund	Bond Building	Capital Improvements SB 9	Debt Service
<i>Revenues</i>				
Property taxes	\$ 18,636	\$ -	\$ 80,010	\$ 206,846
Federal flowthrough	-	-	-	-
State flowthrough	-	-	-	-
State direct	1,377,389	-	-	-
Transportation distribution	126,820	-	-	-
Charges for services	9,479	-	-	-
Investment income	374	-	-	20
Miscellaneous	7,570	-	-	-
<i>Total revenues</i>	<u>1,540,268</u>	<u>-</u>	<u>80,010</u>	<u>206,866</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	874,796	-	-	-
Support services	525,093	-	448	1,155
Central services	127,819	4,353	-	-
Operation and maintenance of plant	323,820	-	118,248	-
Student transportation	117,805	-	-	-
Food services operations	37,658	-	-	-
Capital outlay	-	-	88,891	-
<i>Debt service</i>				
Principal	-	-	-	140,000
Interest	-	-	-	68,050
<i>Total expenditures</i>	<u>2,006,991</u>	<u>4,353</u>	<u>207,587</u>	<u>209,205</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(466,723)</u>	<u>(4,353)</u>	<u>(127,577)</u>	<u>(2,339)</u>
<i>Other financing sources (uses)</i>				
Extraordinary items (Emergency funding)	436,000	-	-	-
<i>Total other financing sources (uses)</i>	<u>436,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(30,723)	(4,353)	(127,577)	(2,339)
<i>Fund balances - beginning</i>	<u>247,601</u>	<u>136,122</u>	<u>203,227</u>	<u>181,399</u>
<i>Fund balances - ending</i>	<u>\$ 216,878</u>	<u>\$ 131,769</u>	<u>\$ 75,650</u>	<u>\$ 179,060</u>

The accompanying notes are an integral part of these financial statements

Other Governmental Funds	Total
\$ -	\$ 305,492
292,448	292,448
102,183	102,183
-	1,377,389
-	126,820
18,728	28,207
-	394
-	7,570
<u>413,359</u>	<u>2,240,503</u>
108,733	983,529
93,515	620,211
-	132,172
-	442,068
-	117,805
43,297	80,955
60,000	148,891
-	140,000
-	68,050
<u>305,545</u>	<u>2,733,681</u>
<u>107,814</u>	<u>(493,178)</u>
-	436,000
-	436,000
107,814	(57,178)
<u>55,489</u>	<u>823,838</u>
<u>\$ 163,303</u>	<u>\$ 766,660</u>

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STATE OF NEW MEXICO

Vaughn Municipal Schools

Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the year ended June 30, 2009

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ (57,178)
--	-------------

Governmental funds report capital outlays as expenditures. However in
 the statement of activities, the cost of those assets is allocated over their
 estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay	148,891
Donation of capital assets	190,000
Depreciation expense	(313,953)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial
 resources to governmental funds, while the repayment of the principal of long-term
 debt consumes the current financial resources of governmental funds. Neither
 transaction, however, has any effect on net assets. Also, governmental funds
 report the effect of issuance costs, premiums, discounts, and similar items when
 debt is first issued, whereas these amounts are deferred and amortized in the
 statement of activities:

Amortization of bond issuance costs	(9,273)
Increase in the reserve for compensated absences	(81)
Decrease in accrued interest	3,508
Principal payments on bonds	140,000
	<hr/>
Change in net assets of governmental activities	<u>\$ 101,914</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

Vaughn Municipal Schools

General Fund

Statement of Revenue, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 19,464	\$ 19,464	\$ 19,774	\$ 310
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	1,425,265	1,378,314	1,377,389	(925)
Combined state/local	-	-	-	-
Transportation distribution	119,261	140,138	126,820	(13,318)
Charges for services	10,200	10,200	9,879	(321)
Investment income	-	-	374	374
Miscellaneous	3,000	3,000	7,570	4,570
<i>Total revenues</i>	<u>1,577,190</u>	<u>1,551,116</u>	<u>1,541,806</u>	<u>(9,310)</u>
<i>Expenditures</i>				
Current				
Instruction	914,250	901,650	872,177	29,473
Support services	518,331	564,371	547,093	17,278
Central services	98,762	126,105	125,365	740
Operation and maintenance of plant	421,809	350,075	327,777	22,298
Student transportation	119,261	140,138	117,805	22,333
Food services operations	51,353	51,353	37,658	13,695
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,123,766</u>	<u>2,133,692</u>	<u>2,027,875</u>	<u>105,817</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(546,576)</u>	<u>(582,576)</u>	<u>(486,069)</u>	<u>96,507</u>
<i>Other financing sources (uses)</i>				
Designated cash	146,576	146,576	-	(146,576)
Transfers in (out)	-	-	-	-
Emergency Funding	400,000	436,000	436,000	-
<i>Total other financing sources (uses)</i>	<u>546,576</u>	<u>582,576</u>	<u>436,000</u>	<u>(146,576)</u>
<i>Net change in fund balances</i>	-	-	(50,069)	(50,069)
<i>Fund balances - beginning of year</i>	-	-	331,559	331,559
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,490</u>	<u>\$ 281,490</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (50,069)
Adjustments to revenues for prior year refunds and instructional material revenues				(1,538)
Adjustments to expenditures for salary, materials, other charges, and buses expenditures				20,884
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ (30,723)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Vaughn Municipal Schools
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

Exhibit D-1

Assets

Cash and cash equivalents	\$ 42,371
<i>Total assets</i>	<u>\$ 42,371</u>

Liabilities

Due to student organizations	\$ 42,371
<i>Total liabilities</i>	<u>\$ 42,371</u>

The accompanying notes are an integral part of these financial statements

NOTE 1. Summary of Significant Accounting Policies

Vaughn Municipal Schools (District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the town of Vaughn. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Vaughn Public School's management who is responsible for their integrity and objectivity. The financial statements and disclosures of the 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. The private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

A. Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by State Equalization Guarantee, taxes and intergovernmental revenues.

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are accrued as receivable when levied, net of estimated refund and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by district school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *Bond Building Fund* is used to account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purpose of making additions to any furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the Schools.

The *Capital Improvements SB-9* is used to account for erecting, remodeling, making additions to furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. (Section 22-25-1 to 22-25-10, NMSA, 1978)

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Additionally, the District reports the following agency fund:

The *Fiduciary Funds* account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: 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.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted Assets: The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Guadalupe and Tarrant County. The funds are collected by the County Treasurers and are remitted to the District the following month.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August 2009 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2009.

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

Inventory: The District uses the consumption method of accounting for inventory. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed.

Inventory is valued at cost utilizing the consumption basis of accounting. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity 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. No deferred revenue was recorded for unused commodity inventory as of June 30, 2009.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture, Equipment Vehicles and Library Books	3-15

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Deferred Revenues: Under both accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by corresponding liability for deferred revenue. Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as deferred revenues in the governmental fund financial statements.

Compensated Absences: Twelve month employees are entitled to accumulate annual leave up to 10 days per year for the first five years. After five years of service, they will earn one and one quarter days per month for a total of 15 days per year.

Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, no payment is due to the employee upon termination of employment.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

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

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

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

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Equity Classifications

Government-wide Statements

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

- a. Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets:
Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets restricted for “special revenue” and “capital projects” are described on pages 46 and 47. The government-wide statement of net assets reported \$559,057 of restricted net assets, all of which is restricted by enabling legislation.
- c. Unrestricted Net assets:
All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

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

E. Revenues

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

A school district’s program costs are determined through the use of various formulas using ‘program units’ which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,367,057 in state equalization guarantee distributions during the year ended June 30, 2009.

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (continued)

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$305,492 in tax revenues in the governmental fund financial statements during the year ended June 30, 2009. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$126,820 in transportation distributions during the year ended June 30, 2009.

