

Reserve Independent Schools

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON**

For The Fiscal Year Ended June 30, 2019

Reserve Independent Schools
TABLE OF CONTENTS
 June 30, 2019

	PAGE
INTRODUCTORY SECTION:	
Directory of officials	1
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	2-4
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	5
Statement of Activities	6-7
<i>Fund Financial Statements:</i>	
Balance Sheet--Governmental Funds	8-9
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	10
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	11-12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis)	
General fund	14
Title I	15
Entitlement	16
SB 9	17
Pre-K Initiative	18
Statement of Assets and Liabilities--Agency Funds	19
Notes to Basic Financial Statements	20-41
Fund Descriptions	42
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of Net Pension Liability of the Educational Retirement Board	43

Schedule of Contributions to the Educational Retirement Board	44
Notes to Required Supplemental Information	45
Schedule of Proportionate Share of Other Postemployment Benefits Liability of the Retiree Health Care Authority (RHCA) Plan	46
Schedule of Contributions to the Retiree Health Care Authority (RHCA) Other Postemployment Benefit Plan	47
Notes to Required Supplemental Information	48

OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet--Nonmajor Governmental Funds	49-51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Governmental Funds	52-54
Combining Balance Sheet--General Fund	55-56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--General Fund	57-58
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis):	
General Fund:	
Operational	59
Transportation	60
Instructional Materials	61
Teacherage	62
Schedule of Changes in Assets and Liabilities--Agency Funds	63
Schedule of Depository Collateral	64
Schedule of Individual Deposit Accounts and Investments	65
Schedule of Cash Receipts and Disbursements--by School District Classification	66-68
Schedule of Expenditures of Federal Awards	69
Notes to Schedule of Expenditures of Federal Awards	70

ADDITIONAL REPORTING REQUIREMENTS:

Summary Schedule of Prior Audit Findings	71
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72-73
Independent Auditor's report on compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	74-75
Schedule of Findings and Questioned Costs	76-77

Reserve Independent Schools
DIRECTORY OF OFFICIALS
June 30, 2019

BOARD OF EDUCATION

Russell Laney	President
Sharon Armijo	Vice-President
Robert Ricks	Secretary
Carl Livingston	Member
Sam Nicolds	Member

SCHOOL OFFICIALS

Cindy Shellhorn	Superintendent
Odelia Delgado	Business Manager

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, ESQ., State Auditor
And
Board of Education
Reserve Independent Schools
Reserve, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Reserve Independent Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Reserve Independent Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Reserve Independent Schools as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information related to the District's pension plan presented on pages 43 to 45 and the District's other postemployment benefits presented on pages 46 to 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Reserve Independent Schools' financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Guidance, Cost Principles, and Audit Requirements for Federal Awards*, and the other schedules presented as other supplementary information as listed

in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the other supplementary information are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019, on our consideration of the Reserve Independent Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Reserve Independent Schools' internal control over financial reporting and compliance.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 11, 2019

Stone, McGee & Co.
Certified Public Accountants

Reserve Independent Schools
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 817,648
Property taxes receivable	50,282
Due from other governments	101,250
Inventory	1,389
Capital assets:	
Land and improvements	892,892
Buildings and improvements	17,438,704
Equipment	1,236,103
Less accumulated depreciation	<u>(5,190,325)</u>
Total capital assets, net of depreciation	<u>\$ 14,377,374</u>
Total assets	<u>\$ 15,347,943</u>
Deferred Outflows of Resources	
Related to other postemployment liabilities	\$ 67,006
Related to pensions	<u>1,610,900</u>
Total deferred outflows of resources	<u>\$ 1,677,906</u>
Liabilities	
Accounts payable	\$ 10,337
Rent deposits	1,250
Long-term liabilities:	
Portion due or payable within one year:	
Bonds payable	195,000
Accrued interest payable	15,842
Portion due or payable after one year:	
Net pension liability	6,197,762
Net other postemployment benefits liability	1,483,224
Bonds payable	1,495,000
Compensated absences	<u>23,416</u>
Total liabilities	<u>\$ 9,421,831</u>
Deferred Inflows of Resources	
Related to other postemployment benefits	\$ 383,237
Related to pensions	<u>187,599</u>
Total deferred inflows of resources	<u>\$ 570,836</u>
Net Position	
Net investment in capital assets	\$ 12,687,374
Restricted for:	
Capital projects	146,888
Debt service	238,752
Other purposes	225,009
Unrestricted	<u>(6,264,841)</u>
Total net position	<u>\$ 7,033,182</u>

The accompanying notes are an integral part of these financial statements

Reserve Independent Schools
STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
Instruction	\$ 2,302,451	\$ 677	\$ 193,171	\$ -	\$ (2,108,603)
Support services - Students	271,629	10,397	56,585	-	(204,647)
Support services - Instruction	157,418		59,598		(97,820)
General administration	242,141				(242,141)
School administration	233,261		6,177		(227,084)
Central services	177,166				(177,166)
Operation of plant	622,840	15,000	12,577	97,546	(497,717)
Food services	144,590	2,380	72,832		(69,378)
Transportation	271,872		203,555		(68,317)
Other support services	2,418				(2,418)
Interest on long-term debt	38,205				(38,205)
	<u>\$ 4,463,991</u>	<u>\$ 28,454</u>	<u>\$ 604,495</u>	<u>\$ 97,546</u>	<u>\$ (3,733,496)</u>
Total governmental activities					

General revenues:	
Property taxes:	
Levied for general purposes	\$ 21,861
Levied for debt service	82,479
Levied for capital improvements	1,680,285
State aid - formula grants	625,134
Federal Aid - formula grants	15,000
Rents and leases	2,010
Recoveries and refunds	(5,228)
Reversion to NM Public Education Department	964
Unrestricted investment earnings	<u>964</u>
 Total general revenues and special items	 <u>\$ 2,647,536</u>
 Change in net position	 \$ (1,085,960)
 Net position July 1, 2018	 <u>\$ 8,119,142</u>
 Net position June 30, 2019	 <u><u>\$ 7,033,182</u></u>

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

Reserve Independent Schools
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Title I	Entitlement	SB-9
Assets				
Cash and investments	\$ 258,255	\$ -	\$ -	\$ 127,466
Property taxes receivable	17,806			14,697
Accounts receivable				
Inventory				
Due from other governments		39,167	16,175	
Interfund receivable	95,923			
	<u>371,984</u>	<u>39,167</u>	<u>16,175</u>	<u>142,163</u>
Total assets	<u>\$ 371,984</u>	<u>\$ 39,167</u>	<u>\$ 16,175</u>	<u>\$ 142,163</u>
 Liabilities				
Accounts payable	\$ 9,897	\$ -	\$ -	\$ 185
Rental deposits	1,250			
Interfund payable		39,167	16,175	
	<u>11,147</u>	<u>39,167</u>	<u>16,175</u>	<u>185</u>
Total liabilities	<u>\$ 11,147</u>	<u>\$ 39,167</u>	<u>\$ 16,175</u>	<u>\$ 185</u>
 Deferred Inflows of Resources				
Unavailable revenue	\$ 16,932	\$ -	\$ -	\$ 10,963
	<u>16,932</u>	<u>-</u>	<u>-</u>	<u>10,963</u>
Total deferred inflows of resources	<u>\$ 16,932</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,963</u>
 Fund balance:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Education	704			
Operation of plant				131,015
Food service				
Social services				
Transportation	27,202			
Capital projects				
Debt service				
Unassigned	315,999			
	<u>343,905</u>	<u>-</u>	<u>-</u>	<u>131,015</u>
Total fund balances	<u>\$ 343,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,015</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 371,984</u>	<u>\$ 39,167</u>	<u>\$ 16,175</u>	<u>\$ 142,163</u>

