

**STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS**

**Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2010
and Independent Auditors' Report**

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

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JUNE 30, 2010

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VAUGHN MUNICIPAL SCHOOLS

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

OFFICIAL ROSTER

BOARD OF EDUCATION

Antonio Castillo
Henrietta Garcia
Louis Guana
Brahaim Hindi
Floraida Tapia

President
Vice President
Secretary
Member
Member

SCHOOL OFFICIALS

Johnnie Cain

Superintendent

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, 2010, 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, 2010, 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, 2010, 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, 2010, 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 March 17, 2011, 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 is 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 + Saraviezo + Campbell, LLP

El Paso, Texas
March 17, 2011

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 690,309
Property taxes receivable	1,355
Due from other governments	253,853
Inventory	<u>2,350</u>
Total current assets	<u>947,867</u>
Non-current assets	
Restricted cash and cash equivalents	51,676
Bond issuance costs, net of amortization of \$55,856	42,881
Capital assets	8,133,589
Less accumulated depreciation	<u>(4,757,849)</u>
Total non-current assets	<u>3,470,297</u>
Total assets	<u>\$ 4,418,164</u>
LIABILITIES	
Current liabilities	
Accrued payroll	\$ 20,249
Accrued interest	13,016
Deferred revenue	55,875
Current portion of bonds payable	<u>155,000</u>
Total current liabilities	244,140
Long-term obligations	
Bonds payable	970,000
Accrued compensated absences	<u>17,834</u>
Total long-term liabilities	<u>987,834</u>
Total liabilities	<u>1,231,974</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,293,621
Restricted for	
Special revenue	65
Debt service	54,911
Capital projects	375,838
Unrestricted	<u>461,755</u>
Total net assets	<u>\$ 3,186,190</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes Net Assets	
		Charges for Service	Operating Grants and Contributions		Capital Grants and Contributions
Expenses:					
Governmental Activities:					
Instruction	\$ 995,444	\$ 16,467	\$ 175,386	\$ 5,191	\$ (798,400)
Support services	541,231	8,954	95,359	2,822	(434,096)
Central services	173,181	2,865	30,512	903	(138,901)
Operation and maintenance of plant	295,727	4,892	52,104	1,542	(237,189)
Student transportation	112,485	-	143,495	-	31,010
Food services	73,034	-	-	-	(73,034)
Interest on long-term debt	56,910	-	-	-	(56,910)
Depreciation	381,604	-	-	-	(381,604)
Amortization	9,273	-	-	-	(9,273)
Total governmental activities	<u>\$ 2,638,889</u>	<u>\$ 33,178</u>	<u>\$ 496,856</u>	<u>\$ 10,458</u>	<u>(2,098,397)</u>
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					23,232
Property taxes, levied for debt services					203,090
Property taxes, levied for capital projects					92,534
State equalization guarantee					1,279,690
Interest and investment earnings					751
Miscellaneous					39,444
Special item- Emergency funding					<u>585,000</u>
Subtotal, general revenue					<u>2,223,741</u>
Change in net assets					125,344
Net assets - beginning of year					<u>3,060,846</u>
Net assets - end of year					<u>\$ 3,186,190</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Bond Building	Capital Improvements SB-9	Debt Service	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 270,140	\$ 100,957	\$ 98,597	\$ 51,676	\$ 220,615	\$ 741,985
Property taxes receivable	92	-	378	885	-	1,355
Due from other funds	242,622	-	-	-	-	242,622
Inventory	-	-	-	-	2,350	2,350
Due from grantors	-	-	-	-	253,853	253,853
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 512,854</u>	<u>\$ 100,957</u>	<u>\$ 98,975</u>	<u>\$ 52,561</u>	<u>\$ 476,818</u>	<u>\$ 1,242,165</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll	20,249	-	-	-	-	20,249
Due to other funds	-	-	-	-	242,622	242,622
Deferred revenue	-	-	-	-	55,875	55,875
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	20,249	-	-	-	298,497	318,746
Fund balances:						
Unreserved:						
Undesignated, reported in:						
General fund	492,605	-	-	-	-	492,605
Special revenue fund	-	-	-	-	65	65
Debt service funds	-	-	-	52,561	2,350	54,911
Capital projects funds	-	100,957	98,975	-	175,906	375,838
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	492,605	100,957	98,975	52,561	178,321	923,419
Total liabilities and fund balances	<u>\$ 512,854</u>	<u>\$ 100,957</u>	<u>\$ 98,975</u>	<u>\$ 52,561</u>	<u>\$ 476,818</u>	<u>\$ 1,242,165</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

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

Fund balances - total governmental funds	\$ 923,419
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,375,740
Bond issuance costs	42,881
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest	(13,016)
Compensated absences	(17,834)
General obligation bonds	<u>(1,125,000)</u>
Total net assets - governmental funds	<u>\$ 3,186,190</u>

See accompanying notes to 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, 2010

	General Fund	Bond Building	Capital Improvements SB-9	Debt Service	Other Governmental Funds	Total
REVENUES						
Taxes	\$ 23,232	\$ -	\$ 92,534	\$ 203,024	\$ 66	\$ 318,856
Charges for services	8,919	-	-	-	24,259	33,178
Local sources	-	-	-	-	-	-
State sources	1,873,017	-	10,458	-	66,801	1,950,276
Federal sources	-	-	-	-	278,233	278,233
Transportation distribution	143,495	-	-	-	-	143,495
Earnings from investments	747	-	-	4	-	751
Miscellaneous	39,444	-	-	-	-	39,444
	<u>2,088,854</u>	<u>-</u>	<u>102,992</u>	<u>203,028</u>	<u>369,359</u>	<u>2,764,233</u>
Total revenues						
EXPENDITURES						
Current:						
Direct instruction	723,012	-	-	-	268,102	991,114
Instructional support	473,120	500	17,626	1,178	48,807	541,231
Central services	173,061	-	-	-	120	173,181
Operation and maintenance	295,608	-	-	-	119	295,727
Transportation	112,485	-	-	-	-	112,485
Food services	35,841	-	-	-	37,193	73,034
Capital outlay	-	30,312	62,041	-	-	92,353
Debt services:						
Principal payments	-	-	-	255,000	-	255,000
Interest	-	-	-	73,349	-	73,349
	<u>1,813,127</u>	<u>30,812</u>	<u>79,667</u>	<u>329,527</u>	<u>354,341</u>	<u>2,607,474</u>
Total expenditures						
Net change in fund balance	275,727	(30,812)	23,325	(126,499)	15,018	156,759
Fund balance - beginning of year	216,878	131,769	75,650	179,060	163,303	766,660
Fund balance - end of year	<u>\$ 492,605</u>	<u>\$ 100,957</u>	<u>\$ 98,975</u>	<u>\$ 52,561</u>	<u>\$ 178,321</u>	<u>\$ 923,419</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

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

Fund balances - total governmental funds	\$ 156,759
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Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period

Depreciation expense	(381,605)
Capital outlay	92,353

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.

