

Reserve Independent School District No. 1

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

For The Fiscal Year Ended June 30, 2009

Reserve Independent School District No.1
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Reserve Independent School District No. 1
DIRECTORY OF OFFICIALS
June 30, 2009

BOARD OF EDUCATION

Debra Porter	President
Joan McCargish	Vice-President
Sharma Hutchinson	Secretary
Eddie Varela	Member
Stanley Radvillas	Member

SCHOOL OFFICIALS

Loren R. Cushman	Superintendent
Odelia Delgado	Business Manager

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.

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INDEPENDENT AUDITOR'S 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 (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's non-major 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, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 statements 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, 2009, 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 non-major governmental fund of Reserve Independent School District No. 1 as of June 30, 2009, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the components of the general fund, the non-major Special Revenue funds, and the Capital Projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009, 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. In addition, the accompanying financial information listed as other supplemental data in the table of contents is also presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards and 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

December 17, 2009

Reserve Independent School District No.1
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 404,679
Inventory	2,756
Due from other governments	68,326
Capital assets:	
Land	459,164
Buildings and improvements	4,184,066
Furniture and fixtures and equipment	1,371,107
Less accumulated depreciation	(2,662,645)
Total capital assets	\$ 3,351,692
Total assets	\$ 3,827,453
Liabilities	
Accounts payable	\$ 13,303
Deferred revenue	2,329
Long-term liabilities:	
Portion due or payable after one year:	
Compensated absences	2,326
Total liabilities	\$ 17,958
Net Assets	
Invested in capital assets	\$ 3,351,692
Restricted for:	
Capital projects	238
Other purposes	11,568
Unrestricted	445,997
Total net assets	\$ 3,809,495

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

Reserve Independent School District No.1
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
Governmental activities:			
Instruction	\$ 1,684,713	\$ 12,392	\$ 1,603,307
Support services - Students	133,940		
Support services - Instruction	70,127		23,328
General administration	180,925		
School administration	186,530		
Central services	79,020		
Operation of plant	363,740	18,288	
Food services	96,955	11,933	57,267
Transportation	241,487		255,017
	<hr/>	<hr/>	<hr/>
Total governmental activities	\$ 3,037,437	\$ 42,613	\$ 1,938,919

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</u> Total Governmental Activities
\$ -	\$ (69,014)
	(133,940)
	(46,799)
	(180,925)
	(186,530)
	(79,020)
238	(345,214)
	(27,755)
	13,530
<u>\$ 238</u>	<u>\$ (1,055,667)</u>

\$ 18,870
1,198,512
33,001
5,399

\$ 1,255,782

\$ 200,115

3,609,380

\$ 3,809,495

Reserve Independent School District No.1
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Title I	Other Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 352,187	\$ 31,113	\$ 21,379	\$ 404,679
Inventory			2,756	2,756
Interfund receivables	105,714			105,714
Due from other governments	753	33,887	33,686	68,326
Total assets	\$ 458,654	\$ 65,000	\$ 57,821	\$ 581,475
Liabilities and Fund Balance				
Accounts payable	\$ 10,331	\$ -	\$ 2,972	\$ 13,303
Interfund payables		65,000	40,714	105,714
Deferred revenue			2,329	2,329
Total liabilities	\$ 10,331	\$ 65,000	\$ 46,015	\$ 121,346
Fund balance:				
Reserved for:				
Inventory	\$ -	\$ -	\$ 2,756	\$ 2,756
Capital projects			238	238
Unreserved, reported in:				
General fund	448,323			448,323
Special revenue funds			8,812	8,812
Total fund balance	\$ 448,323	\$ -	\$ 11,806	\$ 460,129
Total liabilities and fund balance	\$ 458,654	\$ 65,000	\$ 57,821	\$ 581,475

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

Reserve Independent School District No.1
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
June 30, 2009

Total governmental fund balances	\$ 460,129
<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.	3,351,692
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	<u>(2,326)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 3,809,495</u></u>

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, 2009

	General Fund	Title I	Other Funds	Governmental Funds Total
Revenues:				
Property taxes	\$ 19,127	\$ -	\$ -	\$ 19,127
Fees and charges	21,127		21,486	42,613
State aid	1,470,606		19,449	1,490,055
Federal aid	1,470,574	80,563	104,239	1,655,376
Earnings on investments	5,384		15	5,399
Miscellaneous	33,001			33,001
Total revenues	\$ 3,019,819	\$ 80,563	\$ 145,189	\$ 3,245,571
Expenditures:				
Current:				
Instruction	\$ 1,453,826	\$ 80,563	\$ 58,496	\$ 1,592,885
Support services - Students	120,918		5,735	126,653
Support services - Instruction	66,314			66,314
General administration	171,089			171,089
School administration	176,389			176,389
Central services	74,724			74,724
Operation of plant	343,965			343,965
Food service	23,415		68,269	91,684
Transportation	228,362			228,362
Capital outlay	73,665		6,221	79,886
Total expenditures	\$ 2,732,667	\$ 80,563	\$ 138,721	\$ 2,951,951
Revenues over (under) expenditures	\$ 287,152	\$ -	\$ 6,468	\$ 293,620
Other financing sources (uses):				
Transfer in				-
Transfer out				-
Net change in fund balance	\$ 287,152	\$ -	\$ 6,468	\$ 293,620
Fund balance, June 30, 2008	161,171		5,338	166,509
Fund balance, June 30, 2009	<u>\$ 448,323</u>	<u>\$ -</u>	<u>\$ 11,806</u>	<u>\$ 460,129</u>

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

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, 2009

Net change in fund balances-total governmental funds	\$	293,620
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay		79,886
Depreciation expense		(165,124)

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 therefore are not reported as expenditures in governmental funds. This is the net change in compensated absences for the year.