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

<u>Pre-K Initiative</u>	<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 146,888	\$ 236,815 17,779	\$ 48,224	\$ 817,648 50,282 -
21,635			1,389 24,273	1,389 101,250 95,923
<u>\$ 21,635</u>	<u>\$ 146,888</u>	<u>\$ 254,594</u>	<u>\$ 73,886</u>	<u>\$ 1,066,492</u>
\$ -	\$ -	\$ -	\$ 255	\$ 10,337 1,250
21,635			18,946	95,923
<u>\$ 21,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,201</u>	<u>\$ 107,510</u>
\$ -	\$ -	\$ 8,025	\$ -	\$ 35,920
\$ -	\$ -	\$ 8,025	\$ -	\$ 35,920
\$ -	\$ -	\$ -	\$ 1,178	\$ 1,178
			6,301	7,005
			12,700 34,506	12,700 34,506
	146,888	246,569		27,202 146,888 246,569 315,999
<u>\$ -</u>	<u>\$ 146,888</u>	<u>\$ 246,569</u>	<u>\$ 54,685</u>	<u>\$ 923,062</u>
<u>\$ 21,635</u>	<u>\$ 146,888</u>	<u>\$ 254,594</u>	<u>\$ 73,886</u>	<u>\$ 1,066,492</u>

Reserve Independent Schools
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**
June 30, 2019

Total governmental fund balances	\$	923,062
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		14,377,374
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes not collected within the 60 day availability period		35,920
Deferred outflows and inflows or resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds:		
Deferred inflows of resources related to pensions		(187,599)
Deferred outflows of resources related to pensions		1,610,900
Deferred inflows of resources related to other postemployment benefits		(383,237)
Deferred outflows of resources related to other postemployment benefits		67,006
Long-term liabilities, including bonds payable, compensated absences and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds:		
Net pension liability		(6,197,762)
Net other postemployment benefit liability		(1,483,224)
Bonds payable		(1,690,000)
Accrued interest payable		(15,842)
Accrued compensated absences		(23,416)
		7,033,182
<i>Net Position of Governmental Activities</i>	\$	7,033,182

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

Reserve Independent Schools
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
For The Fiscal Year Ended June 30, 2019

	General Fund	Title I	Entitlement
Revenues:			
Property taxes	\$ 22,181	\$ -	\$ -
Fees and charges	15,677		
State aid	1,915,994		
Federal aid	625,134	83,047	49,745
Earnings on investments	267		
Miscellaneous	17,010		
Total revenues	\$ 2,596,263	\$ 83,047	\$ 49,745
Expenditures:			
Current:			
Instruction	\$ 1,279,254	\$ 41,984	\$ 33,568
Support services - Students	143,675		10,000
Support services - Instruction	39,074	28,708	
General administration	167,360		
School administration	145,342	12,355	6,177
Central services	94,408		
Operation of plant	401,306		
Food service	26,849		
Transportation	181,620		
Other support services	-		
Debt service:			
Principal			
Interest			
Capital outlay			
Total expenditures	\$ 2,478,888	\$ 83,047	\$ 49,745
Revenues over (under) expenditures	\$ 117,375	\$ -	\$ -
Other financing sources (uses):			
Reversion to NM Public Education Department	(5,228)		
Net change in fund balance	\$ 112,147	\$ -	\$ -
Fund balance, July 1, 2018	231,758		
Fund balance, June 30, 2019	\$ 343,905	\$ -	\$ -

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

<u>SB-9</u>	<u>Pre-K Initiative</u>	<u>Bond Building</u>	<u>Debt Service</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ 92,665	\$ -	\$ -	\$ 242,558	\$ -	\$ 357,404
				12,777	28,454
12,577		97,546		14,640	2,040,757
	62,027			143,750	963,703
90		82	187	338	964
				3,000	20,010
<u>\$ 105,332</u>	<u>\$ 62,027</u>	<u>\$ 97,628</u>	<u>\$ 242,745</u>	<u>\$ 174,505</u>	<u>\$ 3,411,292</u>
\$ -	\$ 62,027	\$ -	\$ -	\$ 65,177	\$ 1,482,010
				2,978	156,653
		13,261		14,984	96,027
					167,360
					163,874
94,949					94,408
				72,660	496,255
					99,509
					181,620
			2,418		2,418
			190,000		190,000
			39,121		39,121
		-			-
<u>\$ 94,949</u>	<u>\$ 62,027</u>	<u>\$ 13,261</u>	<u>\$ 231,539</u>	<u>\$ 155,799</u>	<u>\$ 3,169,255</u>
\$ 10,383	\$ -	\$ 84,367	\$ 11,206	\$ 18,706	\$ 242,037
					(5,228)
\$ 10,383	\$ -	\$ 84,367	\$ 11,206	\$ 18,706	\$ 236,809
120,632		62,521	235,363	35,979	686,253
<u>\$ 131,015</u>	<u>\$ -</u>	<u>\$ 146,888</u>	<u>\$ 246,569</u>	<u>\$ 54,685</u>	<u>\$ 923,062</u>

Reserve Independent Schools
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

June 30, 2019

Net change in fund balances-total governmental funds	\$	236,809
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense.

Capital outlay		-
Depreciation expense		(668,239)

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This is the net change during the year:

Property taxes not collected within the 60 day availability period		(28,033)
Basis of disposed capital assets		-

Governmental funds report pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of contributions is reported as pension expense:

Pension contributions		204,092
Cost of benefits earned		(1,041,414)

Governmental funds report other employee benefit contributions as expenditures. However, in the Statement of Activities, the costs of benefits earned net of contributions is reported as OPEB expense:

OPEB contributions		29,364
Cost of benefits earned		(5,905)

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

		190,000
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In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the net change during the year.

		916
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Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the net change during the year.

		(3,550)
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Change in Net Position of Governmental Activities

	\$	(1,085,960)
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The accompanying notes are an integral part of these financial statements.

Reserve Independent Schools
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 21,916	\$ 21,916	\$ 22,139	
Federal sources	-	625,134	625,134	-
State sources	2,466,434	1,915,994	1,915,994	-
Local sources	15,000	15,000	15,677	677
Miscellaneous	-	16,468	17,010	542
Interest income	155	155	267	112
	<u>\$ 2,503,505</u>	<u>\$ 2,594,667</u>	<u>\$ 2,596,221</u>	<u>\$ 1,331</u>
Total revenues				
Expenditures:				
Current:				
Instruction	\$ 1,295,937	\$ 1,381,308	\$ 1,284,007	\$ 97,301
Support services - Students	139,619	144,619	143,675	944
Support services - Instruction	35,891	39,678	37,826	1,852
General administration	169,052	178,582	167,360	11,222
School administration	181,485	187,485	145,342	42,143
Central services	93,696	97,696	94,012	3,684
Operation of plant	438,796	541,434	403,720	137,714
Transportation	193,580	198,808	181,180	17,628
Other support services	2,518	2,518	-	2,518
Food services	29,345	29,345	26,350	2,995
Capital outlay	35,023	35,023	-	35,023
Non-operating				-
	<u>\$ 2,614,942</u>	<u>\$ 2,836,496</u>	<u>\$ 2,483,472</u>	<u>\$ 353,024</u>
Total expenditures				
Revenues over (under) expenditure:	\$ (111,437)	\$ (241,829)	\$ 112,749	\$ 354,355
Other financing sources (uses)				
Reversion to NM PED			(5,228)	(5,228)
Net change in fund balance	\$ (111,437)	\$ (241,829)	\$ 107,521	\$ 349,127
Fund balance, July1, 2018	123,832	246,657	246,657	-
Fund balance, June 30, 2019	<u>\$ 12,395</u>	<u>\$ 4,828</u>	<u>\$ 354,178</u>	<u>\$ 349,127</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 112,147	
Revenue accruals (net)			(42)	
Expenditure accruals (net)			(4,584)	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 107,521</u>	

The accompanying notes are an integral part of these financial statements

Reserve Independent Schools
SPECIAL REVENUE FUND - TITLE I
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 85,304	\$ 86,056	\$ 60,140	\$ (25,916)
Expenditures:				
Current:				
Instruction	\$ 41,308	\$ 42,060	\$ 41,984	\$ 76
Support services - Instruction	31,537	31,537	28,708	2,829
School administration	12,459	12,459	12,355	104
Total expenditures	\$ 85,304	\$ 86,056	\$ 83,047	\$ 3,009
Net change in fund balance	\$ -	\$ -	\$ (22,907)	\$ (22,907)
Fund balance, July 1, 2018	-	-	(16,260)	(16,260)
Fund balance, June 30, 2019	\$ -	\$ -	\$ (39,167)	\$ (39,167)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(22,907)	
Expenditure accruals (net)				
Other financing uses (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ (22,907)	

