

State of New Mexico

Reserve Independent School District No. 1
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT THEREON

For The Fiscal Year Ended June 30, 2008

#

Reserve Independent School District No.1
TABLE OF CONTENTS
June 30, 2008

	<u>PAGE</u>
INTRODUCTORY SECTION:	
Directory of officials	1
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	2-3
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Assets	4
Statement of Activities	5-6
<i>Fund Financial Statements:</i>	
Balance Sheet--Governmental Funds	7-8
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	9
Statement of Revenues, Expenditures, and Changes in Fund Balances--Governmental Funds	10-11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis) General and Major Special Revenue Funds:	
General fund	13
Title I	14
Statement of Fiduciary Assets and Liabilities-Agency Funds	15
Notes to Basic Financial Statements	16-28
OTHER SUPPLEMENTARY INFORMATION:	

Fund Descriptions	29-31
Combining Balance Sheet--Nonmajor Governmental Funds	32-35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Nonmajor Governmental Funds	36-38
Combining Balance Sheet--General Fund	39-40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances--General Fund	41-42
Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual (NON-GAAP Budgetary Basis):	
General Fund:	
Operational	43
Teacherage	44
Transportation	45
Instructional Materials	46
Debt Service	47
Special Revenue Funds:	
Cafeteria	48
Athletics	49
Discretionary	50
Entitlement	51
Preschool	52
Teacher Training	53
Technology for Education	54
Safe & Drug Free Schools	55
Incentives for School Improvement	56
Library GO Bonds	57
Teacher Mentoring	58
Energy and Minerals	59
Professional Development	60
Kindergarten Three Plus	61
Capital Project Funds:	
Energy Efficiency	62
Public School Capital Outlay	63

OTHER SUPPLEMENTAL DATA

Schedule of Changes in Assets and Liabilities--Agency Funds	64
Schedule of Depository Collateral	65
Schedule of Individual Deposit Accounts and Investments	66
Schedule of Cash Receipts and Disbursements--by School District Classification	67-69

ADDITIONAL REPORTING REQUIREMENTS:

Summary Schedule of Prior Audit Findings	70
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>	71-72

Reserve Independent School District No. 1
DIRECTORY OF OFFICIALS
June 30, 2008

BOARD OF EDUCATION

Cathy Sohrenszen	President
Joan McCargish	Vice-President
Debra Porter	Secretary
Sharma Hutchinson	Member
Richard Torres	Member

SCHOOL OFFICIALS

Loren Cushman	Superintendent
James Murdock	Business Manager

MIKE STONE, C.P.A.
LINDA STONE McGEE, C.P.A.
KAY STONE, C.P.A.
JAHHOD MASON, C.P.A.
KELLEY WYATT, C.P.A.

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwestoffice.net

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Board of Education
Reserve Independent School District No. 1
Reserve, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reserve Independent School District No. 1 as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's nonmajor governmental funds presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, , each major fund, and the aggregate remaining fund information of Reserve Independent School District No. 1 as of June 30, 2008, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the General, and Title I funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Reserve Independent School District No. 1 as of June 30, 2008, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the components of the general fund, the nonmajor Special Revenue funds, and the Capital Projects funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008, on our consideration of Reserve Independent School District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Reserve Independent School District No. 1 has not presented management's discussion and analysis that is required by accounting principles generally accepted in the United States of America to supplement, although not required to be a part of, the basic financial statements.

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

Stone, McGee & Co., CPAs

November 12, 2008

Stone, McGee & Co.
Certified Public Accountants

Reserve Independent School District No.1
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 110,689
Inventory	3,376
Due from other governments	75,835
Capital assets:	
Land	459,164
Buildings and improvements	4,156,588
Furniture and fixtures and equipment	1,318,699
Less accumulated depreciation	<u>(2,497,521)</u>
Total capital assets	<u>\$ 3,436,930</u>
Total assets	<u>\$ 3,626,830</u>
Liabilities	
Cash overdraft	\$ 844
Accounts payable	12,029
Deferred revenue	2,499
Long-term liabilities:	
Portion due or payable after one year:	
Compensated absences	<u>2,078</u>
Total liabilities	<u>\$ 17,450</u>
Net Assets	
Invested in capital assets	\$ 3,436,930
Restricted for:	
Capital projects	
Other purposes	13,100
Unrestricted	<u>159,350</u>
Total net assets	<u>\$ 3,609,380</u>

Reserve Independent School District No.1
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
Governmental activities:			
Instruction	\$ 1,669,855	\$ 10,053	\$ 414,328
Support services - Students	124,588		
Support services - Instruction	73,079		2,500
General administration	194,385		
School administration	181,630		
Central services	101,955		
Operation of plant	420,889	16,911	
Food services	90,536	9,953	56,195
Transportation	248,185		302,105
	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 3,105,102	\$ 36,917	\$ 775,128
	<hr/>	<hr/>	<hr/>
General revenues:			
Property taxes:			
Levied for general purposes			
State aid - formula grants			
Recoveries and refunds			
Unrestricted investment earnings			
Total general revenues and special items			
Change in net assets			
Net assets--beginning			
Net assets--ending			

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

<u>Revenues</u> Capital Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities</u>
\$ -	\$ (1,245,474)
	(124,588)
	(70,579)
	(194,385)
	(181,630)
	(101,955)
48,391	(355,587)
	(24,388)
	53,920
<u>\$ 48,391</u>	<u>\$ (2,244,666)</u>

\$ 15,380
2,077,215
3,390
10,760
<u>\$ 2,106,745</u>
\$ (137,921)
<u>3,747,301</u>
<u><u>\$ 3,609,380</u></u>

Reserve Independent School District No.1
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Title I
Assets		
Cash and investments	\$ 88,129	\$ 9,493
Inventory		
Interfund receivables	84,714	17,092
Due from other governments	614	38,415
	<u>\$ 173,457</u>	<u>\$ 65,000</u>
Liabilities and Fund Balance		
Cash overdraft	\$ -	\$ -
Accounts payable	12,029	
Interfund payables		65,000
Deferred revenue	257	
	<u>\$ 12,286</u>	<u>\$ 65,000</u>
Fund balance:		
Reserved for:		
Inventory	\$ -	\$ -
Capital projects		
Unreserved, reported in:		
General fund	161,171	
Special revenue funds		
	<u>\$ 161,171</u>	<u>\$ -</u>
Total fund balance	<u>\$ 161,171</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 173,457</u>	<u>\$ 65,000</u>

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

PSCOC

\$ -

7,762

\$ 7,762

\$ -

7,762

7,762

\$ 15,524

\$ -

(7,762)