Amortization of bond issuance costs	(9,272)
Decrease in accrued interest	16,438
Increase in accrued compensated absences	(4,329)
Principal payment on bond	<u>255,000</u>

Change in net assets of governmental activities	<u>\$ 125,344</u>
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See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

GENERAL FUND COMBINED
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 20,347	\$ 20,347	\$ 23,232	\$ 2,885
Charges for services	9,000	9,000	8,919	(81)
State sources	1,822,403	1,995,801	2,016,512	20,711
Earnings from investments	350	350	747	397
Miscellaneous	2,000	2,000	39,444	37,444
Total revenues	1,854,100	2,027,498	2,088,854	61,356
Expenditures:				
Current:				
Direct instruction	881,306	935,662	723,012	212,650
Instruction support	508,723	535,841	473,120	62,721
Central services	145,522	231,226	173,061	58,165
Operation and maintenance	390,416	390,416	295,608	94,808
Transportation	133,085	139,305	112,485	26,820
Other support services	2,111	2,111	-	2,111
Food services	89,975	89,975	35,841	54,134
Total expenditures	2,151,138	2,324,536	1,813,127	511,409
Excess (deficiency) of revenues over expenditures	<u>(297,038)</u>	<u>(297,038)</u>	<u>275,727</u>	<u>572,765</u>
Other financing sources (uses)				
Designated cash	<u>297,038</u>	<u>297,038</u>	<u>-</u>	<u>(297,038)</u>
Total other financing sources (uses)	297,038	297,038	-	(297,038)
Net change in fund balance	-	-	275,727	275,727
Fund balance - beginning of year	-	-	281,490	281,490
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 557,217</u>	<u>\$ 557,217</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 275,727	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 275,727</u>	

See accompanying notes to financial statements.

FIDUCIARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2010

ASSETS

Current Assets:	
Cash	\$ 43,135
Total assets	<u>\$ 43,135</u>

LIABILITIES

Current Liabilities	
Deposits held in trust for others	\$ 43,135
Total liabilities	<u>\$ 43,135</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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. 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.

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

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.

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 Improvement SB-9 is used to account for erecting, remodeling, making additions to furnishing of school building, or purchasing or improvement 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.

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August 2010 is considered measurable and available and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2010.

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, 2010.

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>
Building and improvements	20-50
Furniture, Equipment Vehicles and Library Books	3-15

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.

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.
- c. Net assets:
All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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 \$1,279,690 in state equalization guarantee distributions during the year ended June 30, 2010.

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 \$318,856 in tax revenues in the governmental fund financial statements during the year ended June 30, 2010. 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 \$143,495 in transportation distributions during the year ended June 30, 2010.

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, 2010 totaled \$8,327.

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 (0); 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).

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.

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

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 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.

3. DEPOSIT 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, 2010.

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.

The types of collateral allowed are limited to direct obligations of the United States Government

or agency, districts or political subdivisions of the States of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at 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.

Deposits:

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Everyone's Federal Credit Union
Cash on deposit at June 30, 2010	\$ 1,113,419
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 863,419</u>
Pledged collateral	\$ 795,000
Collateral requirement (50% of uninsured public funds)	<u>431,710</u>
Over collateralization	<u>\$ 363,290</u>

Custodial Credit Risk-Deposits—Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2010, \$863,419 of the District's bank balance of \$1,113,419 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2010, the carrying amount of these deposits was \$785,120.

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Governmental Funds - Balance Sheet	\$ 690,309
Restricted cash and cash equivalents - Balance Sheet	51,676
Statement of Fiduciary Net Assets - cash	<u>43,135</u>
	785,120
Add outstanding checks and other reconciling items	<u>328,299</u>
Bank balance of deposits and investments	<u>\$ 1,113,419</u>

Credit and Interest Rate Risk

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

4. **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, 2010 is as follows:

Governmental Activities	Due from other funds	Due to other funds
General fund	\$ 242,622	\$ -
Title I	-	109,572
IDEA-B Preschool	-	2,835
IDEA-B Risk Pool	-	253
Title II	-	5,165
Teacher/Principal Training & Recruiting	-	61,008
Safe and Drug Freeschools	-	1,530
IDEA-B Entitlement Federal Stimulus	-	431
REAP	-	519
State Equalization Guarantee Federal Stimulus	-	53,996
Dual Credit IM/HB2	-	1,177
Go Bond and Go Bond Library	-	6,136
Totals	<u>\$ 242,622</u>	<u>\$ 242,622</u>

All interfund balances are to be repaid within one year. There were no operating transfers for the year ended June 30, 2010.

5. **ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2010, are as follows:

	General	Nonmajor Governmental	Total
Government grants	\$ -	\$ 253,853	\$ 253,853
Property taxes	<u>92</u>	<u>1,263</u>	<u>1,355</u>
Total	<u>\$ 92</u>	<u>\$ 255,116</u>	<u>\$ 255,208</u>

The above receivables are deemed 100% collectible.

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 169,045	\$ -	\$ -	\$ 169,045
Total capital assets not being depreciated	<u>169,045</u>	<u>-</u>	<u>-</u>	<u>169,045</u>
Capital assets being depreciated:				
Buildings & building improvements	6,692,849	92,353	-	6,785,202
Equipment, Vehicles, Information Technology Equipment, Software & Books	<u>1,179,342</u>	<u>-</u>	<u>-</u>	<u>1,179,342</u>
Total capital assets being depreciated	<u>7,872,191</u>	<u>92,353</u>	<u>-</u>	<u>7,964,544</u>
Less accumulated depreciation for:				
Buildings & building improvements	3,998,425	151,412	-	4,149,837
Equipment, Vehicles, Information Technology Equipment, Software & Books	<u>377,819</u>	<u>230,193</u>	<u>-</u>	<u>608,012</u>
Total accumulated depreciation	<u>4,376,244</u>	<u>381,605</u>	<u>-</u>	<u>4,757,849</u>
Total capital assets being depreciated, net	<u>3,495,947</u>	<u>(289,252)</u>	<u>-</u>	<u>3,206,695</u>
Governmental activities capital assets, net	<u>\$ 3,664,992</u>	<u>\$ (289,252)</u>	<u>\$ -</u>	<u>\$ 3,375,740</u>

For the year ended June 30, 2010, depreciation was charged to the following functions:

Governmental Activities	
Instruction	\$ 131,113
Support services	211,733
Central services	19,873
Operations and maintenance of plant	<u>18,886</u>
Total	<u>\$ 381,605</u>

7. **LONG TERM OBLIGATIONS**

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 \$1,597,000. 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, 2010 are for governmental activities.