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

Reserve Independent Schools
SPECIAL REVENUE FUND -ENTITLEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ 51,635	\$ 51,726	\$ 91
Expenditures:				
Current:				
Instruction	\$ -	\$ 35,457	\$ 33,568	\$ 1,889
Student support	-	10,000	10,000	-
School administration	-	6,178	6,177	1
Total expenditures	<u>\$ -</u>	<u>\$ 51,635</u>	<u>\$ 49,745</u>	<u>\$ 1,890</u>
Net change in fund balance	\$ -	\$ -	\$ 1,981	\$ 1,981
Fund balance, July 1, 2018	<u>-</u>	<u>-</u>	<u>(18,156)</u>	<u>(18,156)</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,175)</u>	<u>\$ (16,175)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			1,981	
Expenditure accruals (net)			<u> </u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 1,981</u>	

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

Reserve Independent Schools
SPECIAL REVENUE FUND - SENATE BILL 9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Property taxes	\$ 92,086	\$ 92,086	\$ 92,452	\$ 366
State sources	-	6,283	12,577	6,294
Local sources	-	-	-	-
Earnings on investments	70	70	90	20
	<u>70</u>	<u>70</u>	<u>90</u>	<u>20</u>
Total revenues	<u>\$ 92,156</u>	<u>\$ 98,439</u>	<u>\$ 105,119</u>	<u>\$ 6,680</u>
Expenditures:				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Operation of plant	161,539	173,689	95,903	77,786
Capital outlay	55,577	55,577	-	55,577
	<u>55,577</u>	<u>55,577</u>	<u>-</u>	<u>55,577</u>
Total expenditures	<u>\$ 217,116</u>	<u>\$ 229,266</u>	<u>\$ 95,903</u>	<u>\$ 133,363</u>
Net change in fund balance	\$ (124,960)	\$ (130,827)	\$ 9,216	\$ 140,043
Fund balance, July 1, 2018	<u>124,960</u>	<u>130,827</u>	<u>118,250</u>	<u>(12,577)</u>
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,466</u>	<u>\$ 127,466</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 10,383	
Revenue accruals (net)			(213)	
Expenditure accruals (net)			<u>(954)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 9,216</u>	

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

Reserve Independent Schools
SPECIAL REVENUE FUND -PRE-K INITIATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 64,124	\$ 64,124	\$ 40,392	\$ (23,732)
Expenditures:				
Current:				
Instruction	\$ 64,124	\$ 64,124	\$ 62,027	\$ 2,097
Student support	-			-
School administration	-			-
Total expenditures	\$ 64,124	\$ 64,124	\$ 62,027	\$ 2,097
Net change in fund balance	\$ -	\$ -	\$ (21,635)	\$ (21,635)
Fund balance, July 1, 2018	-	-	-	-
Fund balance, June 30, 2019	\$ -	\$ -	\$ (21,635)	\$ (21,635)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(21,635)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (21,635)	

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

Reserve Independent Schools
STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
AGENCY FUNDS
June 30, 2019

	<u>Agency</u>
Assets	
Cash and investments	\$ 72,604
Interest receivable	-
	<hr/>
Total assets	<u>\$ 72,604</u>
 Liabilities and Net Position	
Deposits held for others	<u>\$ 72,604</u>
Total liabilities	<u>\$ 72,604</u>

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

Reserve Independent Schools
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019

Note 1 **Summary of Significant Accounting Policies**

Reserve Independent Schools, organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. REPORTING ENTITY

These financial statements present the District (the primary government). As defined by GAAP, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relations with the District. Based on the criterion in GAAP, the District has no component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into two major categories: governmental, and fiduciary. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in the General Fund are sub-funds; Operational, the Unrestricted District Fund; Transportation, which accounts for State source revenue used to transport students; Instructional Materials, which accounts for State Source Funds used to purchase textbooks, and the Teacherage, which accounts for the rental of housing to District employees.

Special Revenue Funds

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

Capital Project Fund

The Capital project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principle on the general long-term debt of the District.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations. Typically, these funds are owned by clubs, athletic teams, and/or student organizations.

The emphasis in fund financial statements is on the major funds in the governmental category. Non-major funds are summarized into a single column.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in to the government-wide statements.

Major-Fund Descriptions

General – See above description.

Title I – To account for the federal assistance provided to the District for the improvement of educational opportunities to deprived children and is a Special Revenue Fund. (Authority, P.L. 103-382).

SB-9 – Created by State Law to account for the Districts tax levy restricted solely for improvements to the physical plant NMSA 1978 22-25-1 and is a Special Revenue Fund.

Entitlement – P.L. 94-142, Individuals with Disabilities Education Act – to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended: Public Laws 91-230, 91-380, 94-142, 98-199 99-457, 100-630 and 101-476; 20 U.S.C. 1401–1419, Public Law 105-17, and is a Special Revenue Fund.

Pre-K Initiative – To account for the State assistance provided to the District to establish a pre-kindergarten program for children. Authority is the New Mexico Public Education Department as funded by the New Mexico Legislature, and is a Special Revenue Fund.

Debt Service – See above description.

Bond Building – accounts for bond proceeds along with other funding to be utilized for construction of facilities and is a Capital Project Fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows of resources, liabilities and deferred

inflows of resources (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings process is complete.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of resources. Such amounts are recorded net of estimated uncollectible accounts.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred inflows of resources in the fund statements. Property taxes are considered fully collectible.

In the government –wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a fully accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net positions are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by generally government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program

revenues, operating and capital grants. Program revenues must be directly associated with the function. Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as attendance at athletic events, food service, copies and auxiliary services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

D. BUDGETS

Budgets for the General, Special Revenue, Debt Service and Capital Projects funds are prepared by management and approved by the local school board and the Public Finance School Division of the Department of Education. Included in the bond building fund, when applicable, are payments made by the Public School Facilities Authority directly to vendors on behalf of the District, and bond proceeds held and disbursed to vendors by the New Mexico Finance Authority. Such amounts are excluded from the budgetary comparison of the bond building fund.

These budgets are prepared on the NON-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a functional category basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a "series", this may be accomplished with only local Board of Education approval. If a transfer between "series" or a budget increase is required, approval must also be obtained from Public Education Department.

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

E. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain

in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

F. INVENTORIES

Except for U.S.D.A. commodities, which are shown at estimated value, inventories are valued at cost (first-in, first-out). Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets.

G. CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$5,000.00 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Software and library resources	3-5 years
Machinery and equipment	5-10 years
Improvements	10-20 years

The accounting treatment over property, plant and equipment depends on whether they are reported in the government-wide financial statements or fund financial statements. In the government-wide financial statements, fixed assets are accounted for as capital assets. In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

H. LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

I. COMPENSATED ABSENCES

The District's policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is not estimable. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows of resources related to pensions as discussed in Note 5, and other postemployment benefits as discussed in Note 6.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has three types of items, one of which arises under the full accrual basis of accounting and all of which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, is reported in both the statement of net position and the governmental funds balance sheet, if necessary. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources:

	<u>Governmental Funds Balance Sheet</u>				
	<u>Statement of Net Position</u>	<u>General Fund</u>	<u>SB-9 Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Advances received under expenditure driven grants	\$ -0-	\$	\$	\$	\$
Revenue not received within 60 days of year-end					
Property taxes	<u> </u>	<u>16,932</u>	<u>10,963</u>	<u>8,025</u>	<u>35,920</u>
Total	<u>\$ -0-</u>	<u>\$ 16,932</u>	<u>\$ 10,963</u>	<u>\$ 8,025</u>	<u>\$ 35,920</u>

In addition, the District reports deferred inflows of resources related to pensions as discussed in Note 5, and other postemployment benefits as discussed in Note 6.