\$ (7,762)

\$ 7,762

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 13,067	\$ 110,689
3,376	3,376
29,044	101,806
<u>29,044</u>	<u>75,835</u>
<u>\$ 45,487</u>	<u>\$ 291,706</u>
\$ 844	\$ 844
29,044	12,029
2,499	101,806
<u>32,387</u>	<u>10,518</u>
<u>\$ 32,387</u>	<u>\$ 125,197</u>
\$ 3,376	\$ 3,376
9,724	(7,762)
<u>9,724</u>	161,171
<u>\$ 13,100</u>	<u>9,724</u>
<u>\$ 13,100</u>	<u>\$ 166,509</u>
<u>\$ 45,487</u>	<u>\$ 291,706</u>

Reserve Independent School District No.1
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
 June 30, 2008

Total governmental fund balances	\$	166,509
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,436,930
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property taxes subject to the 60 day availability period		257
Intergovernmental grants subject to the 60 availability period		7,762
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:		
Compensated absences payable		(2,078)
<i>Net Assets of Governmental Activities</i>	\$	3,609,380

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

Reserve Independent School District No.1
**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**
June 30, 2008

	General Fund	Title I	PSCOC
Revenues:			
Property taxes	\$ 15,123	\$ -	\$ -
Fees and charges	16,911		
State aid	2,406,571		40,629
Federal aid	151,145	103,771	
Earnings on investments	10,748		
Miscellaneous	3,390		
	<u>\$ 2,603,888</u>	<u>\$ 103,771</u>	<u>\$ 40,629</u>
 Total revenues			
Expenditures:			
Current:			
Instruction	\$ 1,338,351	\$ 103,771	\$ -
Support services - Students	117,976		
Support services - Instruction	66,700		
General administration	184,068		
School administration	171,990		
Central services	96,544		
Operation of plant	344,366		54,185
Food service	14,017		
Transportation	235,014		
Capital outlay			
	<u>\$ 2,569,026</u>	<u>\$ 103,771</u>	<u>\$ 54,185</u>
 Total expenditures			
Revenues over (under) expenditures	\$ 34,862	\$ -	\$ (13,556)
Other financing sources (uses):			
Transfer in	2,238		
Transfer out			
	<u>\$ 37,100</u>	<u>\$ -</u>	<u>\$ (13,556)</u>
Net change in fund balance			
Fund balance, June 30, 2007	<u>124,071</u>	<u>-</u>	<u>5,794</u>
Fund balance, June 30, 2008	<u>\$ 161,171</u>	<u>\$ -</u>	<u>\$ (7,762)</u>

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

<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ 15,123
20,006	36,917
13,498	2,460,698
177,358	432,274
12	10,760
	3,390
<u>\$ 210,874</u>	<u>\$ 2,959,162</u>
\$ 137,140	\$ 1,579,262
	117,976
2,500	69,200
	184,068
	171,990
	96,544
	398,551
71,714	85,731
	235,014
	-
<u>\$ 211,354</u>	<u>\$ 2,938,336</u>
\$ (480)	\$ 20,826
	2,238
<u>(2,238)</u>	<u>(2,238)</u>
\$ (2,718)	\$ 20,826
<u>15,818</u>	<u>145,683</u>
<u>\$ 13,100</u>	<u>\$ 166,509</u>

Reserve Independent School District No.1
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
June 30, 2008

Net change in fund balances-total governmental funds	\$	20,826
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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:		
Depreciation expense		(164,688)
 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 subject to the 60 day availability period		257
Intergovernmental grants subject to the 60 day availability period		7,762
 Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and there- fore are not reported as expenditures in governmental funds. This is the net change in compensated absences for the year.		
		(2,078)
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u><u>(137,921)</u></u>

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

Reserve Independent School District No. 1
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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 16,616	\$ 16,616	\$ 17,368	\$ 752
Federal sources	142,741	170,741	151,146	(19,595)
State sources	2,386,111	2,438,847	2,406,571	(32,276)
Local sources	46,630	18,630	20,324	1,694
Interest income	6,000	6,000	10,725	4,725
Total revenues	\$ 2,598,098	\$ 2,650,834	\$ 2,606,134	\$ (44,700)
Expenditures:				
Current:				
Instruction	\$ 1,401,509	\$ 1,395,230	\$ 1,335,341	\$ 59,889
Support services - Students	120,221	125,221	119,420	5,801
Support services - Instruction	92,323	92,935	66,700	26,235
General administration	196,552	196,552	180,687	15,865
School administration	164,619	165,619	171,991	(6,372)
Central services	40,000	109,000	96,544	12,456
Operational plant maintenance	440,173	457,527	355,543	101,984
Food service	9,500	20,000	13,974	6,026
Pupil transportation	211,586	253,489	235,015	18,474
Total expenditures	\$ 2,676,483	\$ 2,815,573	\$ 2,575,215	\$ 240,358
Revenues over (under) expenditures	\$ (78,385)	\$ (164,739)	\$ 30,919	\$ 195,658
Other financing sources (uses):				
Transfers out	(180)	(180)	(62,762)	(62,582)
Net change in fund balance	\$ (78,565)	\$ (164,919)	\$ (31,843)	\$ 133,076
Fund balance, July 1, 2007	78,565	164,919	139,341	(25,578)
Fund balance, June 30, 2008	\$ -	\$ -	\$ 107,498	\$ 107,498

The accompanying notes are an integral part of these financial statements

Reserve Independent School District No. 1
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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 96,335	\$ 109,100	\$ 65,357	\$ (43,743)
Expenditures:				
Current:				
Instruction	<u>96,335</u>	<u>109,100</u>	<u>103,771</u>	<u>5,329</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ (38,414)	\$ (38,414)
Other financing sources (uses)				
Transfer in	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>65,000</u>
Net change in fund balance	\$ -	\$ -	\$ 26,586	\$ 26,586
Fund balance, June 30, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 26,586</u></u>	<u><u>\$ 26,586</u></u>

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

Reserve Independent School District No.1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 30,943</u>
Liabilities and Fund Equity	
Deposits held for others	<u>\$ 30,943</u>
Total liabilities	<u>\$ 30,943</u>

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

Reserve Independent School District No. 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

Note 1 **Summary of Significant Accounting Policies**

Reserve Independent School District No. 1, 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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

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

- For the first time the financial statements include:
 - ** Financial statements prepared using full accrual accounting for all of the District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

The District implemented GASB 34 effective July 1, 2003. As a part of GASB's Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this provision.