Bonds outstanding at June 30, 2010, are comprised of the following:

	Series 9/15/2005	Series 4/1/2001
Original Issue:	\$ 855,000	\$ 742,000
Maturity	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, 2010:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 1,380,000	\$ -	\$ 255,000	\$ 1,125,000	\$ 155,000
Compensated absences	13,505	6,786	2,457	17,834	-
Total governmental activities	<u>\$ 1,393,505</u>	<u>\$ 6,786</u>	<u>\$ 257,457</u>	<u>\$ 1,142,834</u>	<u>\$ 155,000</u>

The annual requirements to amortize the April 1, 2001 Series general obligation bonds outstanding as of June 30, 2010, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2011	110,000	16,290	126,290
2012	120,000	10,020	130,020
2013	120,000	3,360	123,360
	<u>\$ 350,000</u>	<u>\$ 29,670</u>	<u>\$ 379,670</u>

The annual requirements to amortize the September 15, 2005 Series general obligation bonds outstanding as of June 30, 2010, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
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	85,000	21,300	106,300
2016-2020	490,000	50,400	540,400
	<u>\$ 775,000</u>	<u>\$ 180,544</u>	<u>\$ 955,544</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 June 30, 2010, compensated absences increased \$4,329 from the prior year accrual.

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

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, 2010, there have been no claims that have exceeded insurance coverage.

9. DEFERRED REVENUE

In accordance with the terms of the various grants agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to grantor.

10. 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 fund reflected a deficit fund balance as of June 30, 2010

None

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2010:

	Budgeted Expenditures	Actual Expenditures	Difference
Food Service Special Revenue Fund			
Food Service	\$ 34,369	\$ 39,543	\$ 5,174
GO Bond Special Revenue Fund			
Instructional Support	\$ 6,156	\$ 6,428	\$ 272

C. Designated cash appropriations in excess of available balances. The following funds exceeded approved budgetary authority for the year ended June 30, 2010:

General Fund - Operational	\$ 233,144
General Fund - Teacherage	1,785
Capital Improvements SB-9	10,188
Athletics Special Revenue Fund	14,527
Parents Reach Out Special Revenue Fund	4,432
Total Governmental Funds	<u>\$ 264,076</u>

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 its records to reflect this amount.

11. ERA PENSION PLAN

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

Funding Policy. Plan members are required to contribute 7.825% of their gross salary. Vaughn Municipal Schools is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and Vaughn Municipal Schools are established in State statute under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. Vaughn Municipal Schools contributions to ERA for the years ending June 30, 2010, 2009 and 2008 were \$133,808, \$151,727 and \$172,028 respectively, which equals the amount of the required contributions for each fiscal year.

12. **POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN**

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the 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 post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

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

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

Employers joining the program after 01/01/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

Vaughn Municipal Schools contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$22,029, \$8,431, and \$16,020, respectively, which equal the required contributions for each year.

13. 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.

14. OPERATING LEASES

On January 29, 2008, the District entered into a lease agreement to lease two copy machines. The lease has a five year term with payment of \$328, monthly. Future annual minimum payments are as follows:

Years ending June 30,	Amount
2011	\$ 3,936
2012	<u>1,968</u>
	<u>\$ 5,904</u>

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue	Capital Projects	Debt Service	Total
ASSETS				
Cash on deposit	\$ 187,261	\$ 33,289	\$ 65	220,615
Property taxes receivable	-	-	-	-
Accounts receivable	-	-	-	-
Inventory, at cost	2,350	-	-	2,350
Due from grantors	253,853	-	-	253,853
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 443,464</u>	<u>\$ 33,289</u>	<u>\$ 65</u>	<u>\$ 476,818</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 242,622	\$ -	\$ -	\$ 242,622
Deferred revenue	55,875	-	-	55,875
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	298,497	-	-	298,497
Fund balances:				
Reserve for retirement of long-term debt	-	-	65	65
Reserved for inventory	2,350	-	-	2,350
Unreserved	142,617	33,289	-	175,906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>144,967</u>	<u>33,289</u>	<u>65</u>	<u>178,321</u>
Total liabilities and fund balances	<u>\$ 443,464</u>	<u>\$ 33,289</u>	<u>\$ 65</u>	<u>\$ 476,818</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue	Capital Projects	Debt Service	Total
Revenues:				
Taxes	\$ -	\$ -	\$ 66	\$ 66
Charges for services	24,259	-	-	24,259
State share of taxes	-	-	-	-
Local sources	-	-	-	-
State sources	66,801	-	-	66,801
Federal sources	278,233	-	-	278,233
Earnings from investments	-	-	-	-
Total revenues	369,293	-	66	369,359
Expenditures:				
Current:				
Direct instruction	268,102	-	-	268,102
Instructional support	48,806	-	1	48,807
Food services	37,193	-	-	37,193
Central services	120	-	-	120
Operating and maintenance	119	-	-	119
Capital outlay	-	-	-	-
Debt services:				
Principal payments	-	-	-	-
Interest	-	-	-	-
Total expenditures	354,340	-	1	354,341
Net changes in fund balances	14,953	-	65	15,018
Fund balance - beginning of year	130,014	33,289	-	163,303
Fund balance - end of year	\$ 144,967	\$ 33,289	\$ 65	\$ 178,321

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local Funded grants. These grants are awarded to the District with the purpose of accomplishing specific education tasks. Grants accounted for in the Special Revenue Funds include:

FOOD SERVICE (21000) - This program provides financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 Stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10, Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

ATHLETICS (22000) – This fund is used 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 ENTITLEMENT), (24201 FEDERAL STIMULUS) – The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter I, Part A, 20 U.S.C. 2701 et seq.

IDEA-B ENTITLEMENT SPECIAL (24106), (24206 FEDERAL STIMULUS) – is used 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.

IDEA-B PRESCHOOL (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

IDEA-B RISK POOL (24120) – Risk Pool Fund is for the high cost risk pool or state level activity “U” of the Basic IDEA-B grant.

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

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).

STATE EQUALIZATION GUARANTEE - STIMULUS (25250) – Education funds provided through the American Recovery and Reinvestment Act (ARRA) provide a unique opportunity to jump start school reform and improvement efforts while also saving and creating jobs and stimulating the economy.

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.

A PLUS FOR ENERGY (26179) – Local grant which supports and rewards teachers who implement innovative energy education activities in the classroom.

ENMR PLATEAU - EDUCATION FOUNDATION SCHOOL GRANT (26191) – To account for monies received to purchase equipment needed to use the Accelerated Math Program.

DUAL CREDIT IM/HB2 (27103) – To account for monies received to purchase course materials for dual credit college classes.

GO BOND (27105), GO BOND LIBRARY (27170) - To account for monies received from the SB301, Laws of 2006 to be used to improve the library, acquire library books or library resources that support the library program.

TECHNOLOGY FOR EDUCATION PED (27117) - To account for State funding which is to be used by the District to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource

dissemination, and collaboration activities. Financing and Authority is provided by NMSA 22-15A-1 to 22-15A-10.

BEGINNING TEACHER MENTORING (27154) - To account for monies appropriated by the State Legislature to be used for stipends to mentors, for professional development opportunities, release time; including payment of substitutes, materials and supplies and for minor administrative costs. Financing and authority is provided by the State Legislature.