		(248)
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Change in Net Assets of Governmental Activities

	\$	<u>200,115</u>
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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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 18,083	\$ 18,083	\$ 18,731	\$ 648
Federal sources	151,145	151,145	1,470,574	1,319,429
State sources	2,580,350	2,816,309	1,470,606	(1,345,703)
Local sources	17,000	17,000	54,128	37,128
Interest income	6,286	6,286	5,384	(902)
Total revenues	\$ 2,772,864	\$ 3,008,823	\$ 3,019,423	\$ 10,600
Expenditures:				
Current:				
Instruction	\$ 1,477,038	\$ 1,533,338	\$ 1,456,978	\$ 76,360
Support services - Students	144,343	144,343	115,766	28,577
Support services - Instruction	82,572	82,572	66,314	16,258
General administration	186,075	196,975	174,926	22,049
School administration	180,380	181,080	176,145	4,935
Central services	98,092	98,092	73,224	24,868
Operational plant maintenance	349,992	424,897	353,307	71,590
Transportation	257,972	263,647	228,309	35,338
Food services	23,500	33,500	23,458	10,042
Capital outlay	25,093	102,572	65,924	36,648
Total expenditures	\$ 2,825,057	\$ 3,061,016	\$ 2,734,351	\$ 326,665
Revenues over (under) expenditures	\$ (52,193)	\$ (52,193)	\$ 285,072	\$ 337,265
Other financing sources (uses):				
Transfers out	-	-	(10,000)	(10,000)
Net change in fund balance	\$ (52,193)	\$ (52,193)	\$ 275,072	\$ 327,265
Fund balance, July 1, 2008	52,193	52,193	107,498	55,305
Fund balance, June 30, 2009	\$ -	\$ -	\$ 382,570	\$ 382,570

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 111,910	\$ 111,910	\$ 85,091	\$ (26,819)
Expenditures:				
Current:				
Instruction	<u>\$ 111,910</u>	<u>\$ 111,910</u>	<u>\$ 80,563</u>	<u>\$ 31,347</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ 4,528	\$ 4,528
Other financing sources (uses)				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ 4,528	\$ 4,528
Fund balance, June 30, 2008	<u>-</u>	<u>-</u>	<u>26,585</u>	<u>26,585</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,113</u></u>	<u><u>\$ 31,113</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, 2009

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 31,282</u>
Liabilities and Fund Equity	
Deposits held for others	<u>\$ 31,282</u>
Total liabilities	<u>\$ 31,282</u>

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

Reserve Independent School District No. 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 fun 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 sub-funds 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. Non-major 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.

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

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 \$.487 for residential property. The District's tax rate for debt service was \$.00 per \$1,000 for both residential and non-residential property. The District's tax rate for District improvements was \$.00 per \$1,000 for both residential and non-residential property.

L. Inter-fund Activity

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

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, 2009, \$.00 of the government's bank balance of \$836,891 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>\$ -0-</u>

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's name	586,891	185,961
Uninsured and uncollateralized	<u>-0-</u>	<u> </u>
	<u>\$ 836,891</u>	<u>\$ 435,961</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, 2009 was as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	<u>\$ 459,164</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 459,164</u>
Other capital assets:				
Buildings and improvements	\$ 4,156,588	\$ 27,478	\$ -0-	\$ 4,184,066
Furniture and equipment	<u>1,318,699</u>	<u>52,408</u>	<u>-0-</u>	<u>1,371,107</u>

Total other capital assets at historical cost	<u>\$ 5,475,287</u>	<u>\$ 79,886</u>	<u>\$ -0-</u>	<u>\$ 5,555,173</u>
Total capital assets	<u>\$ 5,934,451</u>	<u>\$ 79,886</u>	<u>\$ -0-</u>	<u>\$ 6,014,337</u>
Accumulated depreciation:				
Buildings and improvements	<u>\$(1,944,639)</u>	<u>\$ (133,610)</u>	<u>\$ -0-</u>	<u>\$(2,078,249)</u>
Furniture and equipment	<u>(552,882)</u>	<u>(31,514)</u>	<u>-0-</u>	<u>(584,396)</u>
Total accumulated depreciation	<u>\$(2,497,521)</u>	<u>\$ (165,124)</u>	<u>\$ -0-</u>	<u>\$(2,662,645)</u>
Capital assets net of depreciation	<u>\$ 3,436,930</u>	<u>\$ (85,238)</u>	<u>\$ -0-</u>	<u>\$ 3,351,692</u>

Depreciation was charged to functions as follows:

Instruction	\$ 91,580
Student support	7,287
Instructional support	3,813
General administration	9,836
School administration	10,141
Central services	4,296
Operation of plant	19,775
Food services	5,271
Transportation	<u>13,125</u>
	<u>\$ 165,124</u>

Note 4 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2009:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
	<u>July 1, 2008</u>			<u>June 30, 2009</u>
Compensated absences	<u>\$ 2,078</u>	<u>\$ 1,148</u>	<u>\$ 900</u>	<u>\$ 2,326</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 7.9% of their gross salary. The Reserve Independent School District No. 1 is required to contribute 11.65% of the gross covered 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, 2009, 2008, and 2007 were \$309,163, 296,311, and \$269,211 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, MSA 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 post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle N.E., Suite 104, Albuquerque, New Mexico 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 collars 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 1/1/1998 are also required to make a surplus-amount contributions 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, 2009, 2008 and 2007 were \$31,664, \$30,974, and \$25,563, 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, 2009 is as follows:

	<u>General Fund</u>	<u>Title I</u>
Net change in fund balance (GAAP) basis	\$ 287,152	\$ -0-
Increase (decreases):		
Revenue accruals (net)	(396)	4,528
Expenditures accruals (net)	(1,684)	
Other financing uses (net)	<u>(10,000)</u>	<u> </u>
Net change in fund balance (NON-GAAP) budgetary basis	<u>\$ 275,072</u>	<u>\$ 4,528</u>

Note 10 Deficit Fund Balances

The District had no deficit fund balances as of June 30, 2009.