A. Reporting Entity

These financial statements present the District (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. Based on the criterion in GASBS No. 14, the District had no component units.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets 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.
- b. District Management believes presentation of the fund as a major fund enhances the usefulness to the reader.

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 subfunds Teacherage, which accounts for residential rentals to teachers, Transportation, which accounts for State Funds used to transport students and Instructional Materials, which accounts for state allocations for the purchase of textbooks.

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 Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items.

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 assets and changes in net assets 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.

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.

Fiduciary Funds are as follows:

Agency Funds – deposits of funds from various school organizations, such as “Class of 2004” or “Cheerleaders” which are disbursed upon the individual organization's authorization and direction. These funds are purely custodial in nature.

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

Major Fund Descriptions

General – See above descriptions.

Title I – fund used to account for federal resources administered by the New Mexico State Department of Education to provide assistance to educationally deprived students in low-income areas of 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 (P.L. 103-382). This is a Special Revenue Fund.

Public Schools Capital Outlay – to account for funding which is to be used by the District to promote the comprehensive integration of advanced technology in an education setting, through the conduct of technical assistance, professional development information and resource dissemination and collaboration activities. Authorization NMSA 22-15A-1. This is a Capital Projects 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 Assets 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 and liabilities 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 assets (or cost recovery), and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

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.

2. Modified Accrual:

The government 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 generally 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 advances by the provider and deferred revenue by the recipient.

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 revenue.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on

a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

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

D. Budgets

Budgets for the General, Special Revenue, 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.

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 School Finance.

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. 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.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 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. Depreciation policy is the straight-line basis over the following estimated useful lives:

Buildings	20 – 50 years
Furniture and equipment	5 – 10 years
Improvements	10 – 20 years
Software and library resources	3 – 5 years

Depreciation has not been calculated since the District has not maintained its capital asset listing.

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, capital assets are accounted for as capital assets. In the fund financial statements, capital 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 estimated based on historical trends. 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. Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – 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 assets – 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 assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Equity is classified as fund balance and displayed in two components:

- a. Reserved – Consists of governmental fund balances that are not appropriable, legally segregated for specific usage, or commitments to outside third parties.
- b. Unreserved – consists of designations of amounts representing tentative management plans for governmental fund balances, but subject to change (Designated), and undesignated, for which no restrictions or designations exist.

K. 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, 2008 was \$.500 per \$1,000 for non-residential property and \$.500 for residential property. The District's tax rate for debt service was \$-0- per \$1,000 for both residential

and nonresidential property. The District's tax rate for District improvements was \$-0- per \$1,000 for both residential and nonresidential property.

L. Interfund Activity

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

M. 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 government does not have a deposit policy for credit risk beyond that disclosed in Note 1. As of June 30, 2008, \$-0- of the governments bank balance of \$546,325 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized		\$	-0-
Uninsured and collateral held by pledging banks			
Trust department not in District's name			<u>-0-</u>
Total		\$	<u><u>-0-</u></u>
		<u>Bank</u>	<u>Carrying</u>
		<u>Balance</u>	<u>Amount</u>
Deposits by custodial risk category:			
Insured	\$	100,000	\$ 100,000
Collateral held by the pledging bank's			
Agent in the District's name		446,325	40,788
Uninsured and uncollateralized		<u>-0-</u>	<u></u>
	\$	<u>546,325</u>	\$ <u>140,788</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, 2008 was as follows:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 459,164	\$ -0-	\$ -0-	\$ 459,164
Other capital assets:				
Buildings and improvements	\$ 4,156,588	\$ -0-	\$ -0-	4,156,588
Furniture and equipment	<u>1,318,699</u>	<u>-0-</u>	<u>-0-</u>	<u>1,318,699</u>
Total other capital assets at historical cost	<u>\$ 5,475,287</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,475,287</u>
Total capital assets	<u>\$ 5,934,451</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,934,451</u>
Accumulated depreciation:				
Buildings and improvements	\$(2,242,205)	\$ (154,469)	\$ -0-	\$ (2,396,701)
Furniture and equipment	<u>(90,628)</u>	<u>(10,192)</u>	<u>-0-</u>	<u>(100,820)</u>
Total accumulated depreciation	<u>\$(2,332,833)</u>	<u>\$ (164,688)</u>	<u>\$ -0-</u>	<u>\$ (2,497,521)</u>
Capital assets net of depreciation	<u>\$ 3,601,618</u>	<u>\$ (164,688)</u>	<u>\$ -0-</u>	<u>\$ 3,436,930</u>

Depreciation was charged to functions as follows:

Instruction	\$ 88,515
Student support	6,612
Instructional support	3,879
General administration	10,317
School administration	9,640
Central services	5,411
Operation of plant	22,338
Food services	4,805
Transportation	<u>13,171</u>
	<u>\$ 164,688</u>

Note 4 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Compensated absences	\$ -0-	\$ 3,090	\$ 1,012	\$ 2,078
	<u>\$ -0-</u>	<u>\$ 3,090</u>	<u>\$ 1,012</u>	<u>\$ 2,078</u>

Note 5 Retirement Plan

Plan Description

Substantially all of the Reserve Independent School District No. 1's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERA, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Reserve Independent School District No. 1 is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Reserve Independent School District No. 1 are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Reserve Independent School District No. 1's contributions to ERA for the fiscal years ending June 30, 2008, 2007, and 2006 were \$296,311, \$269,211, and \$236,299 respectively, which equal the amount of the required contributions for each fiscal year.

Note 6 Retiree Health Care Act Contributions

Plan Description

Reserve Independent School District No. 1 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependent. The RHCA board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate

optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

Funding Policy

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

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

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

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

The Reserve Independent School District No. 1's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$30,974, \$25563 and \$28,269, respectively, which equal the required contributions for each year.

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.

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 \$5,000,000 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 Budgetary Reconciliations

The Statements of Revenues, Expenditures and Changes in Fund Balance Budget (NON-GAAP Budgetary Basis) and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of net change in fund balances by General and Major Special Revenue Funds for the year ended June 30, 2008 is as follows:

	<u>General Fund</u>	<u>Title I</u>
Net change in fund balance (GAAP) basis	\$ 37,100	\$ -0-
Increases (decreases):		
Revenue accruals (net)	2,245	26,586
Expenditure accruals (net)	(6,368)	
Other financing uses (net)	<u>(64,820)</u>	<u> </u>
Net change in fund balance (NON-GAAP) budgetary basis	<u>\$ (31,843)</u>	<u>\$ 26,586</u>

Note 10 Deficit Fund Balances

The District had a deficit fund balance of (\$7,762) in the Public School Capital Outlay account. Funding in the subsequent year will eliminate this deficit fund balance.