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

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	Title I IASA 24101 & 24201	IDEA-B Entitlement 24106 & 24206	IDEA-B Preschool 24109	IDEA-B Risk Pool 24120	Partnership in Character Education 24129
ASSETS							
Cash on deposit	\$ 34,483	\$ 3,882	\$ -	\$ 21,196	\$ -	\$ -	\$ -
Taxes receivable	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Inventory, at cost	2,350	-	-	-	-	-	-
Due from grantors	-	-	109,572	4,392	2,835	253	5,165
Total assets	\$ 36,833	\$ 3,882	\$ 109,572	\$ 25,588	\$ 2,835	\$ 253	\$ 5,165
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ 109,572	\$ 431	\$ 2,835	\$ 253	\$ 5,165
Deferred revenue	-	-	-	25,157	-	-	-
Total liabilities	-	-	109,572	25,588	2,835	253	5,165
Fund balances:							
Reserve for inventory	2,350	-	-	-	-	-	-
Unreserved	34,483	3,882	-	-	-	-	-
Total fund balance	36,833	3,882	-	-	-	-	-
Total liabilities and fund balances	\$ 36,833	\$ 3,882	\$ 109,572	\$ 25,588	\$ 2,835	\$ 253	\$ 5,165

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Special Revenue Funds						
	Enhancing Education Through Technology 24133	Title V Innovative Education Program 24150	Teacher/ Principal Training & Recruiting 24154	Safe & Drug Free Schools & Communities 24157	School Renovation IDEA & Technology 24166	Reading First 24167	Title XIX Medicaid 3/21 Years 25153
ASSETS							
Cash on deposit	\$ 176	\$ 7,642	\$ -	\$ -	\$ 1,990	\$ 63,564	\$ 25,407
Taxes receivable	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
Due from grantors	-	-	61,008	1,530	-	6,808	-
Total assets	\$ 176	\$ 7,642	\$ 61,008	\$ 1,530	\$ 1,990	\$ 70,372	\$ 25,407
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ 61,008	\$ 1,530	\$ -	\$ -	\$ -
Deferred revenue	176	7,642	-	-	1,990	1,210	8,491
Total liabilities	176	7,642	61,008	1,530	1,990	1,210	8,491
Fund balances:							
Reserve for inventory	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	69,162	16,916
Total fund balance	-	-	-	-	-	69,162	16,916
Total liabilities and fund balances	\$ 176	\$ 7,642	\$ 61,008	\$ 1,530	\$ 1,990	\$ 70,372	\$ 25,407

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Special Revenue Funds						
	Rural Education Achievement Program 25233	State Equalization Guarantee 25250	A Plus for Energy 26179	ENMR Plateau 26191	Dual Credit IM/HB2 27103	Go Bond & Go Bond Library 27105 & 27170	Technology for Education 27117
ASSETS							
Cash on deposit	\$ -	\$ -	\$ 2,178	\$ 5,000	\$ -	\$ -	\$ 14,817
Taxes receivable	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
Due from grantors	519	53,996	-	-	1,177	6,428	-
Total assets	\$ 519	\$ 53,996	\$ 2,178	\$ 5,000	\$ 1,177	\$ 6,428	\$ 14,817
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ 519	\$ 53,996	\$ -	\$ -	\$ 1,177	\$ 6,136	\$ -
Deferred revenue	-	-	2,178	5,000	-	-	1,515
Total liabilities	519	53,996	2,178	5,000	1,177	6,136	1,515
Fund balances:							
Reserved for inventory	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	292	13,302
Total fund balances	-	-	-	-	-	292	13,302
Total liabilities and fund balances	\$ 519	\$ 53,996	\$ 2,178	\$ 5,000	\$ 1,177	\$ 6,428	\$ 14,817

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	<u>Special Revenue Funds</u>		
	Beginning Teacher Mentoring 27154	Parents Reaching Out 29102	Total Special Revenue Funds
ASSETS			
Cash on deposit	\$ 3,842	\$ 3,084	\$ 187,261
Taxes receivable	-	-	-
Accounts receivable	-	-	-
Inventory, at cost	-	-	2,350
Due from grantors	170	-	253,853
	<u>4,012</u>	<u>3,084</u>	<u>253,853</u>
Total assets	<u>\$ 4,012</u>	<u>\$ 3,084</u>	<u>\$ 443,464</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 242,622
Deferred revenue	-	2,516	55,875
	<u>-</u>	<u>2,516</u>	<u>298,497</u>
Total liabilities	-	2,516	298,497
Fund balances:			
Reserved for inventory	-	-	2,350
Unreserved	4,012	568	142,617
	<u>4,012</u>	<u>568</u>	<u>144,967</u>
Total fund balances	4,012	568	144,967
Total liabilities and fund balances	<u>\$ 4,012</u>	<u>\$ 3,084</u>	<u>\$ 443,464</u>

Concluded

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	Title I IASA 24101 & 24201	IDEA-B Entitlement 24106 & 24206	IDEA-B Preschool 241099	IDEA-B Risk Pool 24120	Partnership in Character Education 24129
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	8,416	15,843	-	-	-	-	-
State share of taxes	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-
State sources	49,083	-	-	-	-	-	-
Federal sources	-	-	52,828	21,716	7,267	-	-
Earnings from investments	-	-	-	-	-	-	-
Total revenues	57,499	15,843	52,828	21,716	7,267	-	-
Expenditures:							
Current:							
Direct instruction	-	21,196	52,828	17,402	7,267	-	-
Instructional support	-	-	-	4,314	-	-	-
Food services	37,193	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-
Operation and maintenance	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	37,193	21,196	52,828	21,716	7,267	-	-
Net changes in fund balances	20,306	(5,353)	-	-	-	-	-
Fund balance - beginning of year	16,527	9,235	-	-	-	-	-
Fund balance - end of year	\$ 36,833	\$ 3,882	\$ -	\$ -	\$ -	\$ -	\$ -

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Special Revenue Funds						
	Enhancing Education Through Technology 24133	Title V Innovative Education Program 24150	Teacher/ Principal Training & Recruiting 24154	Safe & Drug Free Schools & Communities 24157	School Renovation IDEA & Technology 24166	Reading First 24167	Title XIX Medicaid 3/21 Years 25153
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charge for services	-	-	-	-	-	-	-
State share taxes	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	-	-	35,474	-	-	36,582	357
Earnings from investments	-	-	-	-	-	-	-
Total revenues	-	-	35,474	-	-	36,582	357
Expenditures:							
Current:							
Direct instruction	-	-	34,077	-	-	-	-
Instructional support	-	-	1,397	-	-	36,582	357
Food services	-	-	-	-	-	-	-
Central services	-	-	-	-	-	-	-
Operation and maintenance	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	-	-	35,474	-	-	36,582	357
Net changes in fund balances	-	-	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-	69,162	16,916
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,162	\$ 16,916