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	\$ 3,478
Athletics	2,708
School improvement	1,514
Technology for education	2,742
Schools in need of improvement	609
Library audio/visual	<u>517</u>
	<u>\$ 11,568</u>

The government-wide statement of net assets reports \$11,806 of restricted net assets, of which \$238 is restricted by enabling legislation.

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 Inter-fund Activity

Inter-fund balances at June 30, 2009, were as follows:

<u>Inter-fund Receivable</u>	<u>Title I</u>	<u>Other Funds</u>	<u>Total</u>
General Fund	<u>\$ 65,000</u>	<u>\$ 40,714</u>	<u>\$ 105,714</u>

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

Note 14 Budgeted Expenditures

The District's actual expenditures exceeded budgetary authority in the instruction line item of the athletics fund by \$261. The District intends to monitor expenditures to hold them within budgetary authority.

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).

Drug Free School – 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 to 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 Books/Audio-Visual - 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.

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

School in Need of Improvement – to account for the federal funds received for School Improvements Under Recovery Act. Authority is section 1003 (g) of the Elementary and Secondary Education Act.

Federal Stimulus – to account for the federal funds received to supplement school instruction. Authorization is the Elementary and Secondary Education Act, as amended.

CAPITAL PROJECTS FUNDS

Public Schools Capital Outlay – to account for funding which is to be used by the District to promote the comprehensive integration of advance 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, 2009

	Special Revenue Funds		
	Cafeteria	Athletics	Entitlement
Assets			
Cash and investments	\$ 10,722	\$ 2,708	\$ -
Inventory	2,756		
Due from other governments			7,374
Total assets	\$ 13,478	\$ 2,708	\$ 7,374
Liabilities and Fund Balance			
Interfund payable	\$ 10,000	\$ -	\$ 7,374
Accounts payable			
Deferred revenue			
Total liabilities	\$ 10,000	\$ -	\$ 7,374
Fund balances:			
Reserved for:			
Inventory	\$ 2,756	\$ -	\$ -
Capital projects			
Unreserved	722	2,708	
Total fund balance	\$ 3,478	\$ 2,708	\$ -
Total liabilities and fund balance	\$ 13,478	\$ 2,708	\$ 7,374

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

Special Revenue Funds					
Preschool	Teacher Training	Energy Minerals	Rural Education Achievement	Technology For Education	Professional Development
\$ -	\$ -	\$ 2,329	\$ -	\$ 2,742	\$ -
<u>286</u>	<u>4,915</u>	<u>2,329</u>	<u>797</u>	<u>2,742</u>	<u>4,876</u>
<u>\$ 286</u>	<u>\$ 4,915</u>	<u>\$ 2,329</u>	<u>\$ 797</u>	<u>\$ 2,742</u>	<u>\$ 4,876</u>
\$ 286	\$ 4,915	\$ -	\$ 797	\$ -	\$ 4,876
<u>286</u>	<u>4,915</u>	<u>2,329</u>	<u>797</u>	<u>-</u>	<u>4,876</u>
<u>\$ 286</u>	<u>\$ 4,915</u>	<u>\$ 2,329</u>	<u>\$ 797</u>	<u>\$ -</u>	<u>\$ 4,876</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,742</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,742</u>	<u>\$ -</u>
<u>\$ 286</u>	<u>\$ 4,915</u>	<u>\$ 2,329</u>	<u>\$ 797</u>	<u>\$ 2,742</u>	<u>\$ 4,876</u>

Reserve Independent School District No.1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2009

	Special Revenue Funds			
	School Improvement	Kindergarten	Library Books	Federal Stimulus
Assets				
Cash and investments	\$ 1,514	\$ -	\$ -	\$ -
Inventory				
Due from other governments	<u> </u>	<u>2,500</u>	<u>9,252</u>	<u>2,972</u>
Total assets	<u>\$ 1,514</u>	<u>\$ 2,500</u>	<u>\$ 9,252</u>	<u>\$ 2,972</u>
Liabilities and Fund Balance				
Interfund payable	\$ -	\$ 2,500	\$ 9,252	\$ -
Accounts payable				2,972
Deferred revenue	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 9,252</u>	<u>\$ 2,972</u>
Fund balances:				
Reserved for:				
Inventory	\$ -	\$ -	\$ -	\$ -
Capital projects				
Unreserved	<u>1,514</u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>\$ 1,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 1,514</u>	<u>\$ 2,500</u>	<u>\$ 9,252</u>	<u>\$ 2,972</u>

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

Special Revenue Funds			Capital Projects Fund	
Teacher Mentoring	Schools In Need Of Improvement	Library Audio/Visual	PSCOC	Total
\$ -	\$ 609	\$ 517	\$ 238	\$ 21,379
714				2,756
				33,686
				-
<u>\$ 714</u>	<u>\$ 609</u>	<u>\$ 517</u>	<u>\$ 238</u>	<u>\$ 57,821</u>
\$ 714	\$ -	\$ -	\$ -	\$ 40,714
				2,972
				2,329
<u>\$ 714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,015</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,756
	609	517	238	238
				8,812
<u>\$ -</u>	<u>\$ 609</u>	<u>\$ 517</u>	<u>\$ 238</u>	<u>\$ 11,806</u>
<u>\$ 714</u>	<u>\$ 609</u>	<u>\$ 517</u>	<u>\$ 238</u>	<u>\$ 57,821</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, 2009