Note 11 Restricted Net Assets

The net assets restricted for other purposes on the statement of net assets are those special

revenue fund net assets that are restricted for a specific purpose, and are not available for general operations. These restricted balances are as follows:

Cafeteria	\$ 2,532
Athletics	2,416
School improvement	1,514
Technology for education	<u>6,638</u>
	<u>\$ 13,100</u>

Note 12 Jointly Governed Organizations

The district participates in the Southwest Regional Education Center No. 10. This regional cooperative center was formed to consolidate application for and the processing of supplementary federal and state funds. Representatives of the independent school districts who are members govern the Center.

The Center obtains grants and allocates them to the member districts. The District has no ongoing financial interest or responsibility in the Center.

Separately issued financial statements of the Center are available from the Center at P.O. Box 952, Truth or Consequences, New Mexico 87901.

Note 13 Interfund Activity

Interfund balances at June 30, 2008, were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 84,714	\$
Title I	17,092	65,000
Other Funds	<u> </u>	<u>36,806</u>
	<u>\$ 101,806</u>	<u>\$ 101,806</u>

All amounts are expected to be repaid within one year. The purpose of these loans was to provide cash for operating purposes. The purpose of these transfers was to provide operating funds.

	<u>Transfer To</u>	<u>Transfer From</u>
General Fund	\$ 2,238	\$
Other Funds	<u> </u>	<u>2,238</u>
	<u>\$ 2,238</u>	<u>\$ 2,238</u>

GENERAL FUND

General Fund - to account for resources traditionally associated with governments which are not required to be accounted for in another fund. Revenues and expenditures of the operational, transportation, and auxiliary student activity accounts are accounted for in this fund.

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).

Title I – fund used to account for federal resources administered by the New Mexico State Department of Education to provide assistance to educationally deprived students in low-income areas of 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 (P.L. 103-382).

Incentives for School Improvement Act SDE – To account for monies received from the Award for High Improving Schools provided by the State of New Mexico for the purpose of identifying special needs at awarded locations and to purchase items to improve those schools.

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

IDEA-B Entitlement/Discretionary – 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 three to five years old. 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).

Technology for Education – created by specific authority to support the development and implementation of systemic plans to schools. (P.L. 103-382).

Title V – to establish a local program of alcohol and drug abuse education and prevention coordinated with related community efforts and resources. Authorized by the Elementary and Secondary Education Act of 1965, Title V, Part A, as amended, 20 U.S.C. 7301-7373.

Preschool/Kindergarten – to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five

years old. 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 Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

Library G.O. Bonds – to account for the proceeds from New Mexico bonds for the purchase of library resources. (Authority is the PED “Manual of Procedures”.)

Professional Development – to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in schools. Authorization is ESEA of 1965, Title VI, Part B, as amended.

Teacher Mentoring – to improve student achievement, improve the quality of the current and future teaching force by improving the preparation of prospective teachers. Authorization is Higher Education Act of 1965, Title III, Part A, P.L. 105-244.

Energy and Minerals – to account for the resources obtained by the New Mexico Department of Energy and Minerals for school enhancements. Authorization for this fund is the PED Manual of Procedures.

CAPITAL PROJECTS FUNDS

Energy Efficiency – fund used to upgrade the District’s facilities and to reduce energy and operational costs.

Public Schools Capital Outlay – to account for funding which is to be used by the District to promote the comprehensive integration of advanced technology in an education setting, through the conduct of technical assistance, professional development information and resource dissemination and collaboration activities. Authorization NMSA 22-15A-1.

AGENCY FUNDS

Agency Fund – to account for monies held in a custodial account (assets equal liabilities) for the benefit of others. Individual accounts are identified by name in the supporting schedule section of this report.

Reserve Independent School District No.1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2008

	Special Revenue Funds		
	Cafeteria	Athletics	Entitlement
Assets			
Cash and investments	\$ -	\$ 2,416	\$ -
Inventory	3,376		
Due from other governments			401
Total assets	\$ 3,376	\$ 2,416	\$ 401
Liabilities and Fund Balance			
Cash overdraft	\$ 844	\$ -	\$ -
Interfund payable			401
Deferred revenue			
Total liabilities	\$ 844	\$ -	\$ 401
Fund balances:			
Reserved for:			
Inventory	\$ 3,376	\$ -	\$ -
Capital projects			
Unreserved	(844)	2,416	
Total fund balance	\$ 2,532	\$ 2,416	\$ -
Total liabilities and fund balance	\$ 3,376	\$ 2,416	\$ 401

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

Special Revenue Funds

Discretionary	Preschool	Teacher Training	Safe and Drug Free	Energy Minerals	Technology For Education
\$ -	\$ -	\$ -	\$ -	\$ 2,499	\$ 6,638
<u>2,459</u>	<u>321</u>	<u>10,246</u>	<u>4,010</u>		
<u>\$ 2,459</u>	<u>\$ 321</u>	<u>\$ 10,246</u>	<u>\$ 4,010</u>	<u>\$ 2,499</u>	<u>\$ 6,638</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>2,459</u>	<u>321</u>	<u>10,246</u>	<u>4,010</u>	<u>2,499</u>	
<u>\$ 2,459</u>	<u>\$ 321</u>	<u>\$ 10,246</u>	<u>\$ 4,010</u>	<u>\$ 2,499</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
					<u>6,638</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,638</u>
<u>\$ 2,459</u>	<u>\$ 321</u>	<u>\$ 10,246</u>	<u>\$ 4,010</u>	<u>\$ 2,499</u>	<u>\$ 6,638</u>

Reserve Independent School District No.1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2008

	Special Revenue Funds			
	Professional Development	School Improvement	Kindergarten	Library Bonds
Assets				
Cash and investments	\$ -	\$ 1,514	\$ -	\$ -
Inventory				
Due from other governments	<u>4,876</u>		<u>2,500</u>	<u>3,517</u>
Total assets	<u>\$ 4,876</u>	<u>\$ 1,514</u>	<u>\$ 2,500</u>	<u>\$ 3,517</u>
Liabilities and Fund Balance				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Interfund payable	4,876		2,500	3,517
Deferred revenue				
Total liabilities	<u>\$ 4,876</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 3,517</u>
Fund balances:				
Reserved for:				
Inventory	\$ -	\$ -	\$ -	\$ -
Capital projects				
Unreserved		<u>1,514</u>		
Total fund balance	<u>\$ -</u>	<u>\$ 1,514</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 4,876</u>	<u>\$ 1,514</u>	<u>\$ 2,500</u>	<u>\$ 3,517</u>