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Special Revenue Funds						
	Rural Education Achievement Program 25233	State Equalization Guarantee 25250	A Plus for Energy 26179	ENMR Plateau 26191	Dual Credit IM/HB2 27103	Go Bond & Go Bond Library 27105 & 27170	Technology for Education 27117
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-
State share taxes	-	-	-	-	-	-	-
Local sources	-	-	-	-	-	-	-
State sources	-	-	2,822	-	1,177	6,428	-
Federal sources	-	124,009	-	-	-	-	-
Earnings form investments	-	-	-	-	-	-	-
Total revenues	-	124,009	2,822	-	1,177	6,428	-
Expenditures:							
Current:							
Direct instruction	-	124,009	2,583	-	1,177	272	-
Instructional support	-	-	-	-	-	6,156	-
Food services	-	-	-	-	-	-	-
Central services	-	-	120	-	-	-	-
Operation and maintenance	-	-	119	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	-	124,009	2,822	-	1,177	6,428	-
Net changes in fund balances	-	-	-	-	-	-	-
Fund balance - beginning of year	-	-	-	-	-	292	13,302
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 292	\$ 13,302

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Special Revenue Funds		
	Beginning Teacher Mentoring 27154	Parents Reaching Out 29102	Total Special Revenue Funds
Revenues:			
Taxes	\$ -	\$ -	\$ -
Charges for services	-	-	24,259
State share taxes	-	-	-
Local sources	-	-	-
State sources	2,307	4,984	66,801
Federal sources	-	-	278,233
Earnings from investments	-	-	-
Total revenues	2,307	4,984	369,293
Expenditures:			
Current:			
Direct instruction	2,307	4,984	268,102
Instructional support	-	-	48,806
Food services	-	-	37,193
Central services	-	-	120
Operation and maintenance	-	-	119
Capital outlay	-	-	-
Total expenditures	2,307	4,984	354,340
Net changes in fund balances	-	-	14,953
Fund balance - beginning of year	4,012	568	130,014
Fund balance - end of year	\$ 4,012	\$ 568	\$ 144,967

Concluded

See accompanying notes to financial statements.

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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Charge for services	\$ 2,144	\$ 2,144	\$ 8,416	\$ 6,272
Federal sources	25,000	32,225	49,083	16,858
Total revenues	27,144	34,369	57,499	23,130
Expenditures:				
Current:				
Food service	27,144	34,369	37,193	(2,824)
Excess (deficiency) of revenues over expenditures	-	-	20,306	20,306
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	20,306	20,306
Fund balance - beginning of year	-	-	16,527	16,527
Fund balance - end of year	\$ -	\$ -	\$ 36,833	\$ 36,833
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 20,306	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 20,306	

See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 15,000	\$ 15,000	\$ 15,843	\$ 843
Expenditures:				
Current:				
Direct instruction	<u>38,762</u>	<u>38,762</u>	<u>21,196</u>	<u>17,566</u>
Excess (deficiency) of revenues over expenditures	<u>(23,762)</u>	<u>(23,762)</u>	<u>(5,353)</u>	<u>18,409</u>
Other financing sources (uses)				
Designated cash	<u>23,762</u>	<u>23,762</u>	<u>-</u>	<u>(23,762)</u>
Total other financing sources (uses)	<u>23,762</u>	<u>23,762</u>	<u>-</u>	<u>(23,762)</u>
Net change in fund balance	-	-	(5,353)	(5,353)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>9,235</u>	<u>9,235</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,882</u>	<u>\$ 3,882</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (5,353)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ (5,353)</u>	

See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 64,160	\$ 52,828	\$ (11,332)
Expenditures:				
Current:				
Direct instruction	-	64,160	52,828	11,332
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

IDEA-B ENTITLEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 84,775	\$ 21,716	\$ (63,059)
Expenditures:				
Current:				
Direct instructional	-	80,316	17,402	62,914
Instruction support	-	4,459	4,314	145
Total expenditures	-	84,775	21,716	63,059
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

IDEA-B PRESCHOOL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 10,911	\$ 7,267	\$ (3,644)
Expenditures:				
Current:				
Direct instructional	-	10,911	7,267	3,644
Total expenditures	-	10,911	7,267	3,644
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

IDEA-B RISK POOL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 253	\$ -	\$ (253)
Expenditures:				
Current:				
Direct instructional	-	253	-	253
Excess (deficiency) of revenues over expenditures	-	-	-	253
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	253
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ 253
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

PARTNERSHIP IN CHARACTER ED SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	
See accompanying notes to financial statements.				

STATE OF NEW MEXICO
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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	
See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 2,778	\$ -	\$ (2,778)
Expenditures:				
Current:				
Direct instruction	-	2,778	-	2,778
Total expenditures	-	2,778	-	2,778
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	
See accompanying notes to financial statements.				

STATE OF NEW MEXICO
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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 12,590	\$ 45,231	\$ -	\$ (45,231)
Expenditures:				
Current:				
Direct instruction	12,590	42,231	-	42,231
Instructional support	-	3,000	-	3,000
Total expenditures	<u>12,590</u>	<u>45,231</u>	<u>-</u>	<u>45,231</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Designated cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 1,206	\$ -	\$ (1,206)
Expenditures:				
Current:				
Direct instruction	-	1,206	-	1,206
Total expenditures	-	1,206	-	1,206
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	
See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	
See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 73,163	\$ 36,582	\$ 36,582	\$ -
Expenditures:				
Current:				
Instructional support	73,163	36,582	36,582	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	69,162	69,162
Fund balance - end of year	\$ -	\$ -	\$ 69,162	\$ 69,162
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 14,274	\$ 357	\$ (13,917)
Expenditures:				
Current:				
Direct instruction	-	14,274	-	14,274
Instructional support	3,772	3,772	357	3,415
Total expenditures	3,772	18,046	357	17,689
Excess (deficiency) of revenues over expenditures	(3,772)	(3,772)	-	3,772
Other financing sources (uses)				
Designated cash	3,772	3,772	-	(3,772)
Total other financing sources (uses)	3,772	3,772	-	(3,772)
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	16,916	16,916
Fund balance - end of year	\$ -	\$ -	\$ 16,916	\$ 16,916
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

STATE EQUALIZATION GUARANTEE - STIMULUS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 91,609	\$ 124,009	\$ 124,009	\$ -
Expenditures:				
Current:				
Direct instruction	91,609	124,009	124,009	-
Total expenditures	91,609	124,009	124,009	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

A PLUS FOR ENERGY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 5,000	\$ 2,822	\$ (2,178)
Expenditures:				
Current:				
Direct instruction	-	4,639	2,583	2,056
Instructional support	-	100	-	100
Central services	-	131	120	11
Operation and maintenance	-	130	119	11
Total expenditures	-	5,000	2,822	2,178
Excess (deficiency) of revenues over expenditures	-	-	-	(4,356)
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	(4,356)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ (4,356)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