Instructional Materials: The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2009 totaled \$9,558.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

During the year ended June 30, 2009, the District received \$60,000 through state flow-through in capital outlay funds.)

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (continued)

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

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

These budgets are prepared on the Non-GAAP cash basis. Budgeted expenditures exclude encumbrances and the budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, when the budget is approved those funds are legally restricted and shown as reserved fund balance.

Actual expenditures may not exceed the budget at the function level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

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

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

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

The appropriated budget for the year ended June 30, 2009, was properly amended by the District’s Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (546,576)	\$ (582,576)
Bond Building	\$ (185,380)	\$ (185,380)
Capital Improvements SB-9	\$ (134,794)	\$ (144,794)
Debt Service Fund	\$ (273,809)	\$ (273,809)
Nonmajor Funds	\$ (32,334)	\$ (18,334)

The District is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in each individual budgetary comparison.

NOTE 3. Deposits and Investments

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2009.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

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

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2009, \$900,034 of the District’s bank balance of \$1,150,034 was exposed to custodial credit risk. \$766,782 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the District’s name and \$133,252 was uninsured and uncollateralized.

	Wells Fargo Bank
	<hr/>
Amount of deposits	\$ 1,150,034
FDIC Coverage	<u>(250,000)</u>
Total uninsured public funds	<u>900,034</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>766,782</u>
Uninsured and uncollateralized	<u><u>\$ 133,252</u></u>
Collateral requirement (50% of uninsured funds)	\$ 450,017
Pledged Collateral	<u>766,782</u>
Over (Under) collateralized	<u><u>\$ 316,765</u></u>

NOTE 3. Deposits and Investments (continued)

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

The District utilizes pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheets as of June 30, 2009. Funds 24000 through 25000 are federal funds and 26000 through 31700 are nonfederal funds. The following individual funds had negative cash balances as of June 30, 2009:

Fund #	Special Revenue Funds:		
14000	Instructional Materials Fund	\$	2,226
24101	Title I IASA (Federal)		96,514
24129	Partnerships in Char Ed		5,165
24154	Teacher/Principal Training & Recruiting (Federal)		44,179
24154	Safe & Drug Free Schools & Communities (Federal)		1,530
25233	Rural Education Achievement Program		<u>519</u>
	Total	\$	<u><u>150,133</u></u>

Reconciliation to the Statements of Net Assets

The carrying amount of deposits and investments shown above are included in the District's statement of net assets as follows:

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents- Governmental Activities Exhibit A-1	\$	510,612
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1		200,250
Fiduciary funds - Exhibit D-1		<u>42,371</u>
Total cash and cash equivalents		753,233
Plus: reconciling items		<u>396,801</u>
Bank balance of deposits	\$	<u><u>1,150,034</u></u>

NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2009, are as follows:

	General Fund	Capital Improvement SB-9	Debt Service	Total Nonmajor Funds	Total
Property taxes receivable	\$ 345	\$ 702	\$ 1,668	\$ -	\$ 2,715
Due from other governments					
Federal sources	-	-	-	151,730	\$ 151,730
Other receivables	1,400	-	-	-	\$ 1,400
	<u>\$ 1,745</u>	<u>\$ 702</u>	<u>\$ 1,668</u>	<u>\$ 151,730</u>	<u>\$ 155,845</u>

The above receivables are deemed 100% collectible.

NOTE 5. Interfund Receivables, Payables, and Transfers

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received.

The composition of interfund balances during the year ended June 30, 2009 is as follows:

Governmental Activities	Due from other funds	Due to other funds
General Fund	\$ 172,991	\$ 2,226
Debt Service	-	\$ 22,858
Title I IASA	-	96,514
Partnerships in Char Ed	-	5,165
Teacher/Principal Training & Recruiting	-	44,179
Safe & Drug Free Schools & Communities	-	1,530
Rural Education Achievement Program	-	519
Totals	<u>\$ 172,991</u>	<u>\$ 172,991</u>

All interfund balances are to be repaid within one year. There were no operating transfers for the year ended June 30, 2009.

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2009 follows. Land is not subject to depreciation.

	<u>Balance June 30, 2008</u>	<u>Additions and Transfers In</u>	<u>Deletions and Transfers Out</u>	<u>Balance June 30, 2009</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 157,366	\$ 11,679	\$ -	\$ 169,045
Construction in progress	741,278	5,775	747,053	-
Total capital assets not being depreciated	<u>898,644</u>	<u>17,454</u>	<u>747,053</u>	<u>169,045</u>
Capital assets being depreciated:				
Buildings and improvements	5,767,475	925,374	-	6,692,849
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,036,226</u>	<u>143,116</u>	<u>-</u>	<u>1,179,342</u>
Total capital assets being depreciated	<u>6,803,701</u>	<u>1,068,490</u>	<u>-</u>	<u>7,872,191</u>
Less accumulated depreciation:				
Buildings and improvements	3,849,073	149,352	-	3,998,425
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>213,218</u>	<u>164,601</u>	<u>-</u>	<u>377,819</u>
Total accumulated depreciation	<u>4,062,291</u>	<u>313,953</u>	<u>-</u>	<u>4,376,244</u>
Total capital assets, net of depreciation	<u>\$ 3,640,054</u>	<u>\$ 771,991</u>	<u>\$ 747,053</u>	<u>\$ 3,664,992</u>

For the year ended June 30, 2009, depreciation expense was charged to the following functions:

Governmental Activities	
Instruction	\$ 107,870
Support services	174,196
Central services	16,350
Operations and maintenance of plant	<u>15,537</u>
Total	<u>\$ 313,953</u>

NOTE 7. Long-term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$2,197,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2009 are for governmental activities.

Bonds outstanding at June 30, 2009, are comprised of the following:

	Series 9/15/2005	Series 4/1/2001
Original Issue:	\$ 855,000	\$ 742,000
Maturity Date	8/1/2019	7/1/2013
Principal	August 1	July 1
Interest Rate	4.00-4.25%	5.40-5.95%
Interest	February 1 August 1	January 1 July 1

The following is a summary of the long-term debt and the activity for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
Governmental Activities					
Bonds	\$ 1,520,000	\$ -	\$ 140,000	\$ 1,380,000	\$ 145,000
Compensated Absences	13,424	2,076	1,995	13,505	-
Total Long-Term Debt	\$ 1,533,424	\$ 2,076	\$ 141,995	\$ 1,393,505	\$ 145,000

The annual requirements to amortize the April 1, 2001 Series general obligation bonds outstanding as of June 30, 2009, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2010	\$ 105,000	\$ 28,496	\$ 133,496
2011	110,000	22,395	132,395
2012	110,000	16,290	126,290
2013	120,000	10,020	130,020
2014	120,000	3,360	123,360
	\$ 565,000	\$ 80,561	\$ 645,561

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the September 15, 2005 Series general obligation bonds outstanding as of June 30, 2009, including interest payments are as follows:

Ending June 30,	Principal	Interest	Service
2010	\$ 40,000	\$ 32,088	\$ 72,088
2011	45,000	30,281	75,281
2012	50,000	28,263	78,263
2013	50,000	26,200	76,200
2014	55,000	24,100	79,100
2015-2019	470,000	69,600	539,600
2020-2024	105,000	2,100	107,100
	<u>\$ 815,000</u>	<u>\$ 212,632</u>	<u>\$ 1,027,632</u>

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2009, compensated absences increased \$81 from the prior year accrual. See Note 1 for more details.

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

NOTE 8. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors omissions; and natural disasters, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2009, there have been no claims that have exceeded insurance coverage.

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2009:

None

- B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2009:

	Budgeted Expenditures	Actual Expenditures	Difference
Bond Building Capital Projects Fund			
Central Services	\$ -	\$ 4,353	\$ 4,353

- C. Designated cash appropriations in excess of available balances. The following funds exceeded approved budgetary authority for the year ended June 30, 2009

Athletics Special Revenue Fund	\$ 23,273
Debt Service Fund	92,410
Total Governmental Funds	\$ 115,683

In order to rectify this noncompliance, the District will prepare a Budget Adjustment Request (BAR) based upon cash balance at June 30th for all funds. This document will be submitted to the Public Education Department (PED) for review and approval. When approval is received the District will adjust our records to reflect this amount.