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

<u>Special Revenue Fund Teacher Mentoring</u>	<u>Total</u>
\$ -	\$ 13,067
	3,376
<u>714</u>	<u>29,044</u>
	-
<u>\$ 714</u>	<u>\$ 45,487</u>

\$ -	\$ 844
714	29,044
	<u>2,499</u>
<u>\$ 714</u>	<u>\$ 32,387</u>

\$ -	\$ 3,376
	-
	<u>9,724</u>
<u>\$ -</u>	<u>\$ 13,100</u>
<u>\$ 714</u>	<u>\$ 45,487</u>

Reserve Independent School District No.1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For The Fiscal Year Ended June 30, 2008

	Special Revenue Funds		
	Cafeteria	Athletics	Entitlement
Revenues:			
Fees and charges	\$ 9,953	\$ 10,053	\$ -
State aid			
Federal aid	56,195		32,254
Earnings on investments	12		
	<u>66,160</u>	<u>10,053</u>	<u>32,254</u>
Total revenues	\$ 66,160	\$ 10,053	\$ 32,254
Expenditures:			
Current:			
Instruction	\$ -	\$ 11,008	\$ 32,254
Support services - Instruction			
General administration			
Operation of plant			
Food service	71,714		
Capital outlay			
	<u>71,714</u>	<u>11,008</u>	<u>32,254</u>
Total expenditures	\$ 71,714	\$ 11,008	\$ 32,254
Revenues over (under) expenditures	\$ (5,554)	\$ (955)	\$ -
Other financing sources (uses):			
Transfer out			
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ (5,554)	\$ (955)	\$ -
Fund balance, June 30, 2007	<u>8,086</u>	<u>3,371</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ 2,532</u>	<u>\$ 2,416</u>	<u>\$ -</u>

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

Special Revenue Funds

Discretionary	Preschool	Teacher Training	Safe and Drug Free	Technology For Education
\$ -	\$ -	\$ -	\$ -	\$ -
56,398	5,394	23,107	4,010	10,998
<u>\$ 56,398</u>	<u>\$ 5,394</u>	<u>\$ 23,107</u>	<u>\$ 4,010</u>	<u>\$ 10,998</u>
\$ 56,398	\$ 5,394	\$ 23,107	\$ 4,010	\$ 4,360
<u>\$ 56,398</u>	<u>\$ 5,394</u>	<u>\$ 23,107</u>	<u>\$ 4,010</u>	<u>\$ 4,360</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,638
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,638</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,638</u>

Reserve Independent School District No.1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)
For The Fiscal Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total</u>
	<u>School Improvement</u>	<u>Kindergarten</u>	<u>Energy Efficiency</u>	
	Revenues:			
Fees and charges	\$ -	\$ -	\$ -	\$ 20,006
State aid		2,500		13,498
Federal aid				177,358
Earnings on investments				12
Total revenues	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 210,874</u>
Expenditures:				
Current:				
Instruction	\$ 609	\$ -	\$ -	\$ 137,140
Support services - Instruction		2,500		2,500
General administration				-
Operation of plant				-
Food service				71,714
Capital outlay				-
Total expenditures	<u>\$ 609</u>	<u>\$ 2,500</u>	<u>\$ -</u>	<u>\$ 211,354</u>
Revenues over (under) expenditures	\$ (609)	\$ -	\$ -	\$ (480)
Other financing sources (uses):				
Transfer out			(2,238)	(2,238)
Net change in fund balance	\$ (609)	\$ -	\$ (2,238)	\$ (2,718)
Fund balance, June 30, 2007	<u>2,123</u>	<u>-</u>	<u>2,238</u>	<u>15,818</u>
Fund balance, June 30, 2008	<u><u>\$ 1,514</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,100</u></u>

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

Reserve Independent School District No.1
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2008

	Operational	Teacherage	Transportation
Assets			
Cash and investments	\$ 27,165	\$ 14,246	\$ 40,736
Interfund receivables	84,714		
Due from other governments	614		
Total assets	<u>\$ 112,493</u>	<u>\$ 14,246</u>	<u>\$ 40,736</u>
 Liabilities and Fund Balance			
Accounts payable	\$ 12,029	\$ -	\$ -
Deferred revenue	257	-	-
Total liabilities	<u>\$ 12,286</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance:			
Unreserved, reported in:			
General fund	\$ 100,207	\$ 14,246	\$ 40,736
Total fund balance	<u>\$ 100,207</u>	<u>\$ 14,246</u>	<u>\$ 40,736</u>
Total liabilities and fund balance	<u>\$ 112,493</u>	<u>\$ 14,246</u>	<u>\$ 40,736</u>

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

<u>Instructional Materials</u>	<u>Debt Service</u>	<u>Total General Fund</u>
\$ 5,982	\$ -	\$ 88,129
		84,714
		<u>614</u>
<u>\$ 5,982</u>	<u>\$ -</u>	<u>\$ 173,457</u>
\$ -	\$ -	\$ 12,029
<u>-</u>	<u>-</u>	<u>257</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,286</u>
<u>\$ 5,982</u>	<u>\$ -</u>	<u>\$ 161,171</u>
<u>\$ 5,982</u>	<u>\$ -</u>	<u>\$ 161,171</u>
<u>\$ 5,982</u>	<u>\$ -</u>	<u>\$ 173,457</u>

Reserve Independent School District No.1
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

June 30, 2008

	Operational	Teacherage	Transportation
Revenues:			
Property taxes	\$ 15,123	\$ -	\$ -
Fees and charges	59	16,852	
State aid	2,077,216		302,104
Federal aid	151,145		
Earnings on investments	10,725	23	
Miscellaneous	3,390		
	<u>\$ 2,257,658</u>	<u>\$ 16,875</u>	<u>\$ 302,104</u>
Total revenues			
Expenditures:			
Current:			
Instruction	\$ 1,317,079	\$ -	\$ -
Support services - Students	117,976		
Support services - Instruction	65,779		
General administration	184,068		
School administration	171,990		
Central services	96,544		
Operation of plant	323,383	20,983	
Food service	14,017		
Transportation	126		234,888
Capital outlay			
	<u>\$ 2,290,962</u>	<u>\$ 20,983</u>	<u>\$ 234,888</u>
Total expenditures			
Revenues over (under) expenditures	\$ (33,304)	\$ (4,108)	\$ 67,216
Other financing sources (uses):			
Transfer in (out)	2,418	-	-
	<u>\$ (30,886)</u>	<u>\$ (4,108)</u>	<u>\$ 67,216</u>
Net change in fund balance			
Fund balance, June 30, 2007	131,093	18,354	(26,480)
	<u>\$ 100,207</u>	<u>\$ 14,246</u>	<u>\$ 40,736</u>
Fund balance, June 30, 2008			