	Special Revenue Funds		
	Cafeteria	Athletics	Entitlement
Revenues:			
Fees and charges	\$ 11,933	\$ 9,553	\$ -
State aid			
Federal aid	57,267		21,128
Earnings on investments	15		
	\$ 69,215	\$ 9,553	\$ 21,128
Total revenues			
Expenditures:			
Current:			
Instruction	\$ -	\$ 9,261	\$ 21,128
Support services - Instruction			
Food service	68,269		
Capital outlay			
	\$ 68,269	\$ 9,261	\$ 21,128
Total expenditures			
Revenues over (under) expenditures	\$ 946	\$ 292	\$ -
Other financing sources (uses):			
Transfer out			
	\$ 946	\$ 292	\$ -
Net change in fund balance			
Fund balance, June 30, 2008	2,532	2,416	-
Fund balance, June 30, 2009	\$ 3,478	\$ 2,708	\$ -

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

Special Revenue Funds

Preschool	Teacher Training	Safe and Drug Free	Energy Minerals	Rural Education Achievement
\$ -	\$ -	\$ -	\$ -	\$ -
4,588	17,387	100	538	797
<u>\$ 4,588</u>	<u>\$ 17,387</u>	<u>\$ 100</u>	<u>\$ 538</u>	<u>\$ 797</u>
\$ 4,588	\$ 17,387	\$ 100	\$ 538	\$ 797
<u>\$ 4,588</u>	<u>\$ 17,387</u>	<u>\$ 100</u>	<u>\$ 538</u>	<u>\$ 797</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2009

	Special Revenue Funds			
	Technology For Education	School Improvement	Library Bonds	Federal Stimulus
Revenues:				
Fees and charges	\$ -	\$ -	\$ -	\$ -
State aid	4,050		5,735	
Federal aid				2,972
Earnings on investments				
Total revenues	<u>\$ 4,050</u>	<u>\$ -</u>	<u>\$ 5,735</u>	<u>\$ 2,972</u>
Expenditures:				
Current:				
Instruction	\$ 1,725	\$ -	\$ -	\$ 2,972
Support services - Instruction			5,735	
Food service				
Capital outlay	6,221			
Total expenditures	<u>\$ 7,946</u>	<u>\$ -</u>	<u>\$ 5,735</u>	<u>\$ 2,972</u>
Revenues over (under) expenditures	\$ (3,896)	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfer out				
Net change in fund balance	\$ (3,896)	\$ -	\$ -	\$ -
Fund balance, June 30, 2008	<u>6,638</u>	<u>1,514</u>		
Fund balance, June 30, 2009	<u><u>\$ 2,742</u></u>	<u><u>\$ 1,514</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Special Revenue Funds		Capital Projects Fund	
Schools In Need Of Improvement	Library Audio/Visual	PSCOC	Total
\$ -	\$ -	\$ -	\$ 21,486
609	517	8,000	19,449
			104,239
			15
<u>\$ 609</u>	<u>\$ 517</u>	<u>\$ 8,000</u>	<u>\$ 145,189</u>
\$ -	\$ -	\$ -	\$ 58,496
			5,735
			68,269
			6,221
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,721</u>
\$ 609	\$ 517	\$ 8,000	\$ 6,468
			-
<u>\$ 609</u>	<u>\$ 517</u>	<u>\$ 8,000</u>	<u>\$ 6,468</u>
		(7,762)	5,338
<u>\$ 609</u>	<u>\$ 517</u>	<u>\$ 238</u>	<u>\$ 11,806</u>

Reserve Independent School District No.1
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2009

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>
Assets			
Cash and investments	\$ 249,382	\$ 24,720	\$ 71,467
Interfund receivables	105,714		
Due from other governments	753		
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 355,849</u>	<u>\$ 24,720</u>	<u>\$ 71,467</u>
 Liabilities and Fund Balance			
Accounts payable	<u>\$ 10,331</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ 10,331</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund balance:			
Unreserved, reported in:			
General fund	<u>\$ 345,518</u>	<u>\$ 24,720</u>	<u>\$ 71,467</u>
Total fund balance	<u>\$ 345,518</u>	<u>\$ 24,720</u>	<u>\$ 71,467</u>
Total liabilities and fund balance	<u>\$ 355,849</u>	<u>\$ 24,720</u>	<u>\$ 71,467</u>

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

<u>Instructional Materials</u>	<u>Total General Fund</u>
\$ 6,618	\$ 352,187 105,714 753
<u>\$ 6,618</u>	<u>\$ 458,654</u>
<u>\$ -</u>	<u>\$ 10,331</u>
<u>\$ -</u>	<u>\$ 10,331</u>
<u>\$ 6,618</u>	<u>\$ 448,323</u>
<u>\$ 6,618</u>	<u>\$ 448,323</u>
<u><u>\$ 6,618</u></u>	<u><u>\$ 458,654</u></u>

Reserve Independent School District No.1
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
June 30, 2009