NOTE 10. ERA Pension Plan

Plan Description. Substantially all of the District's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) (Chapter 22, Article 11 NMSA 1978.) The Educational Retirement Board 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, and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERA, P. O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Plan members are required to contribute 7.825% of their gross salary. The District is required to contribute 10.90% 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 ERA for the years ended June 30, 2009, 2008, and 2007 were \$151,727, \$172,028, and \$151,211 respectively.

NOTE 11. Post-Employment Benefits

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

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

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

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

NOTE 11. Post-Employment Benefits (continued)

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.

For the years ended June 30, 2009, 2008 and 2007, the District remitted \$8,431, \$16,020, and \$14,304, in employer contributions, respectively, which equal the required contributions for each year.

NOTE 12. Loss Contingencies

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

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Food Service (21000) – This fund is used to account for all financial transactions related to the food service operation.

Athletics (22000) – To account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

Title I IASA (24101) – To account for a program funded by a Federal grant to assist the District in the improvement of educational opportunities to deprived children. (P.L. 100-297).

Entitlement IDEA-B (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 Individuals with Disabilities Education Act, Part B, Section 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.

Partnership in Character Ed. (24129) –To account for federal resources for designing and implementing character education programs and/or curricula a designed to prevent drug abuse from kindergarten through grade twelve. Federal revenues accounted for in this fund are allocated to the Schools through the New Mexico Department of Education. Authority for creation of this fund is Public Law 103-382

Enhancing Education Through Technology (24133) – To account for a federal grant designed to strengthen teacher learning in the field of technology (P.L. 103-382).

Title V Innovative Education Program (24150) – To establish a local program of alcohol and drug abuse education and prevention coordinated with related community efforts and resources, as outlined in the NCLB Act of 2002 (No Child Left Behind).

Teacher/Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students (P.L. 103-382).

Safe & Drug Free Schools & Communities (24157) – To establish a local program of alcohol and drug abuse education and prevention coordinated with related community efforts and resources (P.L. 106-553).

School Renovation IDEA & Technology (24166) – To account for funds used to provide financial assistance to districts to purchase and install an Infrared Audio Enhancement System to help improve the quality of teaching and learning in their schools.

Reading First (24167) – To account for federal resources administered by the New Mexico Public Education Department for a comprehensive reading approach which will incorporate research-based materials, intensive and systematic on-site professional development and an assessment-teaching-learning cycle that feeds assessment data into dynamic instructional decision-making (P.L. 100-297).

Title XIX Medicaid 3/21 Years (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 (Title XIX social Security Act).

Rural Education Achievement Program (25333) – To provide financial assistance to rural district 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.

Technology for Education PED (27117) – The purpose of this grant is to assist the District to develop and implement a strategic, long-term plan for utilizing educational technology in the school system. Funds accounted for in this fund are received from the State of New Mexico. The authority for creation of this fund is NMSA 22-15A-1 to 22-15A-10.

Beginning Teacher Mentoring (27154) – The objective of this program is to provide beginning teachers an effective transition into the teaching profession, retain capable teachers, improve the achievement of students and improve the overall success of the school. Funding is provided by the New Mexico Board of Education. Authority for creation of this fund is NMSA 22-2-8-10.

Libraries – G.O. Bonds (27170) – Funds are used for the improvement or acquisition of all public school libraries and expand library collections in order to circulate and provide access of materials to students and teachers. Authority for the creation of this fund is the New Mexico Public Education Department.

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.

CAPITAL PROJECTS FUNDS

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 specific capital outlay projects.

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2009

	<u>Special Revenue</u>			
	<u>Food Service</u>	<u>Athletics</u>	<u>Title I IASA</u>	<u>Entitlement IDEA-B</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 11,209	\$ 9,235	\$ -	\$ 22,599
Due from other governments	3,823	-	96,514	-
Inventory	1,495	-	-	-
<i>Total assets</i>	<u>\$ 16,527</u>	<u>\$ 9,235</u>	<u>\$ 96,514</u>	<u>\$ 22,599</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	22,599
Due to other funds	-	-	96,514	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>96,514</u>	<u>22,599</u>
<i>Fund balances</i>				
Unreserved				
Special revenue	16,527	9,235	-	-
Capital projects	-	-	-	-
<i>Total fund balances</i>	<u>16,527</u>	<u>9,235</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 16,527</u>	<u>\$ 9,235</u>	<u>\$ 96,514</u>	<u>\$ 22,599</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>Partnerships in Character Ed.</u>	<u>Enhancing Education Through Technology</u>	<u>Title V Innovative Education Program</u>	<u>Teacher/Principal Training & Recruiting</u>	<u>Safe & Drug Free Schools & Communities</u>	<u>School Renovation Idea & Technology</u>
\$ - 5,165 -	\$ 176 - -	\$ 10,420 - -	\$ - 44,179 -	\$ - 1,530 -	\$ 1,990 - -
<u>\$ 5,165</u>	<u>\$ 176</u>	<u>\$ 10,420</u>	<u>\$ 44,179</u>	<u>\$ 1,530</u>	<u>\$ 1,990</u>
\$ - - 5,165	\$ - 176 -	\$ - 10,420 -	\$ - - 44,179	\$ - - 1,530	\$ - 1,990 -
<u>5,165</u>	<u>176</u>	<u>10,420</u>	<u>44,179</u>	<u>1,530</u>	<u>1,990</u>
- -	- -	- -	- -	- -	- -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,165</u>	<u>\$ 176</u>	<u>\$ 10,420</u>	<u>\$ 44,179</u>	<u>\$ 1,530</u>	<u>\$ 1,990</u>

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2009

	Special Revenue			
	Reading First	Title XIX Medicaid 3/21 Years	Rural Education Achievement Program	Technology for Education PED
<i>Assets</i>				
Cash and cash equivalents	\$ 69,162	\$ 16,916	\$ -	\$ 13,302
Due from other governments	-	-	519	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 69,162</u>	<u>\$ 16,916</u>	<u>\$ 519</u>	<u>\$ 13,302</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Due to other funds	-	-	519	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>519</u>	<u>-</u>
<i>Fund balances</i>				
Unreserved				
Special revenue	69,162	16,916	-	13,302
Capital projects	-	-	-	-
<i>Total fund balances</i>	<u>69,162</u>	<u>16,916</u>	<u>-</u>	<u>13,302</u>
<i>Total liabilities and fund balances</i>	<u>\$ 69,162</u>	<u>\$ 16,916</u>	<u>\$ 519</u>	<u>\$ 13,302</u>

The accompanying notes are an integral part of these financial statements

<u>Special Revenue</u>			<u>Capital Projects</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Beginning Teacher Mentoring</u>	<u>Libraries - G.O. Bonds</u>	<u>Parents Reaching Out</u>	<u>Special Capital Outlay - State</u>		
\$ 4,012	\$ 292	\$ 568	\$ 33,289	\$ 193,170	
-	-	-	-	151,730	
-	-	-	-	1,495	
<u>\$ 4,012</u>	<u>\$ 292</u>	<u>\$ 568</u>	<u>\$ 33,289</u>	<u>\$ 346,395</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	35,185	
-	-	-	-	147,907	
-	-	-	-	183,092	
4,012	-	568	-	129,722	
-	292	-	33,289	33,581	
<u>4,012</u>	<u>292</u>	<u>568</u>	<u>33,289</u>	<u>163,303</u>	
<u>\$ 4,012</u>	<u>\$ 292</u>	<u>\$ 568</u>	<u>\$ 33,289</u>	<u>\$ 346,395</u>	