K. EQUITY CLASSIFICATIONS

Government-wide Statements

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

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net position – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

During the year ended June 30, 2011, the District implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- o Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to remain intact.
- o Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- o Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change its constraints.
- o Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the government body delegates the authority.
- o Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures incurred are normally paid from the most highly constrained fund balance.

L. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the District by the County Treasurer, and are remitted to the District in the month following collection. Because the Treasurer of the County in which the District is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the District.

The District is permitted to levy taxes for general operating purposes up to \$.50 per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the District is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the District, as well as a Two Mill Levy for District improvements. The District's total tax rate to finance general government services for the year ended June 30, 2019 was \$.50 per \$1,000 for non-residential property and \$.387 for residential property. The District's tax rate for debt service was \$2.469 per \$1,000 for both residential and nonresidential property. The District's tax rate for District improvements was \$2.00 per \$1,000 for residential and \$2.00 for nonresidential property.

M. INTERFUND ACTIVITY

Inter-fund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as inter-fund receivables and payable 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 inter-fund transactions are treated as transfers. Inter-fund activity between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

N. USE OF ESTIMATES

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

Note 2 Custodial Credit Risk

Custodial credit risk is the risk in the event of a bank failure the government's deposits may not be returned to it. The District does not have a deposit policy for credit risk beyond that disclosed in Note 1.

As of June 30, 2019 \$-0- of the government bank balance of \$1,190,447 was exposed to custodial credit risk as follows:

Uninsured and collateralized		\$ <u>-0-</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's name	940,447	640,248
Uninsured and collateralized	<u>-0-</u>	<u>-0-</u>
	<u>\$ 1,190,447</u>	<u>\$ 890,248</u>

The District does not have a risk policy beyond that required by State Statute.

Note 3 Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 71,676	\$ -	\$ -	\$ 71,676
 Total assets not being depreciated	 \$ 71,676	 \$ -	 \$ -	 \$ 71,676
Other capital assets:				
Building & improvements	\$ 17,438,704	\$ -	\$ -	\$ 17,438,704
Furniture and equipment	1,236,103			1,236,103
Land improvements	<u>821,216</u>		<u>-</u>	<u>821,216</u>
 Total other assets at historical cost	 \$ 19,496,023	 \$ -	 \$ -	 \$ 19,496,023
Less accumulated depreciation:				
Buildings and improvements	\$ (2,756,293)	\$ (564,029)	\$ -	\$ (3,320,322)
Land improvements	(770,690)	(317)		(771,007)
Furniture and equipment	<u>(995,103)</u>	<u>(103,893)</u>	<u>-</u>	<u>(1,098,996)</u>
 Total accumulated depreciation	 \$ (4,522,086)	 \$ (668,239)	 \$ -	 \$ (5,190,325)
 Total capital assets, net	 \$ 15,045,613	 \$ (668,239)	 \$ -	 \$ 14,377,374

Depreciation expense was charged to the governmental activities as follows:

Instruction	\$ 289,214
Student support	99,568
Instructional support	39,627
Administration general	13,031
Administration school	17,440
Central services	47,111
Plant operation	82,660
Transportation	54,395
Food Services	<u>25,193</u>
	 <u>\$ 668,239</u>

Note 4 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due In</u> <u>One Year</u>
G.O. Bonds, 2014	\$ 1,880,000	\$ _____	\$ 190,000	\$ 1,690,000	\$ 195,000
Compensated absences	\$ 19,866	\$ 4,417	\$ 867	\$ 23,416	\$ -0-

Annual debt service for bonds payable requirements are as follows:

Due in fiscal year ending June 30:

	<u>Principal</u>	<u>Interest</u>
2020	\$ 195,000	\$ 36,553
2021	205,000	33,099
2022	210,000	28,682
2023	220,000	23,306
2024	230,000	17,008
2025-2029	<u>630,000</u>	<u>13,628</u>
	<u>\$ 1,690,000</u>	<u>\$ 152,276</u>

No compensated absences are considered due and payable in the next fiscal year.

GENERAL OBLIGATION BONDS

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled \$1,842,276 at June 30, 2019, and equal 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. Interest rates range from .4166% to 3.20% for individually scheduled retirements, and maturity dates range from 2020 through 2027. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2019, the District recognized \$242,558 in property taxes pledged to retire the bonded indebtedness, and retired \$229,121 in bond principal and interest.

Note 5 Pension Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense,

information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan Description

ERB was created by the State's Education Retirement Act, Section 22-11-1 through 22-11-52. NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the State's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits Provided

A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010, and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010, and before July 1, 2013, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA, 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age of 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55,

- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- The member's age is 67, and has earned 5 or more years of service credit.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduce to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions

The contribution requirements of defined benefit plan members and the Reserve Independent Schools are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For fiscal year ended June 30, 2019 employers contributed 13.90% and employees earning \$20,000 or less contribute 7.9% and employees earning more than \$20,000 contributed 10.70% of their

gross annual salary. Contributions to the pension plan from the Reserve Independent Schools were \$204,092 for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018. At June 30, 2019, the Reserve Independent Schools reported a liability of \$6,197,762 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2018, the District's proportion was .05212 percent, which was an increase of .00193 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Reserve Independent Schools recognized pension expense of \$1,041,414. At June 30, 2019, the Reserve Independent Schools reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ 4,523	\$ (117,953)
Changes of assumptions	1,277,329	-
Net difference between projected and actual earnings on pension plan investments	13,720	-
Changes in proportion and differences between Reserve Independent Schools contributions and proportionate share of contributions	111,236	(69,646)
Reserve Independent Schools contributions subsequent to the measurement date	<u>204,092</u>	<u>-</u>
Total	<u>\$ 1,610,900</u>	<u>\$ (187,599)</u>

\$204,092 reported as deferred outflows of resources related to pensions resulting from Reserve Independent Schools contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows

of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 703,421
2021	499,789
2022	15,818
2023	181

Actuarial Assumptions

As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. Specifically the liabilities measured as of June 30, 2018 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.7%.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 21, 2017 in conjunction with the six-year experience study period ending June 30, 2016.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Single discount rate	5.69 %
Inflation	2.5%
Salary Increases	Composition: 2.5% inflation, plus .75% productivity rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.25%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy males: RP-2000 Combined Mortality Table with White Collar Adjustment, using Scale BB, from base year 2000.

Healthy females: GRS Southwest Regional teacher mortality table, set back one year, using scale BB from base year of 2012.

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.). 2) Application of key economic projections (inflation, real growth, dividends, etc.), and 3) Structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class.

Discount Rate

A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2018. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were sufficient to finance all future benefit payments through the year 2050. Therefore, the long-term expected rate of return on Plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERBs defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the Reserve Independent Schools Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2018. In particular, the table presents the District’s net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.69%) or one percentage point higher (6.69%) than the single discount rate.

	<u>1% Decrease</u> <u>(4.69%)</u>	<u>Discount Rate</u> <u>(5.69%)</u>	<u>1% Increase</u> <u>(6.69%)</u>
Reserve Independent Schools proportionate share of the net pension liability	\$ 8,054,718	\$ 6,197,762	\$ 4,682,602

Pension Plan Fiduciary Net Position

Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for the years ended June 30, 2018 and 2017 which are publicly available at www.nmerb.org.

Note 6 Retiree Health Care Plan

Summary of Significant Accounting Policies

For purposes of measuring the net other postemployment benefits liability (OPEB) deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Health Care Authority

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

RHCA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmrhca.state.nm.us, or by contacting the New Mexico Retiree Health Care Authority at 4308 Carlisle N.E., Albuquerque, N.M. 87107.

The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employees of the Authority also participate in the Fund.

The plan has 299 participating employers and 156,025 current members, including active employees, terminated eligible members, retirees, and surviving spouses. As of June 30, 2018, membership in the plan consists of the following:

Plan membership:

Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
State General	19,593
State Police and Corrections	1,886
Municipal General	17,004
Municipal Police	3,820
Municipal Fire	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</u>

The Authority is an independent agency of the State of New Mexico. The funds administered by the Authority are considered part of the State of New Mexico financial reporting entity and are OPEB Trust Funds of the State of New Mexico. The Authority's financial information is included with the financial presentation of the State of New Mexico.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Authority.

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages". See Section 10-7C-13 NMSA 1978 for more details.

The plan's actuarial valuation and measurement of the net OPEB liability and other OPEB amounts were performed by the Authority's independent actuary as of June 30, 2017 and rolled forward to a measurement date of June 30, 2018. The plan's valuation and measurement of the total OPEB liability and related net OPEB liability were performed in accordance with GASB No. 74. The components of the net OPEB liability as of June 30, 2018 are as follows:

	<u>June 30, 2018</u>
Total OPEB liability	\$ 5,006,011,109
Plan fiduciary net position	<u>(657,656,294)</u>
Net OPEB liability	<u>\$ 4,348,354,815</u>
Plan fiduciary net position as a percentage of the total OPEB liability (funded status)	13.14%

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits

The Reserve Independent Schools reported a liability of \$1,483,224 for its proportionate share of the net OPEB liability. The District's proportion of the net OPEB liability based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2018. At June 30, 2018, the District's proportion was .03411 percent, an increase of .00082 percent over June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,905. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$	\$ 87,816
Net difference between projected and actual earnings on plan investments		18,510
Changes in proportion	37,642	
Changes of assumptions		276,911
The District's contributions subsequent to the measurement date	<u>29,364</u>	<u> </u>
Total	<u>\$ 67,006</u>	<u>\$ 383,237</u>

\$29,364 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date, June 30, 2018 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2020	\$ (89,397)
2021	(89,397)
2022	(89,397)
2023	(67,221)
2024	(10,183)

Actuarial Valuation

The total OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay calculated on individual employee basis

Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50% to 12.5%, based on years of service and inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA Members: RP-2000 Combined Healthy Mortality.

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Rate of Return</u>
U.S. Core Fixed Income	20%	2.1%
U.S. Equity – Large Cap	20%	7.1%
Non U.S. – Emerging Markets	15%	10.2%
Non U.S. – Developed Equities	12%	7.8%
Private Equity	10%	11.8%
Credit and Structured Finance	10%	5.3%
Real Estate	5%	4.9%
Absolute Return	5%	4.1%
U.S. Equity – Small/Mid Cap	3%	7.1%

Discount Rate

The discount rate used to measure the total OPEB liability is 4.08% as of June 30, 2018.

The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.08% is the blended discount rate.

Sensitivity of the Net Cooperative's OPEB Liability

The following presents the District's net OPEB liability, calculated using the discount rate of 4.08%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

1% Decrease <u>(3.08%)</u>	Current Discount <u>(4.08%)</u>	1% Increase <u>(5.08%)</u>
\$ 1,795,050	\$ 1,483,224	\$1,237,435

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred. No losses exceeded insurance in the past three years.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below \$250,000 and purchases excess insurance above the self-insured retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

Note 8 Contingent Liabilities

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

Note 9 Inter-fund Activity

	Inter-Fund Payable				
	<u>Title I</u>	<u>Entitlement</u>	<u>Pre-K Initiative</u>	<u>Other Funds</u>	<u>Total</u>
<u>Inter-fund Receivable</u>					
General	\$ 39,167	\$ 16,175	\$ 21,635	\$ 18,946	\$ 95,923

These transactions were used to fund operations in the short-term, and are expected to be repaid within one year.

There were no inter-fund transfers during the year ended June 30, 2019.

Note 10 Restricted Net Position

At June 30, 2019, net positions restricted for other purposes included the following balances:

Education	\$ 7,005
Social – Services	34,506
Food Services	13,878
Operation of Plant	141,978
Transportation	<u>27,642</u>
	<u>\$ 225,009</u>

The District reports restricted positions of \$610,649 of which \$605,348 is restricted by enabling legislation.

Note 11 Evaluation of Subsequent Events

The District has evaluated subsequent events through November 11, 2019, the date which the financial statements were available to be issued.

Note 12 Expenditures in Excess of Budgetary Authority

The District had no expenditures in excess of budgetary authority during the year ended June 30, 2019.

Note 13 Tax Abatement Disclosures

The District has no need to make any tax abatement disclosures as required by Governmental Accounting Standards Board Statement 77, since no abatements exist.

Reserve Independent Schools
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTION
June 30, 2019

SPECIAL REVENUE FUNDS

Cafeteria – Fund used to account for revenues generated by the District as well as the federal assistance received and the related expenditures necessary to provide food services for the District. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (PSAB, Supplement 17).

Athletics – To account for the revenues received, and the related expenditures incurred, by the District related to athletic functions (PSAB, Supplement 3).

Pre-School – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Teacher Training – Created by P.L. 107-110 to improve teacher and principal quality and ensure that all teachers are highly qualified.

Rural Schools – Created to provide financial assistance to rural districts to carry out activities 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).

Medicaid – To account for the federal assistance to improve primary health care and increase health education (P.L. 015-33); and is a Special Revenue Fund.

2009 Dual Credit Instruction – To account for state grant received to provide college credits to high school students, authority, State Grant PED.

Excellence in Teaching – To account for State resources utilized to financially reward teachers recognized as outstanding in their field. Authorized by NMPED.

Private Direct Grants – To account for local grants awarded to provide additional funding for specific projects.

Elementary Breakfast/Breakfast for Elementary – To account for funds to provide breakfast for elementary students (PED).

NM Autism – Funded through IDEA-B for training for the teachers of Autistic students.

CAPITAL PROJECT FUNDS

Bond Building – To account for the state resources to be used for specific construction projects.

Reserve Independent Schools
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF
THE EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reserve Independent Schools' proportion of the net pension liability	.05212%	.05019%	.05077%	.05476%	.05242%
Reserve Independent Schools' proportionate share of the net pension liability	\$ 6,197,762	\$ 5,577,850	\$ 3,653,629	\$ 3,546,951	\$ 2,990,937
Reserve Independent Schools' covered payroll	\$ 1,468,287	\$ 1,460,400	\$ 1,429,219	\$ 1,449,913	\$ 1,556,566
Reserve Independent Schools' proportionate share of the net pension liability as a percentage of its covered payroll	422%	382%	256%	245%	192%
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Reserve Independent Schools will present information for those years for which information is available.

Reserve Independent Schools
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
***LAST 10 FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 204,092	\$ 202,465	\$ 198,663	\$ 201,538	\$ 216,363
Contributions in relation to contractually required contribution	<u>(204,092)</u>	<u>(202,465)</u>	<u>(198,663)</u>	<u>(201,538)</u>	\$ (216,363)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reserve Independent Schools' covered payroll	\$ 1,468,287	\$ 1,460,400	\$ 1,429,219	\$ 1,449,913	\$ 1,556,566
Contributions as a percentage of covered payroll	13.90%	13.90%	13.90%	13.90%	13.90%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, Reserve Independent Schools will present information for those years for which information is available.

Reserve Independent Schools
NOTES TO REQUIRED EDUCATIONAL RETIREMENT BOARD (ERB)
SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

Changes in benefit terms – The COLA and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study for period ending June 30, 2016, presented to the Board of Trustees on April 21, 2017, ERB implemented the following changes in assumptions for the fiscal year 2017 that are also applicable to the fiscal year 2018:

1. Fiscal year 2017 valuation assumptions that changed based on this study:
 - a. Lower inflation assumption from 3.00% to 2.50%
 - b. Lower payroll growth from 3.50% to 3.00%
 - c. Wage inflation rate from 3.75% to 3.25%
 - d. Investment return assumption from 7.75% to 7.25%
 - e. Annual assumed COLA from 2.00% to 1.9%

All other assumptions remain unchanged.

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Reserve Independent Schools
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER
 POSTEMPLOYMENT BENEFIT (OPEB) LIABILITY OF THE
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
 LAST 10 FISCAL YEARS*

	2019	2018
Reserve Independent Schools' proportion of the net OPEB liability	.03411%	.03329%
Reserve Independent Schools' share of the OPEB liability	\$ 1,483,224	\$ 1,508,594
Reserve Independent Schools' covered employee payroll	\$ 1,468,287	\$ 1,456,586
Reserve Independent Schools' proportionate share of the net OPEB liability as a percentage of it covered employee payroll	101%	104%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Reserve Independent Schools will present information for those years for which information is available.

Reserve Independent Schools
 SCHEDULE OF CONTRIBUTIONS
 RETIREE HEALTH CARE AUTHORITY (RHCA) PLAN
 LAST 10 FISCAL YEARS*

	2018	2017
Contractually required contributions	\$ 29,364	\$ 29,032
Contributions in relation to contractually required contributions	(29,364)	(29,032)
Contribution deficiency (excess)	\$ -	\$ -
Reserve Independent Schools' covered employee payroll	\$ 1,468,287	\$ 1,456,586
Reserve Independent Schools' contributions as a percentage of its covered employee payroll	2%	2%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled, Reserve Independent Schools will present information for those years for which information is available.

Reserve Independent Schools
NOTES TO REQUIRED RETIREE HEALTH CARE AUTHORITY (RHCA)
SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

Changes in benefit terms – The COLA and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Retiree Health Care Plan**.

Changes of Assumptions

RHCA conducted an actuarial experience study for the Plan as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the Public Employees Retirement Association (PERA) of New Mexico Actuarial Valuation as of June 30, 2016, and the New Mexico Educational Retirement Board (ERB) Actuarial Experience Study as of June 30, 2016. Changes in those assumptions as they relate to the Reserve Independent Schools are detailed in the ERB notes to supplementary information included elsewhere in this report.

1. Fiscal year 2018 valuation assumptions are as follows:
 - a. Inflation assumptions 2.50% for ERB, 2.25% for PERA
 - b. Investment return assumption 7.25%
 - c. Health care trend 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

Reserve Independent Schools
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2019

	Special Revenue Funds			
	Cafeteria	Athletics	Preschool	Teacher Training
Assets				
Cash and investments	\$ 7,417	\$ 5,301	\$ -	\$ -
Inventory	1,389			
Property taxes receivable				
Interfund receivable				
Due from other governments	5,327		5,860	8,819
Total assets	\$ 14,133	\$ 5,301	\$ 5,860	\$ 8,819
Liabilities				
Accounts payable	\$ 255	\$ -	\$ -	\$ -
Interfund payable			5,860	8,819
Total liabilities	\$ 255	\$ -	\$ 5,860	\$ 8,819
Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -
Fund balance:				
Nonspendable:				
Inventories	\$ 1,178	\$ -	\$ -	\$ -
Restricted for:				
Education		5,301		
Food service	12,700			
Social services				
Capital projects				
Unassigned				
Total fund balances	\$ 13,878	\$ 5,301	\$ -	\$ -
Total liabilities, deferred inflows of resources, and fund balances	\$ 14,133	\$ 5,301	\$ 5,860	\$ 8,819

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

Special Revenue Funds

Rural Education	Excellence In Teaching	NM Autism	Medicaid
\$ -	\$ -	\$ -	\$ 34,506
		4,042	
\$ -	\$ -	\$ 4,042	\$ 34,506
\$ -	\$ -	4,042	\$ -
		4,042	
\$ -	\$ -	\$ 4,042	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -
			34,506
\$ -	\$ -	\$ -	\$ 34,506
\$ -	\$ -	\$ 4,042	\$ 34,506

Reserve Independent Schools
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2019

	Special Revenue Funds			Total
	Dual Credit	Elementary Breakfast	Private Direct Grant	
Cash and investments	\$ -	\$ -	\$ 1,000	\$ 48,224
Inventory				1,389
Property taxes receivable				-
Interfund receivable				-
Due from other governments	225			24,273
	<u>225</u>	<u>-</u>	<u>1,000</u>	<u>73,886</u>
Total assets	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 73,886</u>
 Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 255
Interfund payable	225			18,946
	<u>225</u>	<u>-</u>	<u>-</u>	<u>19,201</u>
Total liabilities	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,201</u>
 Deferred Inflows of Resources				
Unavailable revenue	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund balance:				
Nonspendable:				
Inventories	\$ -	\$ -	\$ -	\$ 1,178
Restricted for:				
Education			1,000	6,301
Food service				12,700
Capital projects				
Social services				34,506
Unassigned				-
	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>54,685</u>
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 54,685</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 73,886</u>

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

Reserve Independent Schools
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2019

	Special Revenue Funds		
	Cafeteria	Athletics	Preschool
Revenues:			
Property Taxes	\$ -	\$ -	\$ -
Fees and charges	2,380	10,397	
State aid			
Federal aid	69,182		6,495
Earnings on investments	7	306	
Miscellaneous			
	\$ 71,569	\$ 10,703	\$ 6,495
Total revenues			
Expenditures:			
Current:			
Instruction	\$ -	\$ 11,852	\$ 3,517
Support services - Students			2,978
Support services - Instruction			
General administration			
School administration			
Central services			
Operation of plant			
Transportation			
Food services	69,010		
Capital outlay			
	\$ 69,010	\$ 11,852	\$ 6,495
Total expenditures			
Revenues over (under) expenditures	\$ 2,559	\$ (1,149)	\$ -
Net change in fund balance	\$ 2,559	\$ (1,149)	\$ -
Fund balance, July 1, 2018	11,319	6,450	-
Fund balance, June 30, 2019	\$ 13,878	\$ 5,301	\$ -

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

Special Revenue Funds

<u>Teacher Training</u>	<u>Rural Education</u>	<u>Excellence In Teaching</u>	<u>NM Autism</u>	<u>Medicaid</u>
\$ -	\$ -	\$ -	\$ -	\$ -
8,819	24,430	10,765	3,569	31,255 25
<u>\$ 8,819</u>	<u>\$ 24,430</u>	<u>\$ 10,765</u>	<u>\$ 3,569</u>	<u>\$ 31,280</u>
\$ 8,819	\$ 24,430	\$ 10,765	\$ 3,569	\$ -
				14,984
<u>\$ 8,819</u>	<u>\$ 24,430</u>	<u>\$ 10,765</u>	<u>\$ 3,569</u>	<u>\$ 14,984</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,296</u>
\$ -	\$ -	\$ -	\$ -	\$ 16,296
				18,210
<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,506</u></u>

Reserve Independent Schools
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)
For The Fiscal Year Ended June 30, 2019

	Special Revenue Funds			Total
	Dual Credit	Elementary Breakfast	Private Direct Grant	
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Fees and charges				12,777
State aid	225	3,650		14,640
Federal aid				143,750
Earnings on investments				338
Miscellaneous			3,000	3,000
Total revenues	\$ 225	\$ 3,650	\$ 3,000	\$ 174,505
Expenditures:				
Current:				
Instruction	\$ 225	\$ -	\$ 2,000	\$ 65,177
Support services - Students				2,978
Support services - Instruction				14,984
General administration				-
School administration				-
Central services				-
Operation of plant				-
Transportation				-
Food services		3,650		72,660
Capital outlay				-
Total expenditures	\$ 225	\$ 3,650	\$ 2,000	\$ 155,799
Revenues over (under) expenditures	\$ -	\$ -	\$ 1,000	\$ 18,706
Net change in fund balance	\$ -	\$ -	\$ 1,000	\$ 18,706
Fund balance, July 1, 2018				35,979
Fund balance, June 30, 2019	\$ -	\$ -	\$ 1,000	\$ 54,685

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

Reserve Independent Schools
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2019

	Operational	Transportation	Teacherage
Assets			
Cash and investments	\$ 169,500	\$ 27,642	\$ 60,409
Taxes receivable	17,806		
Inventory			
Interfund receivable	95,923		
Total assets	\$ 283,229	\$ 27,642	\$ 60,409
 Liabilities			
Accounts payable	\$ 9,457	\$ 440	\$ -
Deposits	1,250		
Total liabilities	\$ 10,707	\$ 440	\$ -
 Deferred Inflows of Resources			
Unavailable revenue	\$ 16,932	\$ -	\$ -
Total deferred inflows of resources	\$ 16,932	\$ -	\$ -
 Fund balance:			
Nonspendable:			
Inventories	\$ -	\$ -	\$ -
Restricted for:			
Education			
Transportation		27,202	
Unassigned	255,590		60,409
Total fund balances	\$ 255,590	\$ 27,202	\$ 60,409
Total liabilities, deferred inflows of resources, and fund balances	\$ 283,229	\$ 27,642	\$ 60,409

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

<u>Instructional Materials</u>	<u>Total</u>
\$ 704	\$ 258,255 17,806 -
<u>704</u>	<u>95,923</u>
<u>\$ 704</u>	<u>\$ 371,984</u>
\$ -	\$ 9,897 1,250
<u>-</u>	<u>11,147</u>
\$ -	\$ 16,932
<u>-</u>	<u>16,932</u>
\$ -	\$ -
704	704 27,202 315,999
<u>704</u>	<u>343,905</u>
<u>\$ 704</u>	<u>\$ 371,984</u>

Reserve Independent Schools
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2019

	Operational	Transportation	Teacherage
Revenues:			
Property taxes	\$ 22,181	\$ -	\$ -
Fees and charges	677	-	15,000
State aid	1,708,175	203,555	-
Federal aid	625,134	-	-
Earnings on investments	178	39	47
Miscellaneous	17,010	-	-
	<u>\$ 2,373,355</u>	<u>\$ 203,594</u>	<u>\$ 15,047</u>
Total revenues			
Expenditures:			
Current:			
Instruction	\$ 1,273,660	\$ -	\$ -
Support services - Students	143,675		
Support services - Instruction	39,074		
General administration	167,360		
School administration	145,342		
Central services	94,408		
Operation of plant	394,252		7,054
Transportation		181,620	
Food services	26,849		
Other support services			
Capital outlay			
	<u>\$ 2,284,620</u>	<u>\$ 181,620</u>	<u>\$ 7,054</u>
Total expenditures			
Revenues over (under) expenditures	\$ 88,735	\$ 21,974	\$ 7,993
Other financing sources (uses):			
Reversion to NM PED		(5,228)	
		<u>\$ 16,746</u>	
Net change in fund balance	\$ 88,735	\$ 16,746	\$ 7,993
Fund balance, July 1, 2018	<u>166,855</u>	<u>10,456</u>	<u>52,416</u>
Fund balance, June 30, 2019	<u>\$ 255,590</u>	<u>\$ 27,202</u>	<u>\$ 60,409</u>

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

<u>Instructional Materials</u>	<u>Total</u>
\$ -	\$ 22,181
-	15,677
4,264	1,915,994
-	625,134
3	267
-	17,010
\$ 4,267	\$ 2,596,263
\$ 5,594	\$ 1,279,254
	143,675
	39,074
	167,360
	145,342
	94,408
	401,306
	181,620
	26,849
	-
	-
\$ 5,594	\$ 2,478,888
\$ (1,327)	\$ 117,375
	(5,228)
\$ (1,327)	\$ 112,147
2,031	231,758
\$ 704	\$ 343,905

Reserve Independent Schools
GENERAL FUND/OPERATIONAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 21,916	\$ 21,916	\$ 22,139	\$ 223
Federal sources	-	625,134	625,134	-
State sources	2,258,615	1,708,175	1,708,175	-
Charge sources	-	-	677	677
Miscellaneous	-	16,468	17,010	542
Interest income	120	120	178	58
	<u>2,280,651</u>	<u>2,371,813</u>	<u>2,373,313</u>	<u>1,500</u>
Total revenues	\$ 2,280,651	\$ 2,371,813	\$ 2,373,313	\$ 1,500
Expenditures:				
Current:				
Instruction	\$ 1,291,673	\$ 1,375,013	\$ 1,278,413	\$ 96,600
Support services - Students	139,619	144,619	143,675	944
Support services - Instruction	35,891	39,678	37,826	1,852
General administration	169,052	178,582	167,360	11,222
School administration	181,485	187,485	145,342	42,143
Central services	93,696	97,696	94,012	3,684
Operation of plant	403,851	499,031	396,666	102,365
Transportation	-	-	-	-
Other support services	2,118	2,118	-	2,118
Food services	29,345	29,345	26,350	2,995
Capital outlay	-	-	-	-
Non-operating	-	-	-	-
	<u>2,346,730</u>	<u>2,553,567</u>	<u>2,289,644</u>	<u>263,923</u>
Total expenditures	\$ 2,346,730	\$ 2,553,567	\$ 2,289,644	\$ 263,923
Revenues over (under) expenditure	\$ (66,079)	\$ (181,754)	\$ 83,669	\$ 265,423
Other financing sources (uses)				
Transfers out	-	-	-	-
Net change in fund balance	\$ (66,079)	\$ (181,754)	\$ 83,669	\$ 265,423
Fund balance, July 1, 2018	66,079	181,754	181,754	-
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 265,423</u>	<u>\$ 265,423</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 88,735	
Revenue accruals (net)			(42)	
Expenditure accruals (net)			<u>(5,024)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 83,669</u>	

Reserve Independent
GENERAL FUND/TRANSPORTATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 203,555	\$ 203,555	\$ 203,555	\$ -
Interest	-	-	39	39
	<u>\$ 203,555</u>	<u>\$ 203,555</u>	<u>\$ 203,594</u>	<u>\$ 39</u>
Expenditures:				
Current:				
Pupil transportation	\$ 193,580	\$ 193,580	\$ 181,180	\$ 12,400
Capital outlay	9,975	9,975		9,975
Reversion to NM PED		5,228	5,228	-
Total expenditures	<u>\$ 203,555</u>	<u>\$ 208,783</u>	<u>\$ 186,408</u>	<u>\$ 22,375</u>
Net change in fund balance	\$ -	\$ (5,228)	\$ 17,186	\$ 22,414
Fund balance, July 1, 2018	<u>-</u>	<u>10,456</u>	<u>10,456</u>	<u>-</u>
Fund balance, June 30, 2019	<u>-</u>	<u>\$ 5,228</u>	<u>\$ 27,642</u>	<u>\$ 22,414</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 16,746	
Revenue accruals (net)			-	
Expenditure accruals (net)			440	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 17,186</u>	

Reserve Independent Schools
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 4,264	\$ 4,264	\$ 4,264	\$ -
Interest	-	-	3	3
	<u>\$ 4,264</u>	<u>\$ 4,264</u>	<u>\$ 4,267</u>	<u>\$ 3</u>
Total revenues				
Expenditures:				
Current:				
Instruction	\$ 4,264	\$ 6,295	\$ 5,594	\$ 701
Support service - Instruction	-	-	-	-
	<u>\$ 4,264</u>	<u>\$ 6,295</u>	<u>\$ 5,594</u>	<u>\$ 701</u>
Total expenditures				
Net change in fund balance	\$ -	\$ (2,031)	\$ (1,327)	\$ 704
Fund balance, July 1, 2018	-	2,031	2,031	-
Fund balance, June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 704</u>	<u>\$ 704</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (1,327)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (1,327)</u>	

Reserve Independent
GENERAL FUND/TEACHERAGE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Interest	35	35	47	\$ 12
	<u>\$ 15,035</u>	<u>\$ 15,035</u>	<u>\$ 15,047</u>	<u>\$ 12</u>
Total revenues				
Expenditures:				
Current:				
Operation of Plant	\$ 34,945	\$ 42,403	\$ 7,054	\$ 35,349
Capital outlay	25,048	25,048	-	25,048
	<u>\$ 59,993</u>	<u>\$ 67,451</u>	<u>\$ 7,054</u>	<u>\$ 60,397</u>
Total expenditures				
Net change in fund balance	\$ (44,958)	\$ (52,416)	\$ 7,993	\$ 60,409
Fund balance, July 1, 2017	<u>44,958</u>	<u>52,416</u>	<u>52,416</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,409</u>	<u>\$ 60,409</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 7,993	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 7,993</u>	

Reserve Independent Schools
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Assets				
Cash and investments:				
Reserve Independent School	\$ 52,243	\$ 88,380	\$ 68,019	\$ 72,604
Total Assets	<u>\$ 52,243</u>	<u>\$ 88,380</u>	<u>\$ 68,019</u>	<u>\$ 72,604</u>
Liabilities				
Deposits held for others:				
Reserve Independent School	\$ 52,243	\$ 88,380	\$ 68,019	\$ 72,604
Total Liabilities	<u>\$ 52,243</u>	<u>\$ 88,380</u>	<u>\$ 68,019</u>	<u>\$ 72,604</u>

Reserve Independent Schools has only one campus for agency fund activity.

Reserve Independent Schools
SCHEDULE OF DEPOSITORY COLLATERAL
June 30, 2019

	<u>First State Bank</u>	<u>Total</u>
Checking and CD's	\$ 1,190,447	\$ 1,190,447
Total on deposit	\$ 1,190,447	\$ 1,190,447
Less: FDIC insurance	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 940,447</u>	<u>\$ 940,447</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ 470,224</u>	<u>\$ 470,224</u>
Pledged Securities:		
FFCB NonCLB Cusip No. 3133XN4B2	\$ 177,356	\$ 177,356
FFCB 3.620 Cusip No. 31331KUD0	410,028	410,028
FFCB 4.230 Cusip No. 31331KNC0	<u>1,401,255</u>	<u>1,401,255</u>
Total pledged securities	<u>\$ 1,988,639</u>	<u>\$ 1,988,639</u>
Pledged securities over (under) requirement	<u>\$ 1,518,416</u>	<u>\$ 1,518,416</u>

Pledged securities are held by the Federal Home Loan Bank of Dallas, TX.
Safekeeping receipts are held by the District.

Reserve Independent Schools
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2019

	Type of Account	Bank Balance	Reconciled Balance
<u>First State Bank</u>			
Activity	Checking	\$ 73,724	\$ 72,604
Operational	Checking	1,116,723	817,644
Total First State Bank		\$ 1,190,447	\$ 890,248
<u>New Mexico Finance Authority</u>			
Cash on deposit with paying agent	NMFA	4	4
Total cash and investments		\$ 1,190,451	\$ 890,252

Reserve Independent Schools
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2019

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>
Total cash and investments as of July 1, 2018	\$ 133,702	\$ 52,416	\$ 10,456	\$ 2,031	\$ 10,141	\$ 6,450
Add: Current year receipts	2,373,312	15,047	203,594	4,267	61,479	10,703
Prior year warrants voided						
Less: Current year expenditures	(2,289,644)	(7,054)	(181,180)	(5,594)	(64,203)	(11,852)
Outstanding loans	(47,871)					
Reversion			(5,228)			
Total cash and investments as of June 30, 2019	<u>\$ 169,499</u>	<u>\$ 60,409</u>	<u>\$ 27,642</u>	<u>\$ 704</u>	<u>\$ 7,417</u>	<u>\$ 5,301</u>

Reserve Independent Schools
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2019

	Non- Instructional Support	Federal Flowthrough	Federal Direct	State Flowthrough	State Direct Fund
Total cash and investments as of July 1, 2018	\$ -	\$ -	\$ 18,210	\$ -	\$ -
Add: Current year receipts		121,196	55,711	59,748	
Prior year warrants voided					
Less: Current year expenditures		(152,149)	(39,414)	(76,667)	
Outstanding loans		30,952		16,919	
Transfers					
Total cash and investments as of June 30, 2019	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,507</u>	<u>\$ -</u>	<u>\$ -</u>

Reserve Independent Schools
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2019

	Local or State Fund	Bond Building	SB-9 State	SB-9 Local	Debt Service	Total
Total cash and investments as of July 1, 2018	\$ -	\$ 62,521	\$ -	\$ 118,250	\$ 226,305	\$ 640,482
Add: Current year receipts	3,000	97,629	12,577	92,541	242,045	3,352,851
Prior year warrants voided						-
Less: Current year expenditures	(2,000)	(13,261)	(12,577)	(83,326)	(231,539)	(3,170,460)
Outstanding loans						-
Transfers						(5,228)
Total cash and investments as of June 30, 2019	<u>\$ 1,000</u>	<u>\$ 146,888</u>	<u>\$ -</u>	<u>\$ 127,465</u>	<u>\$ 236,811</u>	<u>\$ 817,644</u>

Reserve Independent Schools
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2019

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed through N.M. Department of Education: Title I Grants to Lea's Special Education Cluster:				
Special Education- Grants to States	84.010	24.101	\$ -	\$ 83,047
Special Education-Preschool Grants	84.027	24.106	\$ -	\$ 49,745
	84.173	24.109		6,495
Total Special Education Cluster			\$ -	\$ 56,240
Teacher Quality State Grants	84.367	24.154	\$ -	\$ 8,819
Rural Education	84.358	24.160		24,430
Total U.S. Department of Education			\$ -	\$ 172,536
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Programs: Schools and Roads-Grants to States	10.665	N/A	\$ -	\$ 625,134
Passed through N.M. Department of Education: Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	\$ -	\$ 69,182
Summer Food Service Program For Children	10.559	N/A		-
School Breakfast Program	10.553	N/A		-
Total Child Nutrition Cluster			\$ -	\$ 69,182
Total U.S. Department of Agriculture			\$ -	\$ 694,316
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Direct Programs: NM Autism	93.998	25.233	\$ -	\$ 3,569
Total expenditures of federal awards			\$ -	\$ 870,421

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

Reserve Independent Schools
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Reserve Independent Schools, under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Reserve Independent Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Reserve Independent Schools.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance.

Note 3 Non-Monetary Assistance

Non-monetary assistance is reported in the schedule at the fair market value of the USDA commodities received. The District received \$4,167 in food commodities during the 2018-2019 fiscal year.

Note 4 Indirect Costs

The District has elected not to use the de Minimis indirect cost rate as allowed under the Uniform Guidance.

Reserve Independent Schools
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2019

Current Status

Findings – Financial Statement Audit

2018-001 Purchase orders dated subsequent to invoice date	Resolved
2018-002 Expenditures in excess of budgetary authority	Resolved
2018-003 Restatement due to prior period errors	Resolved

Findings and Questioned Costs – Major Federal Award Programs

None

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KAY STONE, C.P.A.
KELLEY WYATT, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, ESQ., State Auditor
And
Board of Education
Reserve Independent Schools
Reserve, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general and major special revenue funds of Reserve Independent Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Reserve Independent Schools' basic financial statements, and have issued our report thereon dated November 11, 2019.

Internal Control Over financial Reporting

In planning and performing our audit of the financial statements, we considered Reserve Independent Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Reserve Independent Schools' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reserve Independent Schools' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 11, 2019

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Brian S. Colón, ESQ., State Auditor
And
Board of Education
Reserve Independent Schools
Reserve, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Reserve Independent Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Reserve Independent Schools' major federal programs for the year ended June 30, 2019. Reserve Independent Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Reserve Independent Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Reserve Independent Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Reserve Independent Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Reserve Independent Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Reserve Independent Schools is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Reserve Independent Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reserve Independent Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Stone, McGee & Co CPAs

Silver City, New Mexico
November 11, 2019

Stone, McGee & Co.
Certified Public Accountants

Reserve Independent Schools
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2019

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Reserve Independent Schools were prepared in accordance with Generally Accepted Accounting Principles.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of Reserve Independent Schools, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for Reserve Independent Schools expresses an unmodified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) were noted during the audit.
7. The programs tested as major programs included: Schools and Roads – Grants to States, CFDA No. 10.665.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Reserve Independent Schools is not a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s, with substantial assistance from District personnel, who have acknowledged and accepted responsibility for the financial statements.

EXIT CONFERENCE

The contents of this report were discussed November 8, 2019. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Sharon Armijo	Board Vice-President	Reserve Independent Schools
Cindy Shellhorn	Superintendent	Reserve Independent Schools
Odelia Delgado	Business Manager	Reserve Independent Schools
Mike Stone, CPA	Shareholder	Stone, McGee & Co., CPAs