	Operational	Teacherage	Transportation
Revenues:			
Property taxes	\$ 19,127	\$ -	\$ -
Fees and charges	2,839	18,288	
State aid	1,198,512		255,017
Federal aid	1,470,574		
Earnings on investments	5,366	18	
Miscellaneous	33,001		
	<u>\$ 2,729,419</u>	<u>\$ 18,306</u>	<u>\$ 255,017</u>
Expenditures:			
Current:			
Instruction	\$ 1,438,052	\$ -	\$ -
Support services - Students	120,918		
Support services - Instruction	65,647		
General administration	171,089		
School administration	176,389		
Central services	74,724		
Operation of plant	336,133	7,832	
Food service	23,415		
Transportation	4,076		224,286
Capital outlay	73,665		
	<u>\$ 2,484,108</u>	<u>\$ 7,832</u>	<u>\$ 224,286</u>
Revenues over (under) expenditures	\$ 245,311	\$ 10,474	\$ 30,731
Other financing sources (uses):			
Transfer in (out)			
Net change in fund balance	\$ 245,311	\$ 10,474	\$ 30,731
Fund balance, June 30, 2008	<u>100,207</u>	<u>14,246</u>	<u>40,736</u>
Fund balance, June 30, 2009	<u>\$ 345,518</u>	<u>\$ 24,720</u>	<u>\$ 71,467</u>

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

<u>Instructional Materials</u>	<u>Total General Fund</u>
\$ -	\$ 19,127
	21,127
17,077	1,470,606
	1,470,574
	5,384
	<u>33,001</u>
<u>\$ 17,077</u>	<u>\$ 3,019,819</u>
\$ 15,774	\$ 1,453,826
	120,918
667	66,314
	171,089
	176,389
	74,724
	343,965
	23,415
	228,362
	<u>73,665</u>
<u>\$ 16,441</u>	<u>\$ 2,732,667</u>
\$ 636	\$ 287,152
	-
<u>\$ 636</u>	<u>287,152</u>
5,982	161,171
<u>\$ 6,618</u>	<u>\$ 448,323</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 18,083	\$ 18,083	\$ 18,731	\$ 648
Federal sources	151,145	151,145	1,470,574	1,319,429
State sources	2,314,028	2,544,312	1,198,512	(1,345,800)
Local sources			35,840	35,840
Interest income	6,266	6,266	5,366	(900)
 Total revenues	 \$ 2,489,522	 \$ 2,719,806	 \$ 2,729,023	 \$ 9,217
Expenditures:				
Current:				
Instruction	\$ 1,461,070	\$ 1,517,370	\$ 1,441,204	\$ 76,166
Support services - Students	144,343	144,343	115,766	28,577
Support services - Instruction	81,560	81,560	65,647	15,913
General administration	186,075	196,975	174,926	22,049
School administration	180,380	181,080	176,145	4,935
Central services	98,092	98,092	73,224	24,868
Operational plant maintenance	332,339	407,244	345,475	61,769
Transportation	8,630	8,630	4,023	4,607
Food services	23,500	33,500	23,458	10,042
Capital outlay	8,000	85,479	65,924	19,555
 Total expenditures	 \$ 2,523,989	 \$ 2,754,273	 \$ 2,485,792	 \$ 268,481
 Revenues over (under) expenditures	 \$ (34,467)	 \$ (34,467)	 \$ 243,231	 \$ 277,698
Other financing sources (uses):				
Transfers out	-	-	(10,000)	(10,000)
 Net change in fund balance	 \$ (34,467)	 \$ (34,467)	 \$ 233,231	 \$ 267,698
 Fund balance, July 1, 2008	 34,467	 34,467	 46,534	 12,067
 Fund balance, June 30, 2009	 \$ -	 \$ -	 \$ 279,765	 \$ 279,765
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ 245,311
Revenue accruals (net)				(396)
Expenditure accruals (net)				(1,684)
Other financing uses (net)				(10,000)
 Net change in fund balance, NON-GAAP budgetary basis				 \$ 233,231

The accompanying notes are an integral part of these financial statements

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 17,000	\$ 17,000	\$ 18,288	\$ 1,288
Investment income	20	20	18	(2)
Total revenues	\$ 17,020	\$ 17,020	\$ 18,306	\$ 1,286
Expenditures:				
Current:				
Operation of plant	\$ 17,653	\$ 17,653	\$ 7,832	\$ 9,821
Capital outlay	17,093	17,093		17,093
Total expenditures	\$ 34,746	\$ 34,746	\$ 7,832	\$ 26,914
Net change in fund balance	\$ (17,726)	\$ (17,726)	\$ 10,474	\$ 28,200
Fund balance, July 1, 2008	17,726	17,726	14,246	(3,480)
Fund balance, June 30, 2009	\$ -	\$ -	\$ 24,720	\$ 24,720
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 10,474	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 10,474	

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
State sources	<u>\$ 249,342</u>	<u>\$ 255,017</u>	<u>\$ 255,017</u>	<u>\$ -</u>
Expenditures:				
Transportation	<u>\$ 249,342</u>	<u>\$ 255,017</u>	<u>\$ 224,286</u>	<u>\$ 30,731</u>
Net change in fund balance	\$ -	\$ -	\$ 30,731	\$ 30,731
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>40,736</u>	<u>40,736</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 71,467</u></u>	<u><u>\$ 71,467</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 30,731	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 30,731</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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 16,980	\$ 16,980	\$ 17,077	\$ 97
Expenditures:				
Instruction	\$ 15,968	\$ 15,968	\$ 15,774	\$ 194
Support services - Instruction	1,012	1,012	667	345
Total expenditures	<u>\$ 16,980</u>	<u>\$ 16,980</u>	<u>\$ 16,441</u>	<u>\$ 539</u>
Net change in fund balance	\$ -	\$ -	\$ 636	\$ 636
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>5,982</u>	<u>5,982</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,618</u></u>	<u><u>\$ 6,618</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 636	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 636</u></u>	