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

Instructional Materials	Debt Service	Total General Fund
\$ -	\$ -	\$ 15,123
27,251		16,911
		2,406,571
		151,145
		10,748
		3,390
<u>\$ 27,251</u>	<u>\$ -</u>	<u>\$ 2,603,888</u>
\$ 21,272	\$ -	\$ 1,338,351
921		117,976
		66,700
		184,068
		171,990
		96,544
		344,366
		14,017
		235,014
		-
<u>\$ 22,193</u>	<u>\$ -</u>	<u>\$ 2,569,026</u>
\$ 5,058	\$ -	\$ 34,862
-	(180)	2,238
\$ 5,058	\$ (180)	37,100
924	180	124,071
<u>\$ 5,982</u>	<u>\$ -</u>	<u>\$ 161,171</u>

Reserve Independent School District No. 1
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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 16,616	\$ 16,616	\$ 17,368	\$ 752
Federal sources	142,741	170,741	151,146	(19,595)
State sources	2,163,572	2,163,572	2,077,215	(86,357)
Local sources	28,000	-	3,449	3,449
Interest income	6,000	6,000	10,725	4,725
 Total revenues	 \$ 2,356,929	 \$ 2,356,929	 \$ 2,259,903	 \$ (97,026)
 Expenditures:				
Current:				
Instruction	\$ 1,386,491	\$ 1,369,991	\$ 1,314,069	\$ 55,922
Support services - Students	120,221	125,221	119,420	5,801
Support services - Instruction	91,000	91,000	65,779	25,221
General administration	196,552	196,552	180,687	15,865
School administration	164,619	165,619	171,991	(6,372)
Central services	40,000	109,000	96,544	12,456
Operational plant maintenance	420,543	420,543	334,560	85,983
Transportation	5,388	5,388	126	5,262
Food services	9,500	20,000	13,974	6,026
 Total expenditures	 \$ 2,434,314	 \$ 2,503,314	 \$ 2,297,150	 \$ 206,164
 Revenues over (under) expenditures	 \$ (77,385)	 \$ (146,385)	 \$ (37,247)	 \$ 109,138
 Other financing sources (uses):				
Transfers in	-	-	(62,582)	(62,582)
 Net change in fund balance	 \$ (77,385)	 \$ (146,385)	 \$ (99,829)	 \$ 46,556
 Fund balance, July 1, 2007	 77,385	 146,385	 146,363	 (22)
 Fund balance, June 30, 2008	 \$ -	 \$ -	 \$ 46,534	 \$ 46,534
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (30,886)
Revenue accruals (net)				2,245
Expenditure accruals (net)				(6,368)
Other financing uses (net)				(64,820)
 Net change in fund balance, NON-GAAP budgetary basis				 \$ (99,829)

Reserve Independent School District No. 1
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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 18,630	\$ 18,630	\$ 16,875	\$ (1,755)
Expenditures:				
Current:				
Operation of plant	19,630	36,984	20,983	16,001
Net change in fund balance	\$ (1,000)	\$ (18,354)	\$ (4,108)	\$ 14,246
Fund balance, July 1, 2007	1,000	18,354	18,354	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ 14,246	\$ 14,246
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (4,108)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (4,108)	

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

Reserve Independent School District No. 1
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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 206,198	\$ 248,101	\$ 302,105	\$ 54,004
Expenditures:				
Transportation	\$ 206,198	\$ 248,101	\$ 234,889	\$ 13,212
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 206,198</u>	<u>\$ 248,101</u>	<u>\$ 234,889</u>	<u>\$ 13,212</u>
Net change in fund balance	\$ -	\$ -	\$ 67,216	\$ 67,216
Fund balance, July 1, 2007	-	-	(26,480)	(26,480)
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,736</u></u>	<u><u>\$ 40,736</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 67,216	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 67,216</u></u>	

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

Reserve Independent School District No. 1
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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 16,341	\$ 27,174	\$ 27,251	\$ 77
Expenditures:				
Instruction	\$ 15,018	\$ 25,239	\$ 21,272	\$ 3,967
Support services - Instruction	1,323	1,935	921	1,014
Total expenditures	\$ 16,341	\$ 27,174	\$ 22,193	\$ 4,981
Net change in fund balance	\$ -	\$ -	\$ 5,058	\$ 5,058
Fund balance, July 1, 2007	-	-	924	924
Fund balance, June 30, 2008	\$ -	\$ -	\$ 5,982	\$ 5,982
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 5,058	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 5,058	

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

Reserve Independent School District No. 1
GENERAL FUND/DEBT SERVICE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses)				
Transfer out	(180)	(180)	(180)	-
Net change in fund balance	\$ (180)	\$ (180)	\$ (180)	\$ -
Fund balance, June 30, 2007	180	180	180	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ -	\$ -
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (180)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (180)	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - CAFETERIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 55,000	\$ 55,000	\$ 51,448	\$ (3,552)
Local sources	10,350	10,350	9,953	(397)
Earnings on investments	<u>20</u>	<u>20</u>	<u>12</u>	<u>(8)</u>
Total revenues	<u>\$ 65,370</u>	<u>\$ 65,370</u>	<u>\$ 61,413</u>	<u>\$ (3,957)</u>
Expenditures:				
Current:				
Food services	<u>\$ 65,370</u>	<u>\$ 70,805</u>	<u>\$ 67,692</u>	<u>\$ 3,113</u>
Revenues over (under) expenditures	\$ -	\$ (5,435)	\$ (6,279)	\$ (844)
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ (5,435)	\$ (6,279)	\$ (844)
Fund balance, July 1, 2007	<u>-</u>	<u>5,435</u>	<u>5,435</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (844)</u>	<u>\$ (844)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (5,554)	
Revenue accruals (net)			(4,747)	
Expenditure accruals (net)			<u>4,022</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (6,279)</u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - ATHLETICS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 10,000	\$ 8,000	\$ 10,053	\$ 2,053
Expenditures:				
Current:				
Instruction	10,000	11,371	11,008	363
Net change in fund balance	\$ -	\$ (3,371)	\$ (955)	\$ 2,416
Fund balance, July 1, 2007		3,371	3,371	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ 2,416	\$ 2,416
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (955)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (955)	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - DISCRETIONARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 56,400	\$ 56,400	\$ 53,953	\$ (2,447)
Expenditures:				
Current:				
Instruction	56,400	56,400	56,398	2
Net change in fund balance	\$ -	\$ -	\$ (2,445)	\$ (2,449)
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ (2,445)	\$ (2,449)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(2,445)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (2,445)	

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

Reserve Independent School District No. 1
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, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 36,823	\$ 33,867	\$ 32,184	\$ (1,683)
Expenditures:				
Current:				
Instruction	36,823	33,867	32,254	1,613
Net change in fund balance	\$ -	\$ -	\$ (70)	\$ (70)
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ (70)	\$ (70)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(70)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (70)	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - PRESCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 5,403	\$ 5,394	\$ 5,073	\$ (321)
Expenditures:				
Instruction	\$ 5,403	\$ 5,394	\$ 5,394	\$ -
Support services - Students				-
Total expenditures	<u>\$ 5,403</u>	<u>\$ 5,394</u>	<u>\$ 5,394</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (321)	\$ (321)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (321)</u>	<u>\$ (321)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(321)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (321)</u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - TEACHER TRAINING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 19,941	\$ 24,694	\$ 12,861	\$ (11,833)
Expenditures:				
Current:				
Instruction	<u>19,941</u>	<u>24,694</u>	<u>23,106</u>	<u>1,588</u>
Net change in fund balance	\$ -	\$ -	\$ (10,245)	\$ (10,245)
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,245)</u>	<u>\$ (10,245)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(10,245)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (10,245)</u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - TECHNOLOGY FOR EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 4,500	\$ 13,798	\$ 9,298
Expenditures:				
Current:				
Instruction	<u>-</u>	<u>4,500</u>	<u>4,360</u>	<u>140</u>
Net change in fund balance	\$ -	\$ -	\$ 9,438	\$ 9,438
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>(2,800)</u>	<u>(2,800)</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,638</u></u>	<u><u>\$ 6,638</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 6,638	
Revenue accruals (net)			(2,800)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 3,838</u></u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - SAFE AND DRUG FREE SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 1,606	\$ 4,176	\$ -	\$ (4,176)
Expenditures:				
Current:				
Instruction	1,606	4,176	4,010	166
Net change in fund balance	\$ -	\$ -	\$ (4,010)	\$ 166
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ (4,010)	\$ 166
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(4,010)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (4,010)	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - INCENTIVES FOR SCHOOL IMPROVEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 2,500	\$ -	\$ (2,500)
Expenditures:				
Current:				
Instruction	-	2,500	609	1,891
Net change in fund balance	\$ -	\$ -	\$ (609)	\$ (609)
Fund balance, July 1, 2007	-	-	2,123	2,123
Fund balance, June 30, 2008	\$ -	\$ -	\$ 1,514	\$ 1,514
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (609)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (609)	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - LIBRARY GO BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 16,284	\$ -	\$ (16,284)
Expenditures:				
Current:				
Support services - Instruction	-	16,284	-	16,284
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007	-	-	(3,517)	(3,517)
Fund balance, June 30, 2008	\$ -	\$ -	\$ (3,517)	\$ (3,517)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - TEACHER MENTORING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007	-	-	(714)	(714)
Fund balance, June 30, 2008	\$ -	\$ -	\$ (714)	\$ (714)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - ENERGY MINERALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007	-	-	2,499	2,499
Fund balance, June 30, 2008	\$ -	\$ -	\$ 2,499	\$ 2,499
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - PROFESSIONAL DEVELOPMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support services - Students	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2007	<u>-</u>	<u>-</u>	<u>(4,876)</u>	<u>(4,876)</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (4,876)</u></u>	<u><u>\$ (4,876)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ -</u></u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - KINDERGARTEN THREE PLUS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 2,500	\$ -	\$ (2,500)
Expenditures:				
Current:				
Support services - Instruction	-	2,500	2,500	-
Net change in fund balance	\$ -	\$ -	\$ (2,500)	\$ (2,500)
Fund balance, July 1, 2007	-	-	-	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ (2,500)	\$ (2,500)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(2,500)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (2,500)	

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

Reserve Independent School District No. 1
CAPITAL PROJECTS FUND - ENERGY EFFICIENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses)				
Transfer out	<u>(2,238)</u>	<u>(2,238)</u>	<u>(2,238)</u>	<u>-</u>
Net change in fund balance	\$ (2,238)	\$ (2,238)	\$ (2,238)	\$ -
Fund balance, June 30, 2007	<u>2,238</u>	<u>2,238</u>	<u>2,238</u>	<u>-</u>
Fund balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (2,238)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (2,238)</u></u>	

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

Reserve Independent School District No. 1
CAPITAL PROJECTS FUND - PUBLIC SCHOOL CAPITAL OUTLAY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 50,000	\$ 40,629	\$ (9,371)
Expenditures:				
Capital outlay	2,125	55,794	54,184	1,610
Net change in fund balance	\$ (2,125)	\$ (5,794)	\$ (13,555)	\$ (7,761)
Fund balance, July 1, 2007	2,125	5,794	5,794	-
Fund balance, June 30, 2008	\$ -	\$ -	\$ (7,761)	\$ (7,761)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (13,556)	
Revenue accruals (net)				
Expenditure accruals (net)			1	
Net change in fund balance, NON-GAAP budgetary basis			\$ (13,555)	

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

Reserve Independent School District No. 1
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2008</u>
Assets				
Cash and investments:				
Reserve Schools	<u>\$ 28,010</u>	<u>\$ 84,196</u>	<u>\$ 81,263</u>	<u>\$ 30,943</u>
Total Assets	<u><u>\$ 28,010</u></u>	<u><u>\$ 84,196</u></u>	<u><u>\$ 81,263</u></u>	<u><u>\$ 30,943</u></u>
Liabilities				
Deposits held for others:				
Reserve Schools	<u>\$ 28,010</u>	<u>\$ 84,196</u>	<u>\$ 81,263</u>	<u>\$ 30,943</u>
Total Liabilities	<u><u>\$ 28,010</u></u>	<u><u>\$ 84,196</u></u>	<u><u>\$ 81,263</u></u>	<u><u>\$ 30,943</u></u>

The accompanying notes are an integral part of these financial statements

Reserve Independent School District No.1
SCHEDULE OF DEPOSITORY COLLATERAL
 June 30, 2008

	First State Bank
Checking	\$ 546,325
CD	-
	-
Total on deposit	\$ 546,325
Less: FDIC insurance	(100,000)
	(100,000)
Total uninsured public funds	\$ 446,325
	\$ 446,325
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 223,163
	\$ 223,163
Pledged Securities:	
US Treasury Notes #9128275N8, 9/1/08	\$ 518,707
	\$ 518,707
Total pledged securities	\$ 518,707
	\$ 518,707
Pledged securities over (under) requirement	\$ 295,545
	\$ 295,545

Securities pledged are held by the Federal Home Loan Bank in Irving, Texas, with safekeeping receipts held by the District.

Reserve Independent School District No.1
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
 June 30, 2008

	Type of Account	Bank Balance	Reconciled Balance
First State Bank			
Operational	Checking	\$ 391,992	\$ 84,534
Cafeteria	Checking	7,523	(844)
Activity	Checking	32,149	30,943
Teacherage	Checking	14,265	14,246
Non-Instructional Support	Checking	2,416	2,416
Federal	Checking	34,877	9,493
Payroll	Checking	63,103	-
Total cash and investments		\$ 546,325	\$ 140,788

Reserve Independent School District No.1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2008

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>
Total cash and investments as of July 1, 2007	\$ 146,364	\$ 18,354	\$ (26,480)	\$ 924	\$ 5,435
Add: Current year receipts	2,259,901	16,875	302,105	27,251	61,413
Outstanding loans	(65,000)				
Less: Current year expenditures	(2,297,149)	(20,983)	(234,888)	(22,193)	(67,692)
Transfers	<u>2,418</u>				
Total cash and investments as of June 30, 2008	<u>\$ 46,534</u>	<u>\$ 14,246</u>	<u>\$ 40,737</u>	<u>\$ 5,982</u>	<u>\$ (844)</u>

Reserve Independent School District No.1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2008

	<u>PSCOC - 20%</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Agency</u>	<u>Total</u>
Total cash and investments as of July 1, 2007	\$ 5,794	\$ 180	\$ 28,010	\$ 176,905
Add: Current year receipts			84,196	2,985,647
Outstanding loans				-
Less: Current year expenditures	(5,556)		(81,263)	(3,021,764)
Transfers		(180)		-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total cash and investments as of June 30, 2008	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 30,943</u>	<u>\$ 140,788</u>

Reserve Independent School District No.1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (continued)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2008

	<u>Athletics</u>	<u>Federal Flowthrough</u>	<u>State Flowthrough</u>	<u>Special Capital Outlay - State</u>	<u>Energy Efficiency</u>
Total cash and investments as of July 1, 2007	\$ 3,371	\$ -	\$ (7,285)	\$ -	\$ 2,238
Add: Current year receipts	10,052	169,427	13,798	40,629	
Outstanding loans		65,000			
Less: Current year expenditures	(11,008)	(224,934)	(7,469)	(48,629)	
Transfers					(2,238)
Total cash and investments as of June 30, 2008	<u>\$ 2,415</u>	<u>\$ 9,493</u>	<u>\$ (956)</u>	<u>\$ (8,000)</u>	<u>\$ -</u>

Reserve Independent School District No. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2008

Findings - Financials Statement Audit

<u>Finding</u>	<u>Current Status</u>
07-1 Personnel files did not contain form I-9	Repeated

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

RYAN MONTOYA, C.P.A.

1311 N. GRANT ST.
P.O. BOX 2828
SILVER CITY, NEW MEXICO 88062
TELEPHONE (575) 388-1777
(575) 538-3795
FAX (575) 388-5040
E-MAIL: stonemcgee@qwestoffice.net

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

Hector H. Balderas, State Auditor
and
Board of Education
Reserve Independent School District No. 1
Reserve, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Reserve Independent School District No. 1 as of and for the year ended June 30, 2008, which collectively comprise the Reserve Independent School District No. 1's basic financial statements and have issued our report thereon dated November 12, 2008. We have also audited the financial statements of each of the District's nonmajor governmental funds presented as other supplementary information as of and for the year ended June 30, 2008, and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Reserve Independent School District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Reserve Independent School District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Reserve Independent School District No. 1's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Reserve Independent School District No. 1's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Reserve Independent School District No. 1's financial statements that is more than inconsequential

will not be prevented or detected by the Reserve Independent School District No. 1's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Reserve Independent School District No. 1's internal control.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Reserve Independent School District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 07-1 and 08-1.

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

This report is intended solely for the information and use of management, the Board of Education, others within the entity, the New Mexico State Auditor, the New Mexico Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stone, McGee & Co., CPAs

November 12, 2008

Stone, McGee & Co.
Certified Public Accountants

Reserve Independent School District No. 1
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2008

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Reserve Independent School District No. 1.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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 School District No. 1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The District expended less than \$500,000 in federal funds.

FINDINGS - FINANCIAL STATEMENT AUDIT

OTHER INSTANCES OF NONCOMPLIANCE

07-1 Personnel Files

Condition – In six of twenty-five personnel files tested, no Form I-9 was present.

Criteria – Federal employment regulations require that all employees hired subsequent to 1986 complete and I-9 Form, which is a citizenship declaration. These regulations further require that the employer maintain the I-9 forms in employee files.

Effect – Without these I-9 forms, the District cannot meet the required documentation standards, and is subject to fines and sanctions from the federal government.

Cause – The District had significant personnel turnover, and the personnel files were not maintained.

Recommendation – We recommend that the District obtain I-9's from all current employees, and make them a part of the employees permanent files

Agency Response – The District is in process of rebuilding these personnel files, and the I-9 will be included in the file for all employees.

08-1 Training and Experience

Condition – In twelve of twenty three certified personnel files reviewed, there were discrepancies between the contracted salary and the verified experience and/or the educational hours claimed by the employee.

Criteria - The New Mexico Public Education Department requires school districts to obtain and retain verification of experience and educational hours for certified personnel, so that these personnel can be paid in accordance with the salary schedule adopted by the District.

Effect – The District may have overpaid or underpaid certified personnel, and contracted amounts were not always in accordance with the District’s salary schedule.

Cause – Changeover in personnel assigned to the task of verifying experience and educational hours and matching contracts to the approved salary schedule allowed this process to be left unfinished.

Recommendation – We recommend that the District comply with the New Mexico Public education Department’s regulations concerning maintenance of training and experience records for certified personnel.

Agency Response – Personnel have been assigned to this maintenance task, and files have already been updated. Monitoring of employee files is now scheduled at periodic intervals, to assure compliance.

OTHER - FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co, CPA's.

EXIT CONFERENCE

The contents of this report were discussed November 12, 2008. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Cathy Sohrenszen	Board Secretary	Reserve Independent School Dist. No. 1
Loren Cushman	Superintendent	Reserve Independent School Dist. No. 1
James Murdock	Business Manager	Reserve Independent School Dist. No. 1
Mike Stone	Shareholder	Stone, McGee & Co., C.P.A.'s