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	Special Revenue			
	Food Service	Athletics	Title I IASA	Entitlement IDEA-B
<i>Revenues</i>				
Federal flowthrough	\$ 41,544	\$ -	\$ 42,578	\$ 24,443
State flowthrough	9,736	-	-	-
Charges for services	3,062	15,666	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>54,342</u>	<u>15,666</u>	<u>42,578</u>	<u>24,443</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	11,656	41,385	23,249
Support services	-	-	1,193	1,194
Food services operations	43,297	-	-	-
Community service operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>43,297</u>	<u>11,656</u>	<u>42,578</u>	<u>24,443</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>11,045</u>	<u>4,010</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	11,045	4,010	-	-
<i>Fund balances - beginning</i>	<u>5,482</u>	<u>5,225</u>	<u>-</u>	<u>-</u>
<i>Fund balances - ending</i>	<u>\$ 16,527</u>	<u>\$ 9,235</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Partnership in Character Ed.	Enhancing Education Through Technology	Title V Innovative Education Program	Teacher/Principal Training & Recruiting	Safe & Drug Free Schools & Communities	School Renovation Idea & Technology
\$ -	\$ -	\$ -	\$ 33,724	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	33,724	-	-
-	-	-	-	-	-
-	-	-	32,443	-	-
-	-	-	1,281	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	33,724	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2009

	Special Revenue			
	Reading First	Title XIX Medicaid 3/21 Years	Rural Education Achievement Program	Technology for Education PED
<i>Revenues</i>				
Federal flowthrough	\$ 150,159	\$ -	\$ -	\$ -
State flowthrough	-	6,349	-	16,794
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>150,159</u>	<u>6,349</u>	<u>-</u>	<u>16,794</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	81,225	-	-	4,022
Food services operations	-	-	-	-
Community service operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt Service</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>81,225</u>	<u>-</u>	<u>-</u>	<u>4,022</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>68,934</u>	<u>6,349</u>	<u>-</u>	<u>12,772</u>
<i>Net change in fund balances</i>	68,934	6,349	-	12,772
<i>Fund balances - beginning</i>	<u>228</u>	<u>10,567</u>	<u>-</u>	<u>530</u>
<i>Fund balances - ending</i>	<u>\$ 69,162</u>	<u>\$ 16,916</u>	<u>\$ -</u>	<u>\$ 13,302</u>

The accompanying notes are an integral part of these financial statements

Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
Beginning Teacher Mentoring	Libraries - G.O. Bonds	Parents Reaching Out	Special Capital Outlay - State	
\$ -	\$ -	\$ -	\$ -	\$ 292,448
4,012	292	5,000	60,000	102,183
-	-	-	-	18,728
-	-	-	-	-
<u>4,012</u>	<u>292</u>	<u>5,000</u>	<u>60,000</u>	<u>413,359</u>
-	-	-	-	108,733
-	-	4,600	-	93,515
-	-	-	-	43,297
-	-	-	-	-
-	-	-	60,000	60,000
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>4,600</u>	<u>60,000</u>	<u>305,545</u>
<u>4,012</u>	<u>292</u>	<u>400</u>	<u>-</u>	<u>107,814</u>
4,012	292	400	-	107,814
-	-	168	33,289	55,489
<u>\$ 4,012</u>	<u>\$ 292</u>	<u>\$ 568</u>	<u>\$ 33,289</u>	<u>\$ 163,303</u>

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Food Service Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-1

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	40,000	40,000	37,721	(2,279)
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	9,736	9,736
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	1,500	1,500	3,062	1,562
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>41,500</u>	<u>41,500</u>	<u>50,519</u>	<u>9,019</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	43,336	43,336	43,297	39
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>43,336</u>	<u>43,336</u>	<u>43,297</u>	<u>39</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,836)</u>	<u>(1,836)</u>	<u>7,222</u>	<u>9,058</u>
<i>Other financing sources (uses)</i>				
Designated cash	1,836	1,836	-	(1,836)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,836</u>	<u>1,836</u>	<u>-</u>	<u>(1,836)</u>
<i>Net change in fund balances</i>	-	-	7,222	7,222
<i>Fund balances - beginning of year</i>	-	-	3,987	3,987
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,209</u>	<u>\$ 11,209</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 7,222
No adjustments				3,823
Adjustments to expenditures for food services				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 11,045</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Athletics Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-2

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	25,000	25,000	15,666	(9,334)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25,000</u>	<u>25,000</u>	<u>15,666</u>	<u>(9,334)</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	53,498	53,498	11,656	41,842
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>53,498</u>	<u>53,498</u>	<u>11,656</u>	<u>41,842</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(28,498)</u>	<u>(28,498)</u>	<u>4,010</u>	<u>32,508</u>
<i>Other financing sources (uses)</i>				
Designated cash	28,498	28,498	-	(28,498)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>28,498</u>	<u>28,498</u>	<u>-</u>	<u>(28,498)</u>
<i>Net change in fund balances</i>	-	-	4,010	4,010
<i>Fund balances - beginning of year</i>	-	-	5,225	5,225
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,235</u>	<u>\$ 9,235</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 4,010
No adjustments				-
No adjustments				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 4,010</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Title I IASA Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-3

	Budgeted Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	43,913	43,913	43,913	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>43,913</u>	<u>43,913</u>	<u>43,913</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	38,313	42,708	41,385	1,323
Support services	5,600	1,205	1,193	12
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>43,913</u>	<u>43,913</u>	<u>42,578</u>	<u>1,335</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,335</u>	<u>1,335</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	1,335	1,335
<i>Fund balances - beginning of year</i>	-	-	(97,849)	(97,849)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,514)</u>	<u>\$ (96,514)</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 1,335
Adjustments to revenues for federal flowthrough grants				(1,335)
No adjustments to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

Vaughn Municipal Schools
 Entitlement IDEA-B Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	27,341	62,591	21,886	(40,705)
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>27,341</u>	<u>62,591</u>	<u>21,886</u>	<u>(40,705)</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	27,341	49,397	23,249	26,148
Support services	-	1,194	1,194	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>27,341</u>	<u>50,591</u>	<u>24,443</u>	<u>26,148</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>12,000</u>	<u>(2,557)</u>	<u>(14,557)</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	(12,000)	-	12,000
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(12,000)</u>	<u>-</u>	<u>12,000</u>
<i>Net change in fund balances</i>	-	-	(2,557)	(2,557)
<i>Fund balances - beginning of year</i>	-	-	25,156	25,156
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,599</u>	<u>\$ 22,599</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (2,557)
Adjustments to revenues for federal flowthrough grant				2,557
No adjustments to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

Vaughn Municipal Schools
 Partnerships in Character Ed. Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	(5,165)	(5,165)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,165)</u>	<u>\$ (5,165)</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ -
Adjustments to revenues for federal flowthrough grants				-
No adjustments				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

Vaughn Municipal Schools
 Enhancing Education Through Technology Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	176	176
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176</u>	<u>\$ 176</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ -
No adjustments				-
No adjustment				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Title V Innovative Education Program Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-7

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	10,420	10,420
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,420</u>	<u>\$ 10,420</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ -
No adjustment revenues				-
No adjustment expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

Vaughn Municipal Schools
 Teacher/Principal Training & Recruiting Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	12,745	35,773	-	(35,773)
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,745</u>	<u>35,773</u>	<u>-</u>	<u>(35,773)</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	32,740	32,443	297
Support services	12,745	3,033	1,427	1,606
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>12,745</u>	<u>35,773</u>	<u>33,870</u>	<u>1,903</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(33,870)</u>	<u>(33,870)</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	(33,870)	(33,870)
<i>Fund balances - beginning of year</i>	-	-	(10,309)	(10,309)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,179)</u>	<u>\$ (44,179)</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (33,870)
Adjustments to revenues for federal flowthrough grant				33,724
Adjustments to expenditures for employee training and employee travel				146
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Safe & Drug Free Schools & Communities Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-9

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	604	604	1,234	630
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>604</u>	<u>604</u>	<u>1,234</u>	<u>630</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	604	604	-	604
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>604</u>	<u>604</u>	<u>-</u>	<u>604</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,234</u>	<u>1,234</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	1,234	1,234
<i>Fund balances - beginning of year</i>	-	-	(2,764)	(2,764)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,530)</u>	<u>\$ (1,530)</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 1,234
Adjustments to revenues for federal flowthrough grant				(1,234)
No adjustment to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 School Renovation Idea & Technology Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-10

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	1,990	1,990
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,990</u>	<u>\$ 1,990</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ -
No adjustments to revenues				-
No adjustment to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Reading First Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-11

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	81,225	81,225	313,569	232,344
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>81,225</u>	<u>81,225</u>	<u>313,569</u>	<u>232,344</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	2,000	-	-	-
Support services	81,225	81,225	81,225	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>83,225</u>	<u>81,225</u>	<u>81,225</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,000)</u>	<u>-</u>	<u>232,344</u>	<u>232,344</u>
<i>Other financing sources (uses)</i>				
Designated cash	2,000	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	232,344	232,344
<i>Fund balances - beginning of year</i>	-	-	(163,182)	(163,182)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,162</u>	<u>\$ 69,162</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 232,344
Adjustments to revenues for federal flowthrough grant				(163,410)
No adjustment to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 68,934</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Title XIX Medicaid 3/21 Years Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-12

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	7,392	7,392
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>7,392</u>	<u>7,392</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>7,392</u>	<u>7,392</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	7,392	7,392
<i>Fund balances - beginning of year</i>	-	-	9,524	9,524
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,916</u>	<u>\$ 16,916</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 7,392
Adjustments to revenues for state sources				(1,043)
No adjustments to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 6,349</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Rural Education Achievement Program Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-13

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	(519)	(519)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (519)</u>	<u>\$ (519)</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ -
Adjustments to revenues for state sources				-
No adjustment				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Technology for Education PED Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-14

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	4,050	4,388	338
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>4,050</u>	<u>4,388</u>	<u>338</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	4,050	4,022	28
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>4,050</u>	<u>4,022</u>	<u>28</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>366</u>	<u>366</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	366	366
<i>Fund balances - beginning of year</i>	-	-	12,936	12,936
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,302</u>	<u>\$ 13,302</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 366
Adjustments to revenues for state flowthrough grant				12,406
No adjustments to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 12,772</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

Vaughn Municipal Schools

Beginning Teacher Mentoring Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	4,012	4,012
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>4,012</u>	<u>4,012</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>4,012</u>	<u>4,012</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	4,012	4,012
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,012</u>	<u>\$ 4,012</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 4,012
No adjustments to revenues				-
No adjustment to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 4,012</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

Vaughn Municipal Schools

Libraries - G.O. Bonds Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	292	292
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>292</u>	<u>292</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>292</u>	<u>292</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	292	292
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 292</u>	<u>\$ 292</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 292
No adjustments to revenues				-
No adjustment to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 292</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

Vaughn Municipal Schools

Parents Reaching Out Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	5,000	5,000
State direct	5,000	5,000	-	(5,000)
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	5,000	5,000	4,600	400
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,000</u>	<u>5,000</u>	<u>4,600</u>	<u>400</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>400</u>	<u>400</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	400	400
<i>Fund balances - beginning of year</i>	-	-	168	168
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 568</u>	<u>\$ 568</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 400
No adjustments to revenues				-
No adjustment to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 400</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Special Capital Outlay State Capital Projects Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement B-18

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	60,000	60,000	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital Outlay	-	60,000	60,000	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	33,289	33,289
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,289</u>	<u>\$ 33,289</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Vaughn Municipal Schools
Bond Building Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

Statement B-19

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	-	4,400	-	4,400
Central services	-	-	4,353	(4,353)
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital Outlay	185,380	180,980	49,258	131,722
<i>Debt service</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>185,380</u>	<u>185,380</u>	<u>53,611</u>	<u>131,769</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(185,380)</u>	<u>(185,380)</u>	<u>(53,611)</u>	<u>131,769</u>
<i>Other financing sources (uses)</i>				
Designated cash	185,380	185,380	-	(185,380)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>185,380</u>	<u>185,380</u>	<u>-</u>	<u>(185,380)</u>
<i>Net change in fund balances</i>	-	-	(53,611)	(53,611)
<i>Fund balances - beginning of year</i>	-	-	185,380	185,380
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,769</u>	<u>\$ 131,769</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (53,611)
No adjustment				-
Adjustments to expenditures for special capital outlay expenditures				49,258
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ (4,353)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-20

Vaughn Municipal Schools

Capital Improvements SB-9 Capital Projects Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property Taxes	\$ 78,403	\$ 78,403	\$ 79,308	\$ 905
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>78,403</u>	<u>78,403</u>	<u>79,308</u>	<u>905</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	784	784	448	336
Central services	-	-	-	-
Operation & maintenance of plant	172,413	118,251	118,248	3
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital Outlay	40,000	104,162	101,746	2,416
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>213,197</u>	<u>223,197</u>	<u>220,442</u>	<u>2,755</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(134,794)</u>	<u>(144,794)</u>	<u>(141,134)</u>	<u>3,660</u>
<i>Other financing sources (uses)</i>				
Designated cash	134,794	144,794	-	(144,794)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>134,794</u>	<u>144,794</u>	<u>-</u>	<u>(144,794)</u>
<i>Net change in fund balances</i>	-	-	(141,134)	(141,134)
<i>Fund balances - beginning of year</i>	-	-	216,082	216,082
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,948</u>	<u>\$ 74,948</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (141,134)
Adjustments to revenues for special capital outlay				702
Adjustments to expenditures for special capital outlay expenditures				12,855
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ (127,577)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Vaughn Municipal Schools AUP
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2009

Statement B-21

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ 208,050	\$ 208,050	\$ 205,178	\$ (2,872)
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	20	20
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>208,050</u>	<u>208,050</u>	<u>205,198</u>	<u>(2,852)</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	2,200	2,200	1,155	1,045
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Facilities acquisition and construction	-	-	-	-
<i>Debt service</i>				
Principal	411,609	411,609	140,000	271,609
Interest	68,050	68,050	68,050	-
<i>Total expenditures</i>	<u>481,859</u>	<u>481,859</u>	<u>209,205</u>	<u>272,654</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(273,809)</u>	<u>(273,809)</u>	<u>(4,007)</u>	<u>269,802</u>
<i>Other financing sources (uses)</i>				
Designated cash	273,809	273,809	-	(273,809)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>273,809</u>	<u>273,809</u>	<u>-</u>	<u>(273,809)</u>
<i>Net change in fund balances</i>	-	-	(4,007)	(4,007)
<i>Fund balances - beginning of year</i>	-	-	181,399	181,399
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,392</u>	<u>\$ 177,392</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (4,007)
Adjustments to revenues for residential/ non residential and investment income				1,668
Adjustments to expenditures for prior year accrual of debt service				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ (2,339)</u>

The accompanying notes are an integral part of these financial statements

GENERAL FUND

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Combining Balance Sheet
 General Fund
 June 30, 2009

Statement C-1

	<u>General Fund</u>	<u>Teacherage Fund</u>	<u>Transportation Fund</u>	<u>Instructional Materials Fund</u>	<u>Total</u>
<i>Assets</i>					
Cash and cash equivalents	\$ 55,576	\$ 6,528	\$ 48,621	\$ -	\$ 110,725
Property taxes receivable	345	-	-	-	345
Other receivables	-	1,400	-	-	1,400
Due from other funds	172,991	-	-	-	172,991
<i>Total assets</i>	<u>\$ 228,912</u>	<u>\$ 7,928</u>	<u>\$ 48,621</u>	<u>\$ -</u>	<u>\$ 285,461</u>
<i>Liabilities and fund balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 7,612	\$ -	\$ -	\$ -	\$ 7,612
Accrued payroll	58,745	-	-	-	58,745
Due to other funds	-	-	-	2,226	2,226
<i>Total liabilities</i>	<u>66,357</u>	<u>-</u>	<u>-</u>	<u>2,226</u>	<u>68,583</u>
<i>Fund balances</i>					
<i>Unreserved</i>					
Unreserved, reported in					
General fund	162,555	7,928	48,621	(2,226)	216,878
<i>Total fund balances</i>	<u>162,555</u>	<u>7,928</u>	<u>48,621</u>	<u>(2,226)</u>	<u>216,878</u>
<i>Total liabilities and fund balances</i>	<u>\$ 228,912</u>	<u>\$ 7,928</u>	<u>\$ 48,621</u>	<u>\$ -</u>	<u>\$ 285,461</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-2

Vaughn Municipal Schools

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

For the Year Ended June 30, 2009

	General Fund	Teacherage Fund	Transportation Fund	Instructional Materials Fund	Total
<i>Revenues</i>					
Property taxes	\$ 18,636	\$ -	\$ -	\$ -	\$ 18,636
Federal flowthrough	-	-	-	-	-
State direct	1,367,831	-	-	9,558	1,377,389
Transportation distribution	-	-	126,820	-	126,820
Charges for services	1,279	8,200	-	-	9,479
Investment income	374	-	-	-	374
Miscellaneous	7,570	-	-	-	7,570
<i>Total revenues</i>	<u>1,395,690</u>	<u>8,200</u>	<u>126,820</u>	<u>9,558</u>	<u>1,540,268</u>
<i>Expenditures</i>					
Current					
Instruction	869,343	-	-	5,453	874,796
Support services	524,824	-	-	269	525,093
Central services	127,819	-	-	-	127,819
Operation and maintenance of plant	308,715	15,105	-	-	323,820
Student transportation	-	-	117,805	-	117,805
Food service operations	37,658	-	-	-	37,658
Capital outlay	-	-	-	-	-
<i>Total expenditures</i>	<u>1,868,359</u>	<u>15,105</u>	<u>117,805</u>	<u>5,722</u>	<u>2,006,991</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(472,669)</u>	<u>(6,905)</u>	<u>9,015</u>	<u>3,836</u>	<u>(466,723)</u>
<i>Other financing sources (uses)</i>					
Emergency funding	436,000	-	-	-	436,000
<i>Total other financing sources (uses)</i>	<u>436,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>436,000</u>
<i>Net change in fund balances</i>	(36,669)	(6,905)	9,015	3,836	(30,723)
<i>Fund balances - beginning</i>	<u>199,224</u>	<u>14,833</u>	<u>39,606</u>	<u>(6,062)</u>	<u>247,601</u>
<i>Fund balances - ending</i>	<u>\$ 162,555</u>	<u>\$ 7,928</u>	<u>\$ 48,621</u>	<u>\$ (2,226)</u>	<u>\$ 216,878</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-3

Vaughn Municipal Schools

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ 19,464	\$ 19,464	\$ 19,774	\$ 310
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	1,415,760	1,368,809	1,367,831	(978)
Combined state/local	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	1,279	1,279
Investment income	-	-	374	374
Miscellaneous	3,000	3,000	7,570	4,570
<i>Total revenues</i>	<u>1,438,224</u>	<u>1,391,273</u>	<u>1,396,828</u>	<u>5,555</u>
<i>Expenditures</i>				
Current				
Instruction	905,312	892,712	866,724	25,988
Support services	517,764	563,804	546,824	16,980
Central services	98,762	126,105	125,365	740
Operation & maintenance of plant	393,916	322,182	312,672	9,510
Student transportation	-	-	-	-
Food services operations	51,353	51,353	37,658	13,695
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,967,107</u>	<u>1,956,156</u>	<u>1,889,243</u>	<u>66,913</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(528,883)</u>	<u>(564,883)</u>	<u>(492,415)</u>	<u>72,468</u>
<i>Other financing sources (uses)</i>				
Designated cash	128,883	128,883	-	(128,883)
Transfers in (out)	-	-	-	-
Emergency funding	400,000	436,000	436,000	-
<i>Total other financing sources (uses)</i>	<u>528,883</u>	<u>564,883</u>	<u>436,000</u>	<u>(128,883)</u>
<i>Net change in fund balances</i>	-	-	(56,415)	(56,415)
<i>Fund balances - beginning of year</i>	-	-	284,982	284,982
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,567</u>	<u>\$ 228,567</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (56,415)
Adjustments to revenues for prior year refund				(1,138)
Adjustments to expenditures for salary, health and medical premium, and other expenditures				20,884
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ (36,669)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-4

Vaughn Municipal Schools

Teacherage Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	10,200	10,200	8,600	(1,600)
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>10,200</u>	<u>10,200</u>	<u>8,600</u>	<u>(1,600)</u>
<i>Expenditures</i>				
Current				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	27,893	27,893	15,105	12,788
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>27,893</u>	<u>27,893</u>	<u>15,105</u>	<u>12,788</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(17,693)</u>	<u>(17,693)</u>	<u>(6,505)</u>	<u>11,188</u>
<i>Other financing sources (uses)</i>				
Designated cash	(17,693)	(17,693)	-	(17,693)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(17,693)</u>	<u>(17,693)</u>	<u>-</u>	<u>(17,693)</u>
<i>Net change in fund balances</i>	-	-	(6,505)	(6,505)
<i>Fund balances - beginning of year</i>	-	-	13,033	13,033
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,528</u>	<u>\$ 6,528</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ (6,505)
Adjustments to revenues for prior year refund				(400)
No adjustments to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ (6,905)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Transportation Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement C-5

	Budgeted Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
				Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Combined state/local	-	-	-	-
Transportation distribution	119,261	140,138	126,820	(13,318)
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>119,261</u>	<u>140,138</u>	<u>126,820</u>	<u>(13,318)</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	119,261	140,138	117,805	22,333
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Debt service</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>119,261</u>	<u>140,138</u>	<u>117,805</u>	<u>22,333</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>9,015</u>	<u>9,015</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	9,015	9,015
<i>Fund balances - beginning of year</i>	-	-	39,606	39,606
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,621</u>	<u>\$ 48,621</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 9,015
No adjustments to revenue				-
Adjustments to expenditures for salary, supply maintenance, and buses expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 9,015</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Instructional Materials Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2009

Statement C-6

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
State direct	9,505	9,505	9,558	53
Combined state/local	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,505</u>	<u>9,505</u>	<u>9,558</u>	<u>53</u>
<i>Expenditures</i>				
Current				
Instruction	8,938	8,938	5,453	3,485
Support services	567	567	269	298
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>9,505</u>	<u>9,505</u>	<u>5,722</u>	<u>3,783</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>3,836</u>	<u>3,836</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	3,836	3,836
<i>Fund balances - beginning of year</i>	-	-	(6,062)	(6,062)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,226)</u>	<u>\$ (2,226)</u>
<i>Net change in fund balances (Budget Basis)</i>				\$ 3,836
Adjustments to revenues for prior year state direct				-
No adjustments to expenditures				-
<i>Net changes in fund balances (GAAP Basis)</i>				<u>\$ 3,836</u>

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Schedule of Collateral Pledged By Depository
 For Public Funds
 June 30, 2009

Schedule I

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2009</u>
Wells Fargo Bank	FNCL AGENCY NOTE	1/1/2030	31384VP22	\$ 5,716
	FNCL AGENCY NOTE	5/1/2036	31409CV69	707,718
	GNSF AGENCY NOTE	2/15/2031	36225BL30	26,155
	GNSF AGENCY NOTE	4/15/2031	36225BM39	27,193
	Total Pledged Collateral			<u>\$ 766,782</u>

The custodian of the pledged securities for Wells Fargo Bank is Wells Fargo Bank Safekeeping/Custodial Services in San Francisco, California.

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Schedule of Deposits
 June 30, 2009

Schedule II

<u>Bank Name/Account Name</u>	<u>Account Type</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Other Adjustments</u>	<u>Book Balance</u>
Wells Fargo Bank						
General Operations	Checking	\$ 474,908	\$ -	\$ -	\$ -	\$ 474,908
Debt Service	Checking	200,250	-	2	-	200,248
Special Purpose/Clearing	Checking	455,985	-	398,457	1,658	59,186
Athletic Activity	Checking	18,891	-	-	-	18,891
Total Wells Fargo Bank		<u>1,150,034</u>	<u>-</u>	<u>398,459</u>	<u>1,658</u>	<u>753,233</u>
Total cash in bank		<u>\$ 1,150,034</u>	<u>\$ -</u>	<u>\$ 398,459</u>	<u>\$ 1,658</u>	<u>\$ 753,233</u>
Cash per financial statements						
Cash and cash equivalents- Governmental Activities Exhibit A-1				\$ 510,612		
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1				200,250		
Fiduciary funds - Exhibit D-1				<u>42,371</u>		
Total cash and cash equivalents						<u>\$ 753,233</u>

See accompanying independent auditors' report

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STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Schedule of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2009

Schedule III

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Non-instructional support	\$ (8)	\$ 8	\$ 1,570	\$ (1,570)
Annual/Newspaper	(1,495)	5,575	2,608	1,472
Cheerleaders	322	505	831	(4)
HS Student Council	10,527	2,057	1,912	10,672
Activity Account	9,948	3,363	2,571	10,740
Pee Wees	431	-	-	431
Elementary Student Council	1,332	1,276	896	1,712
BPA	151	-	-	151
Shop	1,577	-	-	1,577
Scholarship Fund	25	-	-	25
Fiesta Fund	8,599	174	977	7,796
Class of 2007	(27)	-	-	(27)
Class of 2008	131	20	-	151
Class of 2009	1,121	106	1,095	132
Class of 2010	269	2,109	1,640	738
Class of 2011	1,497	1,003	227	2,273
Class of 2012	765	573	50	1,288
Class of 2014	-	45	-	45
Class of 2016	-	28	-	28
District 7A	-	6,362	2,138	4,224
PPAC Fund	516	1	-	517
Total	\$ 35,681	\$ 23,205	\$ 16,515	\$ 42,371

See accompanying independent auditors' report

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Cash Reconciliation
 For the Year Ended June 30, 2009

	Operational 11000	Teachorage 12000	Transportation 13000	Instructional Materials 14000
Cash, June 30, 2008	\$ (868)	\$ 13,033	\$ 39,606	\$ -
Add:				
2008-2009 revenues	1,832,828	8,600	126,820	9,558
Repayment of loans	135,717	-	-	-
Loans from other funds	-	-	-	-
Total cash available	<u>1,967,677</u>	<u>21,633</u>	<u>166,426</u>	<u>9,558</u>
Less:				
2008-2009 expenditures	1,889,214	15,105	117,805	5,722
Repayment of loans	-	-	-	3,836
Loans to other funds	<u>22,887</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2009	<u>\$ 55,576</u>	<u>\$ 6,528</u>	<u>\$ 48,621</u>	<u>\$ -</u>

See accompanying independent auditors' report

Food Services 21000	Athletics 22000	Federal Flowthrough 24000	Federal Direct 25000	State Flowthrough 27000
\$ 3,987	\$ 5,225	\$ 37,742	\$ 9,524	\$ 12,936
50,519	15,666	380,602	7,392	8,692
-	-	-	-	-
-	-	-	-	-
<u>54,506</u>	<u>20,891</u>	<u>418,344</u>	<u>16,916</u>	<u>21,628</u>
43,297	11,656	182,116	-	4,022
-	-	131,881	-	-
-	-	-	-	-
<u>\$ 11,209</u>	<u>\$ 9,235</u>	<u>\$ 104,347</u>	<u>\$ 16,916</u>	<u>\$ 17,606</u>

STATE OF NEW MEXICO
 Vaughn Municipal Schools
 Cash Reconciliation
 For the Year Ended June 30, 2009

	Local/State 29000	Bond Building 31100	Special Capital Outlay State 31400	Capital Improvements SB-9 31700	Debt Service 41000	Total
Cash, June 30, 2008	\$ 168	\$ 185,380	\$ 33,289	\$ 216,082	\$ 181,399	\$ 737,503
Add:						
2008-2009 revenues	5,000	-	60,000	79,308	205,170	2,790,155
Repayment of loans	-	-	-	-	-	135,717
Loans from other funds	-	-	-	-	22,887	22,887
Total cash available	<u>5,168</u>	<u>185,380</u>	<u>93,289</u>	<u>295,390</u>	<u>409,456</u>	<u>3,686,262</u>
Less:						
2008-2009 expenditures	4,600	53,611	60,000	220,442	209,206	2,816,796
Repayment of loans	-	-	-	-	-	135,717
Loans to other funds	-	-	-	-	-	22,887
Cash, June 30, 2009	<u>\$ 568</u>	<u>\$ 131,769</u>	<u>\$ 33,289</u>	<u>\$ 74,948</u>	<u>\$ 200,250</u>	<u>\$ 710,862</u>

See accompanying independent auditors' report

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Hector H. Balderas
State Auditor of the State of New Mexico
Board of Directors of the Vaughn Municipal Schools

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund, the combining and individual funds and related budgetary comparisons presented as supplemental information of the Vaughn Municipal Schools (the "District") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify deficiencies in internal control over financial reporting that we consider to be material weaknesses however, other deficiencies were identified that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses (items 08-01, 08-02, and 08-06) to be significant deficiencies. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-01, 07-02, 07-03, 08-04, 08-05, and 09-01.

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

This report is intended solely for the information and use of the Board Members, the District's management, the Public Education Department, the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

White + Samaniego + Campbell, LLP

El Paso, Texas
December 15, 2010

**VAUGHN MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

PRIOR AUDIT FINDINGS	Current status
07-01 Late Audit Report	Repeat
07-02 Employees were overpaid based on their contracts	Repeat
07-03 Budgetary Compliance	Repeat
08-01 Bank Reconciliation	Repeat
08-02 Capital Assets	Repeat
08-03 Budget Adjustment Requests (BAR)	Resolved
08-04 PED Report	Repeat
08-05 941 Payments	Repeat
08-06 Lack of Supervision and Segregation of Duties	Repeat

**VAUGHN MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2009**

Late Audit Report (07-01)

CONDITION	The audit report was submitted to the Office of the State Auditor, on January 7, 2011, after the required deadline.
CRITERIA	School District audits are required to be submitted to the State Auditor by November 15. This is a requirement of the State Auditors Office Rule 2.2.2.9
CAUSE	The prior years audit report was submitted late.
EFFECT	State Auditor regulations have not been adhered to. Also, 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 reports could have an effect on State and Federal Funding.
RECOMMENDATION	The District is working diligently to become current with all of their audit reports.
RESPONSE	The audit report was late due to the fact that an amendment was done to change auditors prior to the audit of FY07 and a late submission by the previous auditor. The District is diligently working to ensure that all audits are submitted and deadlines are adhered to.

Employees were overpaid based on their contracts (07-02)

CONDITION	During our testwork of employee contracts, it was noted that there was 1 out of 5 employees tested being paid an amount over the contract price agreed upon between the employee and the school district totaling \$1,584.
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.section 6.20.2.18.
CAUSE	The payroll department miscalculated or intentionally paid one employee more than the amount on the contract, amended contracts and stipends. As result this employee received an amount in excess of the agreed upon contract price for the 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 employee was 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

All Contracts and Contract Adjustments/ Stipends and Increments will be in accordance with the Board approved Increment/Stipend Schedule and signed by the Superintendent before any payroll position will be set up and any payroll disbursement be made.