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 55,000	\$ 55,000	\$ 53,258	\$ (1,742)
Local sources	8,015	8,015	11,933	3,918
Earnings on investments	1,500	1,500	15	(1,485)
Total revenues	\$ 64,515	\$ 64,515	\$ 65,206	\$ 691
Expenditures:				
Current:				
Food services	\$ 64,515	\$ 64,515	\$ 63,640	\$ 875
Revenues over (under) expenditures	\$ -	\$ -	\$ 1,566	\$ 1,566
Other financing sources (uses):				
Transfers in	-	-	10,000	10,000
Net change in fund balance	\$ -	\$ -	\$ 11,566	\$ 11,566
Fund balance, July 1, 2008			(844)	(844)
Fund balance, June 30, 2009	\$ -	\$ -	\$ 10,722	\$ 10,722
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 946	
Revenue accruals (net)			(4,009)	
Expenditure accruals (net)			4,629	
Other financing sources (net)			10,000	
Net change in fund balance, NON-GAAP budgetary basis			\$ 11,566	

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 9,000	\$ 9,000	\$ 9,553	\$ 553
Expenditures:				
Current:				
Instruction	\$ 9,000	\$ 9,000	\$ 9,261	\$ (261)
Net change in fund balance	\$ -	\$ -	\$ 292	\$ 292
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>2,416</u>	<u>2,416</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,708</u>	<u>\$ 2,708</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 292	
Revenue accruals (net)				
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 292</u>	

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 34,967	\$ 34,967	\$ 14,155	\$ (20,812)
Expenditures:				
Current:				
Instruction	\$ 34,967	\$ 34,967	\$ 21,128	\$ 13,839
Net change in fund balance	\$ -	\$ -	\$ (6,973)	\$ (6,973)
Fund balance, July 1, 2008	<u> </u>	<u> </u>	(70)	(70)
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,043)</u>	<u>\$ (7,043)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(6,973)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (6,973)</u>	

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 5,365	\$ 5,365	\$ 4,623	\$ (742)
Expenditures:				
Instruction	\$ 5,365	\$ 5,365	\$ 4,588	\$ 777
Total expenditures	\$ 5,365	\$ 5,365	\$ 4,588	\$ 777
Net change in fund balance	\$ -	\$ -	\$ 35	\$ 35
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>(321)</u>	<u>(321)</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (286)</u>	<u>\$ (286)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			35	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 35</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 22,104	\$ 18,551	\$ 22,718	\$ 4,167
Expenditures:				
Current:				
Instruction	\$ 20,989	\$ 17,436	\$ 17,387	\$ 49
General administration	1,115	1,115		1,115
Total expenditures	\$ 22,104	\$ 18,551	\$ 17,387	\$ 1,164
Net change in fund balance	\$ -	\$ -	\$ 5,331	\$ 5,331
Fund balance, July 1, 2008	-	-	(10,246)	(10,246)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (4,915)	\$ (4,915)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			5,331	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 5,331	

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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 9,297	\$ 9,297	\$ 4,050	\$ (5,247)
Expenditures:				
Current:				
Instruction	\$ 9,297	\$ 9,297	\$ 7,946	\$ 1,351
Net change in fund balance	\$ -	\$ -	\$ (3,896)	\$ (3,896)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>6,638</u>	<u>6,638</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,742</u>	<u>\$ 2,742</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (3,896)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (3,896)</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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 538	\$ 538	\$ 4,110	\$ 3,572
Expenditures:				
Current:				
Instruction	\$ 538	\$ 538	\$ 100	\$ 438
Net change in fund balance	\$ -	\$ -	\$ 4,010	\$ 4,010
Fund balance, July 1, 2008	-	-	(4,010)	(4,010)
Fund balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -
 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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	-	-	1,514	1,514
Fund balance, June 30, 2009	\$ -	\$ -	\$ 1,514	\$ 1,514
 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 - 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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 6,784	\$ 6,784	\$ -	\$ (6,784)
Expenditures:				
Current:				
Support services - Instruction	\$ 6,784	\$ 6,784	\$ 5,735	\$ 1,049
Net change in fund balance	\$ -	\$ -	\$ (5,735)	\$ (5,735)
Fund balance, July 1, 2008	-	-	(3,517)	(3,517)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (9,252)	\$ (9,252)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(5,735)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (5,735)	

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	-	-	(714)	(714)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 1,891	\$ 1,891	\$ 368	\$ (1,523)
Expenditures:				
Current:				
Instruction	\$ 1,891	\$ 1,891	\$ 538	\$ 1,353
Net change in fund balance	\$ -	\$ -	\$ (170)	\$ (170)
Fund balance, July 1, 2008	<u> </u>	<u> </u>	<u>2,499</u>	<u>2,499</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,329</u>	<u>\$ 2,329</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(170)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (170)</u>	

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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	-	-	(4,876)	(4,876)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (4,876)	\$ (4,876)
 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 - 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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2008	-	-	(2,500)	(2,500)
Fund balance, June 30, 2009	\$ -	\$ -	\$ (2,500)	\$ (2,500)
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 - RURAL EDUCATION ACHIEVEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 6,051	\$ 6,051	\$ -	\$ (6,051)
Expenditures:				
Current:				
Instruction	\$ 6,051	\$ 6,051	\$ 797	\$ 5,254
Net change in fund balance	\$ -	\$ -	\$ (797)	\$ (797)
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (797)</u>	<u>\$ (797)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(797)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (797)</u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - SCHOOLS IN NEED OF IMPROVEMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ 609	\$ 609
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ 609	\$ 609
Fund balance, July 1, 2008	-	-	-	-
Fund balance, June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ 609</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 609	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 609</u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - LIBRARY AUDIO VISUAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	<u>\$ 517</u>	<u>\$ 517</u>	<u>\$ 517</u>	<u>\$ -</u>
Expenditures:				
Current:				
Support services - Instruction	<u>\$ 517</u>	<u>\$ 517</u>	<u>\$ -</u>	<u>\$ 517</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 517</u>	<u>\$ 517</u>
Fund balance, July 1, 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 517</u></u>	<u><u>\$ 517</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 517	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 517</u></u>	