ENMR PLATEAU SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 5,000	\$ -	\$ (5,000)
Expenditures:				
Current:				
Direct instruction	-	5,000	-	5,000
Total expenditures	-	5,000	-	5,000
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

DUAL CREDIT IM HB2 SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 2,000	\$ 1,177	\$ (823)
Expenditures:				
Current:				
Direct instruction	-	2,000	1,177	823
Total expenditures	-	2,000	1,177	823
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

GO BOND LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 12,301	\$ 6,428	\$ (5,873)
Expenditures:				
Current:				
Direct instruction	-	6,145	-	6,145
Instructional support	-	6,156	6,428	(272)
Total expenditures	-	12,301	6,428	5,873
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	292	292
Fund balance - end of year	\$ -	\$ -	\$ 292	\$ 292
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

TECHNOLOGY FOR EDUCATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 14,816	\$ -	\$ (14,816)
Expenditures:				
Current:				
Direct instruction	-	1,620	-	1,620
Instructional support	-	13,196	-	13,196
Total expenditures	-	14,816	-	14,816
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	13,302	13,302
Fund balance - end of year	-	-	\$ 13,302	\$ 13,302
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 5,060	\$ 2,307	\$ (2,753)
Expenditures:				
Current:				
Instructional support	-	5,060	2,307	2,753
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	4,012	4,012
Fund balance - end of year	\$ -	\$ -	\$ 4,012	\$ 4,012
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget + Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ 4,984	\$ 4,984
Expenditures:				
Current:				
Instructional support	-	5,000	4,984	16
Excess (deficiency) of revenues over expenditures	-	(5,000)	-	4,968
Other financing sources (uses)				
Designated cash	-	5,000	-	5,000
Total other financing sources (uses)	-	5,000	-	5,000
Net change in fund balance	-	-	-	9,968
Fund balance - beginning of year	-	-	568	568
Fund balance - end of year	\$ -	\$ -	\$ 568	\$ 10,536
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See accompanying notes to financial statements.

CAPITAL PROJECTS FUNDS

SPECIAL CAPITAL OUTLAY - STATE (31400) - To account for resources received from the New Mexico State General Fund, HB-885, Chapter 347, Section 48, Paragraph 287, Laws of 2005 for \$80,000 to plan, design, construct and purchase a building for the youth entrepreneurial and teen center. Also, from the General Fund, HB622, Chapter 111, Section 39, Paragraph 248, Laws of 2006 for \$45,000 to improve and equip the library.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010

	<u>Capital Projects Funds</u>	
	Special Capital Outlay State 31400	Total
ASSETS		
Cash on deposit	\$ 33,289	\$ 33,289
Taxes receivable	-	-
Accounts receivable	-	-
Inventory, at cost	-	-
Due from grantors	-	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 33,289</u>	<u>\$ 33,289</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ -	\$ -
Deferred revenue	-	-
	<u> </u>	<u> </u>
Total liabilities	-	-
Fund balances:		
Reserve for retirement of long- term debt	-	-
Reserved for inventory	-	-
Unreserved	33,289	33,289
	<u> </u>	<u> </u>
Total fund balance	<u>33,289</u>	<u>33,289</u>
Total liabilities and fund balances	<u>\$ 33,289</u>	<u>\$ 33,289</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2010

	<u>Capital Projects Funds</u>	
	Special Capital Outlay State 31400	Total Capital Projects Funds
Revenues:		
Taxes	\$ -	\$ -
Charge for services	-	-
State shared taxes	-	-
Local sources	-	-
State sources	-	-
Federal sources	-	-
Earnings form investments	-	-
	<hr/>	<hr/>
Total revenues	-	-
Expenditures:		
Current:		
Direct instruction	-	-
Instructional support	-	-
Food services	-	-
Capital outlay	-	-
Debt service:		
Bonds	-	-
Interest	-	-
	<hr/>	<hr/>
Total expenditures	<hr/>	<hr/>
Net changes in fund balances	-	-
Fund balance - beginning of year	33,289	33,289
	<hr/>	<hr/>
Fund balance - end of year	<u>\$ 33,289</u>	<u>\$ 33,289</u>

See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	33,289	33,289
Fund balance, end of year	\$ -	\$ -	\$ 33,289	\$ (33,289)

See accompanying notes to financial statements.

DEBT SERVICE FUNDS

EDUCATION TECHNOLOGY DEBT SERVICE (43000) - To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2010

	Education Technology Debt Service 43000	Total
ASSETS		
Cash on deposit	\$ 65	\$ 65
Taxes receivable	-	-
Accounts receivable	-	-
Inventory, at cost	-	-
Due from grantors	-	-
	<hr/>	<hr/>
Total assets	<u>\$ 65</u>	<u>\$ 65</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Due to other funds	\$ -	\$ -
Deferred revenue	-	-
	<hr/>	<hr/>
Total liabilities	-	-
Fund balances:		
Reserve for retirement of long- term debt	65	65
Reserved for inventory	-	-
Unreserved	-	-
	<hr/>	<hr/>
Total fund balance	<u>65</u>	<u>65</u>
Total liabilities and fund balances	<u>\$ 65</u>	<u>\$ 65</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2010

	Education Technology Debt Service 43000	Total
Revenues:		
Taxes	\$ 66	\$ 66
Charge for services	-	-
State shared taxes	-	-
Local sources	-	-
State sources	-	-
Federal sources	-	-
Earnings form investments	-	-
	<hr/>	<hr/>
Total revenues	66	66
Expenditures:		
Current:		
Direct instruction	-	-
Instructional support	1	1
Food services	-	-
Capital outlay	-	-
Debt service:		
Bond	-	-
Interest	-	-
	<hr/>	<hr/>
Total expenditures	1	1
Net changes in fund balances	65	65
Fund balance - beginning of year	-	-
	<hr/>	<hr/>
Fund balance - end of year	\$ 65	\$ 65
	<hr/>	<hr/>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

EDUCATION TECHNOLOGY DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ 100	\$ 66	\$ (34)
Expenditures				
Current:				
Instructional support	-	100	1	99
Total expenditures	-	100	1	99
Excess (deficiency) of revenues over expenditures	-	-	65	65
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	-	-	65	65
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 65	\$ 65
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 65	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 65	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

BOND BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Instruction support	131,768	131,768	30,812	100,956
Food services	-	-	-	-
Total expenditures	131,768	131,768	30,812	100,956
Excess (deficiency) of revenues over expenditures	(131,768)	(131,768)	(30,812)	100,956
Other financing sources (uses)				
Designated cash	131,768	131,768	-	(131,768)
Total other financing sources (uses)	131,768	131,768	-	(131,768)
Net change in fund balance	-	-	(30,812)	(30,812)
Fund balance - beginning of year	-	-	131,769	131,769
Fund balance - end of year	\$ -	\$ -	\$ 100,957	\$ 100,957
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (30,812)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (30,812)	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 81,534	\$ 81,534	\$ 92,210	\$ 10,676
State sources	21,560	21,560	10,458	(11,102)
Total revenues	103,094	103,094	102,668	(426)
Expenditures				
Current:				
Instructional support	815	815	483	332
Capital outlay	187,415	187,415	79,182	108,233
Total expenditures	188,230	188,230	79,665	108,565
Excess (deficiency) of revenues over expenditures	(85,136)	(85,136)	23,003	108,139
Other financing sources (uses)				
Designated cash	85,136	85,136	-	(85,136)
Total other financing sources (uses)	85,136	85,136	-	(85,136)
Net changes in fund balance	-	-	23,003	23,003
Fund balance - beginning of year	-	-	74,948	74,948
Fund balance - end of year	\$ -	\$ -	\$ 97,951	\$ 97,951
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 23,003	
Net revenue accruals			322	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 23,325	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