Budgetary Compliance (07-03)

CONDITION

The District incurred expenditures in excess of the approved budget in the following funds:

	Budgeted Expenditures	Actual Expenditures	Excess Expenditures
Bond Building Capital Project Fund - Central Services	\$ -	\$ 4,353	\$ 4,353

The District incurred designated cash appropriations in excess of available balances in the following funds:

Athletics Special Revenue Fund	\$ 23,272
Debt Service Fund	<u>92,410</u>
	<u>\$ 115,682</u>

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 whetting the legally adopted budget and revision should be made whatever necessary. Management is required to have an internal control system of financial reporting including the preparation of the financial statements.

CAUSE

The School did not make the appropriate budgetary transfers to alleviate the overexpenditures experienced by the function.

EFFECT

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

RECOMMENDATION

Accounting personnel should closely monitor expenditures and budget restrictions, if a change is needed to the budget, accounting personnel should ensure that such changes are presented to the Board members and the Public Education Department (PED). If no changes in the budget are deemed necessary, then no payments should be remitted that would cause the total expenditures to exceed the legal budget.

RESPONSE

The School has established a policy of budgetary review of year end, and will make necessary budget adjustments and transfer on a monthly basis as needed during the monthly board meetings at the function level.

Bank Reconciliation (08-01)

CONDITION	During fieldwork we noted that the bank reconciliations contained material, unresolved, reconciling items and incorrect items for the operational account. Bank reconciliations had not been properly performed for the entire year under audit.
CRITERIA	According to NMAC 6.20.2.14, "School districts shall establish and maintain cash management programs to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations."
CAUSE	The previous Business Manager failed to reconcile cash.
EFFECT	A portion of cash remains unreconciled at the end of 2009.
RECOMMENDATION	Perform complete and accurate bank reconciliations at month end and assign another member of management the responsibility of reviewing each month's bank reconciliation. All unusual reconciling items should be investigated and dealt with promptly so errors do not accumulate thereby making the reconciliation process more difficult and time consuming.
RESPONSE	The school agrees with the recommendations of the auditor. As fully disclosed to the auditor, bank reconciliations were not undertaken properly. This situation has been corrected, bank recs have been completed for the entire year, and they will be undertaken on a regular basis.

Capital Assets (08-02)

CONDITION	During our test work, we noted that the District's capital asset records were not complete. The beginning capital assets detail provided at the start of field work did not agree to the general ledger.
CRITERIA	According to NMAC 6.20.2.22 C, assets of a long-term character which are intended to continue to be held or used, such as land, buildings, furniture, machinery and equipment shall be acquired and accounted for through the development and implementation of a complete property control system which shall be adopted by the local board and in accordance with GAAP.
CAUSE	The District has asset listings, but has not adequately maintained those listings to ensure they agree with audited financial statements.
EFFECT	The District's capital asset detail does not agree to the general ledger.
RECOMMENDATION	The District must implement a property control system in accordance with NMAC 6.20.2.22 C in order to have an accurate capital asset listing which includes depreciation expense.

RESPONSE The School District will be sending its' Fixed Asset manager to formal training for usage of Vision's Fixed Asset module. Capital asset information will be reassessed from the past two fiscal years and brought into alignment with the general ledger, noting any discrepancies and establishing accumulated depreciation.

PED Reports (08-04)

CONDITION The District's cash report to the Public Education Department did not match the General Ledger.

CRITERIA According to State Regulation 6.20.2.11 (B) (6), NMAC and Regulation SBE-6, the reports sent to the New Mexico Public Education Department (PED) must agree to the general ledger.

CAUSE Due to cash not being reconciled throughout the year, the District reported the incorrect cash balance to PED.

EFFECT PED does not have an accurate accounting of the District activity.

RECOMMENDATION The appropriate personnel should complete the PED report based upon the general ledger. Additionally, an individual should review the report to ensure that the report does match the general ledger.

RESPONSE All Bank Accounts are reconciled on a monthly basis to the GL, reported during the monthly Board meeting and on a quarterly basis with the Actuals Reports send to PED in a timely manner, which will prevent any accumulation of unresolved matters.

941 Payments (08-05)

CONDITION During our testwork, we noted that \$56,294 in 941 payments were paid late.

CRITERIA Per NMSA 1978 Section 12-6-5, require the annual financial and compliance audit agencies to "set out in detail, in a separate section, any violation if law or good accounting practices found by the auditor or examination." Therefore, any instance of weakness in internal control as defined by GAGAS 5.13 and SAS AU 325.21 must be reported.

CAUSE The District did not make timely payments to the Internal Revenue Service.

EFFECT This result in interest being assessed to the District.

RECOMMENDATION The practice of the former business manager was to complete 941's, write a check for them, but then not submit that check or make a corresponding electronic payment. It appears this practice was employed for purposes of controlling the cash flow; however, the District cannot be certain. The District must ensure that payments are made.

RESPONSE All 941 payments are made each pay period through touch tone ACH transfer and quarterly reports are filed on time to reconcile payments made during the Quarter.

Lack of Supervision and Segregation of Duties (08-06)

CONDITION	The former Business Manager's work was relatively unsupervised. Checks were written without supporting documentation. Payroll deductions were manipulated and New Mexico Employment Retirement Board documents were incorrectly filed.
CRITERIA	Section 6.20.2.11 of NMAC requires each school district to develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.
CAUSE	The District did not maintain a structure of internal accounting controls and a system of authorization and recording procedures.
EFFECT	According to the Office of Inspector General Report, Special Audit #09-03S, the following was found: <ol style="list-style-type: none">1. "The target of the investigation, Ms. Sanchez, obtained an illegal refund from the ERB of \$13,461.10."2. "The same person manipulated ERB member contribution amounts so as to augment her takehome pay at the expense of the school district by \$1,029.23."3. "Between August of 2006 and November of 2008 Ms. Sanchez added more than \$19,998.00 to her gross pay by means of unauthorized "stipends.""4. "During the same period Ms. Sanchez also arranged for her assistant to receive unauthorized "stipends.""
RECOMMENDATION	We recommend that the District implement a system of checks and balances, and involve at least one additional person in the process.
RESPONSE	The district has currently three persons in the Business Office and duties have been segregated and all payroll journals are checked with a board member before the board members enters the code to generate the checks. The Board also approves all A/P vouchers and a Board member enters the code before generating A/P checks.

Lack of Supporting Documentation for Disbursements (09-01)

CONDITION	During our testwork of cash disbursement, it was noted that there were 2 out of 25 items tested lacked the supporting documentation for a total of \$4,084.
CRITERIA	Section 6.20.2.14 of NMSA requires each school district to maintain records along with all other supporting documents, for disbursements so that verification of correct payment may be ascertained.
CAUSE	The District does not have sufficient internal controls in place to ensure all disbursements are supported by adequate documentation.
EFFECT	Lack of adequate documentation of disbursements increase the risk of preventing or detecting errors or irregularities on a timely basis.

RECOMMENDATION

We recommend that the District reevaluate the transition of management, so that the new management may assess what went wrong in order to ensure that such problems do not reoccur, and follow its own policies and procedures for record retention. Also, the District must implement internal controls during the disbursement process to ensure supporting documentation is available for all payments.

RESPONSE

The district is currently working on completing an internal control manual that outlines exact procedures and starting in 2011 all requisitions and purchase orders are generated through the Visions Enterprise accounting software. Furthermore all records for the current and 2 preceeding years are kept in the vault at the business office in compliance with the NMAC Retention codes.

VAUGHN MUNICIPAL SCHOOLS

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2009**

An exit conference was conducted December 28, 2010 in a closed meeting of the Vaughn Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Vaughn Municipal Schools

Johnnie S. Cain	Superintendent
Trude Bauler	Business Manager
Henrietta Garcia	Board Vice President
Floraida Tapia	Board Member

White + Samaniego + Campbell, LLP

Luis Molina	Supervisor
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