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

Reserve Independent School District No. 1
CAPITAL PROJECTS FUND - PUBLIC SCHOOLS 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, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ 8,000	\$ 8,000
Expenditures:				
Current:				
Operation of plant	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ 8,000	\$ 8,000
Fund balance, July 1, 2008	-	-	(7,762)	(7,762)
Fund balance, June 30, 2009	\$ -	\$ -	\$ 238	\$ 238
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 8,000	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 8,000	

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, 2009

	<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>\$ 30,943</u>	<u>\$ 75,713</u>	<u>\$ 75,374</u>	<u>\$ 31,282</u>
Total Assets	<u><u>\$ 30,943</u></u>	<u><u>\$ 75,713</u></u>	<u><u>\$ 75,374</u></u>	<u><u>\$ 31,282</u></u>
Liabilities				
Deposits held for others:				
Reserve Schools	<u>\$ 30,943</u>	<u>\$ 75,713</u>	<u>\$ 75,374</u>	<u>\$ 31,282</u>
Total Liabilities	<u><u>\$ 30,943</u></u>	<u><u>\$ 75,713</u></u>	<u><u>\$ 75,374</u></u>	<u><u>\$ 31,282</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, 2009

	First State Bank
Checking	\$ 836,891
CD	-
Total on deposit	\$ 836,891
Less: FDIC insurance	(250,000)
Total uninsured public funds	\$ 586,891
50% collateralization requirement (Section 6-10-17 NMSA)	\$ 293,446
Pledged Securities:	
FFCB 31331V2J4 8-1-19	\$ 774,534
FHLB 3133XN4B2 12-1-22	190,157
Total pledged securities	\$ 964,691
Pledged securities over (under) requirement	\$ 671,246

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, 2009

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
First State Bank			
Operational	Checking	\$ 352,693	\$ 348,456
Cafeteria	Checking	30,537	10,722
Activity	Checking	35,336	31,282
Teacherage	Checking	25,168	24,720
Non-Instructional Support	Checking	2,708	2,708
Federal	Checking	62,820	18,073
Payroll	Checking	<u>327,629</u>	<u>-</u>
Total cash and investments		<u>\$ 836,891</u>	<u>\$ 435,961</u>

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, 2009

	<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, 2008	\$ 46,534	\$ 14,246	\$ 40,736	\$ 5,983	\$ (844)
Add: Current year receipts	2,729,024	18,305	255,017	17,076	65,205
Outstanding loans	75,000				(10,000)
Less: Current year expenditures	(2,485,794)	(7,832)	(224,286)	(16,441)	(63,640)
Transfers	<u>(10,000)</u>				<u>10,000</u>
Total cash and investments as of June 30, 2009	<u>\$ 354,764</u>	<u>\$ 24,719</u>	<u>\$ 71,467</u>	<u>\$ 6,618</u>	<u>\$ 721</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, 2009

	<u>Athletics</u>	<u>Federal Flowthrough</u>	<u>Federal Direct</u>	<u>State Flowthrough</u>	<u>Special Capital Outlay State</u>
Total cash and investments as of July 1, 2008	\$ 2,416	\$ 9,493	\$ -	\$ (956)	\$ (8,000)
Add: Current year receipts	9,553	133,143		5,544	8,000
Outstanding loans		(65,000)			
Less: Current year expenditures	(9,261)	(123,765)	(797)	(14,218)	
Transfers					
Total cash and investments as of June 30, 2009	<u>\$ 2,708</u>	<u>\$ (46,129)</u>	<u>\$ (797)</u>	<u>\$ (9,630)</u>	<u>\$ -</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, 2009

	PSCOC - 20% Fund	Debt Service	Agency	Total
Total cash and investments as of July 1, 2008	\$ 238	\$ -	\$ 30,943	\$ 140,789
Add: Current year receipts			75,713	3,316,580
Outstanding loans				-
Less: Current year expenditures			(75,374)	(3,021,408)
Transfers				-
	<u>238</u>	<u>-</u>	<u>31,282</u>	<u>435,961</u>
Total cash and investments as of June 30, 2009	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 31,282</u>	<u>\$ 435,961</u>

Reserve Independent School District No.1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct:			
Emergency Response Plan	84.184	25.25	2,972
Passed through N.M. Department of Education:			
Title I Grants to Lea's	84.010	24.101	\$ 80,563
Special Education - Grants to States	84.027	24.106	21,128
Special Education-Preschool Grants	84.173	24.109	4,588
Teacher Quality State Grants	84.367	24.154	17,387
Safe and Drug-Free Schools and Communities	84.186	24.157	100
Rural Education	84.358	24.160	<u>797</u>
Total U.S. Department of Education			<u>\$ 124,563</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Programs:			
Schools and Roads-Grants to States	10.665	N/A	\$ 1,470,574
Passed through N.M. Department of Education:			
National School Lunch Program	10.555	N/A	53,258
Passed through N.M. Department of Human Svc's:			
Emergency Food Assistance Program	10.569	N/A	<u>4,009</u>
Total U.S. Department of Agriculture			<u>\$ 1,527,841</u>
Total expenditures of federal awards			<u><u>\$ 1,655,376</u></u>

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

Reserve Independent School District #1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Reserve Independent School District No. 1 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The District received \$4,009 in food commodities during the 2008-2009 fiscal year.