DEBT SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	205,584	205,584	202,139	(3,445)
Earnings from investments	-	-	3	3
Total revenues	<u>205,584</u>	<u>205,584</u>	<u>202,142</u>	<u>(3,442)</u>
Expenditures				
Current:				
Instructional support	2,056	2,056	1,178	878
Debt service				
Reserve	118,761	118,761	-	118,761
Bond	145,000	145,000	255,000	(110,000)
Interest	60,584	60,584	73,349	(12,765)
Total expenditures	<u>326,401</u>	<u>326,401</u>	<u>329,527</u>	<u>(3,126)</u>
Excess (deficiency) of revenues over expenditures	<u>(120,817)</u>	<u>(120,817)</u>	<u>(127,388)</u>	<u>(6,571)</u>
Other financing sources (uses)				
Designated cash	120,817	120,817	-	(120,817)
Total other financing sources (uses)	<u>120,817</u>	<u>120,817</u>	<u>-</u>	<u>(120,817)</u>
Net changes in fund balance	-	-	(127,388)	(127,388)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>177,392</u>	<u>177,392</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,004</u>	<u>\$ 50,004</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (127,388)	
Net revenue accruals			889	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ (126,499)</u>	

See accompanying notes to financial statements.

GENERAL FUND

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2010

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
ASSETS					
Cash	\$ 171,707	\$ 16,100	\$ 79,799	\$ 2,534	\$ 270,140
Taxes receivable	92	-	-	-	92
Due from other funds	242,622	-	-	-	242,622
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 414,421</u>	<u>\$ 16,100</u>	<u>\$ 79,799</u>	<u>\$ 2,534</u>	<u>\$ 512,854</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued payroll	20,249	-	-	-	20,249
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>20,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,249</u>
Fund balances:					
Unreserved:					
Undesignated, reported in:					
General fund	394,172	16,100	79,799	2,534	492,605
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>394,172</u>	<u>16,100</u>	<u>79,799</u>	<u>2,534</u>	<u>492,605</u>
Total liabilities and fund balances	<u>\$ 414,421</u>	<u>\$ 16,100</u>	<u>\$ 79,799</u>	<u>\$ 2,534</u>	<u>\$ 512,854</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
REVENUES					
Taxes	\$ 23,232	\$ -	\$ -	\$ -	\$ 23,232
Charges for services	719	8,200	-	-	8,919
State sources	1,864,690	-	-	8,327	1,873,017
Transportation distribution	-	-	143,495	-	143,495
Earnings from investments	747	-	-	-	747
Miscellaneous	39,444	-	-	-	39,444
Total revenues	1,928,832	8,200	143,495	8,327	2,088,854
EXPENDITURES					
Current:					
Direct instruction	719,445	-	-	3,567	723,012
Instructional support	473,120	-	-	-	473,120
Central services	173,061	-	-	-	173,061
Operation and maintenance	295,580	28	-	-	295,608
Transportation	168	-	112,317	-	112,485
Food services	35,841	-	-	-	35,841
Total expenditures	1,697,215	28	112,317	3,567	1,813,127
Net change in fund balance	231,617	8,172	31,178	4,760	275,727
Fund balance at beginning of year	162,555	7,928	48,621	(2,226)	216,878
Fund balance at end of year	<u>\$ 394,172</u>	<u>\$ 16,100</u>	<u>\$ 79,799</u>	<u>\$ 2,534</u>	<u>\$ 492,605</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

OPERATIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 20,347	\$ 20,347	\$ 23,232	\$ 2,885
Charges for services	-	-	719	719
State sources	1,685,690	1,851,394	1,864,690	13,296
Earnings from investments	350	350	747	397
Miscellaneous	2,000	2,000	39,444	37,444
Total revenues	1,708,387	1,874,091	1,928,832	54,741
Expenditures:				
Current:				
Direct instruction	877,678	929,560	719,445	210,115
Instruction support	508,723	535,841	473,120	62,721
Central services	145,522	231,226	173,061	58,165
Operation and maintenance	373,098	373,098	295,580	77,518
Transportation	-	1,000	168	832
Other support services	2,111	2,111	-	2,111
Food services	89,975	89,975	35,841	54,134
Total expenditures	1,997,107	2,162,811	1,697,215	465,596
Excess (deficiency) of revenues over expenditures	(288,720)	(288,720)	231,617	520,337
Other financial sources (uses)				
Designated cash	288,720	288,720	-	(288,720)
Total other financing sources (uses)	288,720	288,720	-	(288,720)
Net change in fund balance	-	-	231,617	231,617
Fund balance - beginning of year	-	-	228,567	228,567
Fund balance - end of year	\$ -	\$ -	\$ 460,184	\$ 460,184
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 231,617	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 231,617	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

TEACHERAGE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 9,000	\$ 9,000	\$ 8,200	\$ (800)
Total revenues	9,000	9,000	8,200	(800)
Expenditures:				
Current:				
Operation and maintenance	17,318	17,318	28	17,290
Total expenditures	17,318	17,318	28	17,290
Excess (deficiency) of revenues over expenditures	(8,318)	(8,318)	8,172	16,490
Other financial sources (uses)				
Designated cash	8,318	8,318	-	(8,318)
Total other financing sources (uses)	8,318	8,318	-	(8,318)
Net change in fund balance	-	-	8,172	8,172
Fund balance - beginning of year	-	-	6,528	6,528
Fund balance - end of year	\$ -	\$ -	\$ 14,700	\$ 14,700
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 8,172	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 8,172	

See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ 133,085	\$ 138,305	\$ 143,495	\$ 5,190
Total revenues	133,085	138,305	143,495	5,190
Expenditures:				
Current:				
Transportation	133,085	138,305	112,317	25,988
Total expenditures	133,085	138,305	112,317	(25,988)
Excess (deficiency) of revenues over expenditures	-	-	31,178	31,178
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	31,178	31,178
Fund balance - beginning of year	-	-	48,621	48,621
Fund balance - end of year	\$ -	\$ -	\$ 110,977	\$ 110,977
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 31,178	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 31,178	

See accompanying notes to 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 ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ 3,628	\$ 6,102	\$ 8,327	\$ 2,225
Total revenues	3,628	6,102	8,327	2,225
Expenditures:				
Current:				
Direct instruction	3,628	6,102	3,567	2,535
Total expenditures	3,628	6,102	3,567	2,535
Excess (deficiency) of revenues over expenditures	-	-	4,760	4,760
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	4,760	4,760
Fund balance - beginning of year	-	-	(2,226)	(2,226)
Fund balance - end of year	\$ -	\$ -	\$ 2,534	\$ 2,534
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 4,760	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 4,760	

See accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 VAUGHN MUNICIPAL SCHOOLS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Assets				
Cash	\$ 42,371	\$ 18,483	\$ 17,719	\$ 43,135
Total assets	<u>\$ 42,371</u>	<u>\$ 18,483</u>	<u>\$ 17,719</u>	<u>\$ 43,135</u>
Liabilities				
Deposits held for others	\$ 42,371	\$ 18,483	\$ 17,719	\$ 43,135
Total liabilities	<u>\$ 42,371</u>	<u>\$ 18,483</u>	<u>\$ 17,719</u>	<u>\$ 43,135</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2010

Everyone's Federal Credit Union

Description of Pledge Collateral	Market Value
Simpli CD's Southwest Bridge Corporate Federal Credit Union	\$ <u>795,000</u>
Total:	\$ <u><u>795,000</u></u>

**STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS**

**SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
JUNE 30, 2010**

Bank Account Type/Name	Total
Everyone's Federal Credit Union	
Checking - General Operational	\$ 1,104,023
Checking- Activity Fund	<u>9,396</u>
Total On Demand	1,113,419
Reconciling items	<u>(328,299)</u>
Reconciled Balance June 30, 2010	785,120
Less: Fiduciary Funds Cash	<u>(43,135)</u>
Balance Sheet Total June 30, 2010	<u>\$ 741,985</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
VAUGHN MUNICIPAL SCHOOLS

CASH RECONCILIATION
JUNE 30, 2010

	<u>Operational 11000</u>	<u>Teacherage 12000</u>	<u>Transportation 13000</u>	<u>Instructional Materials 14000</u>	<u>Food Service 21000</u>	<u>Athletics Account 22000</u>	<u>Non - Instructional 23000</u>	<u>Federal Flowthrough 24000</u>		
Cash, June 30, 2009	\$ 55,576	\$ 6,528	\$ 48,621	\$ -	\$ 11,209	\$ 9,235	\$ 42,371	\$ 104,347		
Cash receipts, 2009-2010	1,904,608	12,000	143,495	8,327	57,499	16,260	18,483	157,622		
Cash disbursements, 2009-2010	(1,788,477)	(2,428)	(112,317)	(5,793)	(34,225)	(21,613)	(17,719)	(167,401)		
Cash balance, June 30, 2010	<u>\$ 171,707</u>	<u>\$ 16,100</u>	<u>\$ 79,799</u>	<u>\$ 2,534</u>	<u>\$ 34,483</u>	<u>\$ 3,882</u>	<u>\$ 43,135</u>	<u>\$ 94,568</u>		
	<u>Federal Direct 25000</u>	<u>State Flowthrough 26000</u>	<u>State Flowthrough 27000</u>	<u>Local / State 29000</u>	<u>Bond Building 31100</u>	<u>Capital Outlay 31400</u>	<u>Cap. Impro. SB 9 31700</u>	<u>Debt Service Fund 41000</u>	<u>Ed. Tech. Debt Service 43000</u>	
Cash, June 30, 2009	\$ 16,916	\$ -	\$ 17,606	\$ 568	\$ 131,769	\$ 33,289	\$ 74,948	\$ 200,250	\$ -	
Cash receipts, 2009-2010	43,472	10,000	10,554	7,500	-	-	34,611	91,846	66	
Cash disbursements, 2009-2010	(34,981)	(2,822)	(9,501)	(4,984)	(30,812)	-	(10,962)	(240,420)	(1)	
Cash balance, June 30, 2010	<u>\$ 25,407</u>	<u>\$ 7,178</u>	<u>\$ 18,659</u>	<u>\$ 3,084</u>	<u>\$ 100,957</u>	<u>\$ 33,289</u>	<u>\$ 98,597</u>	<u>\$ 51,676</u>	<u>\$ 65</u>	

See accompanying notes to financial statements.

**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, 2010, and have issued our report thereon dated March 17, 2011. 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 08-02 and 08-06) to be significant deficiencies.

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, and 08-05.

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 + Samariega + Campbell, LLP

El Paso, Texas
March 17, 2011

**VAUGHN MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

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	Resolved
08-02 Capital Assets	Repeat
08-04 PED Report	Repeat
08-05 941 Payments	Repeat
08-06 Lack of Supervision and Segregation of Duties	Repeat
09-01 Lack of Supporting Documentation for Disbursements	Resolved

**VAUGHN MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2010**

Late Audit Report (07-01)

CONDITION	The audit report was submitted to the State Auditor, on April 4, 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 were 5 out of 5 employees tested being paid an amount over the contract price agreed upon between the employee and the school district totaling \$5,222.
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
Food Special Revenue Fund - Food	\$ 34,369	\$ 37,193	\$ 2,824
GO Bond Special Revenue Fund - Instructional Support	\$ 6,156	\$ 6,428	\$ 272
Debt Service Fund - Bond	\$ 145,000	\$ 255,000	\$ 110,000
Interest	\$ 60,584	\$ 73,349	\$ 12,765

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

General Fund - Operational	\$ 233,144
General Fund - Teacherage	1,785
Capital Improvements SB 9 Capital Project Fund	10,188
Athletics Special Revenue Fund	14,527
Parents Reach Out Special Revenue Fund	4,432
	<u>\$ 247,671</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 within the legally adopted budget and revision should be made whenever necessary. Management is required to have an internal control system of financial reporting including the preparation of the financial statements.

CAUSE

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.

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 Report (08-04)

CONDITION The School's cash report to the Public Education Department did not match the General Ledger, however, due to an error on the bank reconciliation the debt service fund's audited cash balance was \$122,165 less than reported to PED.

CRITERIA According to State Regulation 2.2.2.12 (c) (4) (b), NMAC, the reports sent to the New Mexico Public Education Department (PED) must agree to school records.

CAUSE Due to cash not being reconciled correctly, the school reported the incorrect cash balance to PED.

EFFECT PED does not have an accurate accounting of the school 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 \$17,784 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: 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.

VAUGHN MUNICIPAL SCHOOLS

**FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2010**

The financial statements of Vaughn Municipal Schools as of, and for the year ended June 30, 2010 were prepared by White + Samaniego + Campbell, LLP, with the aid of responsible District personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

VAUGHN MUNICIPAL SCHOOLS

EXIT CONFERENCE FOR THE YEAR ENDED JUNE 30, 2010

An exit conference was conducted March 31, 2011, 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
Antonio Castillo	Board President
Henrietta Garcia	Board Vice President

White + Samaniego + Campbell, LLP

Luis Molina	Supervisor
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