Note 3 The District had the following insurance coverages during the year ended June 30, 2009:

Workers compensation	\$ 1,050,000
Property	500,000,000
Liability	1,000,000
Auto	10,000,000

Reserve Independent School District #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2009

Current Year
Status

Findings – Financial Statement Audit

07-1 I-9 forms were not present in all employee files	Repeated
08-1 Employee training and experience files were incomplete	Resolved

Findings and Questioned Costs – Major Federal Award Programs

None

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL 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 Reserve Independent School District No. 1 as of and for the year ended June 30, 2009, which collectively comprise Reserve Independent School District No. 1's basic financial statements and have issued our report thereon dated December 17, 2009. We have also audited the financial statements of each of the District's non-major governmental funds presented as other supplementary information as of and for the year ended June 30, 2009 and have issued our report thereon dated December 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 Reserve Independent School District No. 1's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects 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 a more than a remote likelihood that a misstatement of Reserve Independent School District No. 1's financial statements that is more than inconsequential will not be prevented or detected by Reserve Independent School District No. 1's internal control. We consider deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. The findings are identified in the accompanying Schedule of findings and Questioned Costs as 09-1.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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, non-compliance 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 Questioned Costs as findings 09-2, 09-3, and 07-1

Reserve Independent School District No. 1's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Reserve Independent School District No. 1's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education, management, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Public Education Department, 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 CPA's

December 17, 2009

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Reserve Independent School District No. 1 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Reserve Independent School District No. 1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Reserve Independent School District No. 1's management. Our responsibility is to express an opinion on the Reserve Independent School District No. 1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Reserve Independent School District No. 1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Reserve Independent School District No. 1's compliance with those requirements.

In our opinion, Reserve Independent School District No. 1 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Reserve Independent School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Reserve Independent School District No. 1's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Reserve Independent School District No. 1's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity'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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Education, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Public Education Department, 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 CPA's

December 17, 2009

Reserve Independent School District No. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2009

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. One significant deficiency relating to the audit of the financial statements is reported in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Bases on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*. The condition is not reported as a material weakness.
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. No significant deficiencies related to the audit of the major federal award programs are reported in the *Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for Reserve Independent School District No. 1 expresses an unqualified opinion on all major programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 were noted during the audit.
7. The programs tested as major programs included: Schools and Roads-Grants to States. CFDA No. 10.665.
8. The threshold for distinguishing types A and B programs was \$300,000.
9. Reserve Independent School District No. 1 did not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

09-1 Late Audit Report Submission

Condition – The District submitted its audit report to the New Mexico State Auditor by common carrier on December 24, 2009.

Criteria – Section 2.2.2.9A(c) of the 2009 NMAC, commonly called the Audit Rule, requires submission of the audit report by November 15, 2009.

Effect – Legislative bodies and others relying on the audit report were unable to perform a timely analysis, which could jeopardize future funding. In addition, the aforementioned Audit Rule has been violated.

Cause – The District did not submit for approval an audit contractor until late October, 2009. The contractor was unaware it had been awarded the contract until early November, 2009, which did not allow the contractor sufficient time to complete the engagement before the mandated deadline.

Recommendation – We recommend that the District establish an internal control procedure that insures when the District is notified of its ability to contract with an independent auditor, that the District so engage the auditor in a timely fashion, and present its award for approval to the State Auditor in accordance with the Audit Rule.

Agency Response – The District thought that it already had an auditor in place. In the future, we will comply with the deadlines established by the Audit rule.

OTHER INSTANCES OF NONCOMPLIANCE

09-2 Payroll Tax Deposits

Condition – In 3 of 24 instances, payroll tax deposits required by the Internal Revenue Service were not made in a timely manner

Criteria – Payroll tax deposits are required within three banking days of payroll release.

Effect – The District incurred penalties in excess of \$1,000 in each instance.

Cause – The employee charged with making the deposits did not schedule and make the deposits timely.

Recommendation – We recommend that the District calendar and make the deposits as soon as the payroll has been released.

Agency Response – The recommendation will be adopted. There was a transition period in the accounting department and a procedure to insure timely deposits has been enacted.

09-3 Budgetary Controls

Condition – The District incurred expenditures in excess of budgetary authority of \$261 in the Instruction function of the Athletics Fund.

Criteria – Sections 6-20-2-9 NMAC 1978 require, in part, that expenditures not exceed budgetary authority.

Effect – The internal controls established by adherence to budgets has been compromised, and excess spending could result. In addition, New Mexico statutes have been violated.

Cause – The District did not request the budget adjustments at year end to alleviate these budget overruns.

Recommendation – We recommend that the District adhere to their policy of reviewing year end expenditures and requesting budget adjustments where necessary.

Agency Response – The policy is currently being followed, and these were unusual circumstances which were unforeseen. We will continue to review expenditures at year end for the necessary budget adjustments.

07-1 Maintenance of Personnel Files

Condition – In eight 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 an 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 has significant personnel turnover, and the personnel files were not maintained.

Recommendation – We recommend that the District establish a policy of obtaining I-9 forms from all employees at the beginning of each school year, or on the alternative, maintain a checklist of those employees with the forms on file, and obtain them from all new employees.

Agency Response – We will obtain a new I-9 Form from all employees, and maintain the required records in the employee files.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None

OTHER – FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Stone, McGee & Co., C.P.A.'s.

EXIT CONFERENCE

The contents of this report were discussed December 15, 2009. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Deborah Porter	Board President	Reserve Independent Schools
Eddie Varela	Board Member	Reserve Independent Schools
Loren Cushman	Superintendent	Reserve Independent Schools
Cindy Shellhorn	Principal	Reserve Independent Schools
Odelia Delgado	Business Manager	Reserve Independent Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPA's