

Reserve Independent School District No. 1

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

For The Fiscal Year Ended June 30, 2010

Reserve Independent School District No.1  
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June 30, 2010

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Reserve Independent School District No. 1  
**DIRECTORY OF OFFICIALS**  
June 30, 2010

**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, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue funds of Reserve Independent School District No. 1 (District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the District's non-major governmental funds and the budgetary comparisons for the components of the General Fund, the non-major special revenue funds and the capital projects fund presented as other supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the governmental activities, each major fund, and the aggregate remaining fund information of Reserve Independent School District No. 1 as of June 30, 2010, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the General, Title I, Entitlement, and Title I Recovery Act 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, 2010, 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 October 15, 2010, 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

October 15, 2010

Reserve Independent School District No.1  
**STATEMENT OF NET ASSETS**  
June 30, 2010

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 430,966
Inventory	2,978
Due from other governments	88,736
Capital assets:	
Land	459,164
Buildings and improvements	4,184,066
Furniture and fixtures and equipment	1,364,551
Less accumulated depreciation	(2,740,263)
Total capital assets	\$ 3,267,518
Total assets	\$ 3,790,198
<b>Liabilities</b>	
Accounts payable	\$ 6,738
Long-term liabilities:	
Portion due or payable after one year:	
Compensated absences	31,168
Total liabilities	\$ 37,906
<b>Net Assets</b>	
Invested in capital assets	\$ 3,267,518
Restricted for:	
Capital projects	238
Other purposes	35,458
Unrestricted	449,078
Total net assets	\$ 3,752,292

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, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
Governmental activities:			
Instruction	\$ 1,798,590	\$ 10,597	\$ 1,693,049
Support services - Students	151,839		1,784
Support services - Instruction	76,231		5,111
General administration	179,367		1,300
School administration	186,083		205
Central services	105,557		23,156
Operation of plant	356,285	20,248	48,117
Food services	97,245	11,855	62,667
Transportation	208,211		262,195
	<u>\$ 3,159,408</u>	<u>\$ 42,700</u>	<u>\$ 2,097,584</u>

General revenues:

Property taxes:

Levied for general purposes

State aid - formula grants

Gain on the sales of assets

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
\$ -	\$ (94,944)
	(150,055)
	(71,120)
	(178,067)
	(185,878)
	(82,401)
	(287,920)
	(22,723)
	<u>53,984</u>
<u>\$ -</u>	<u>\$ (1,019,124)</u>

\$ 19,989  
933,610  
3,852  
3,667  
803

\$ 961,921

\$ (57,203)

3,809,495

\$ 3,752,292

Reserve Independent School District No.1  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
June 30, 2010

	General Fund	Title I	Entitlement	Title I Recovery Act
<b>Assets</b>				
Cash and investments	\$ 350,213	\$ 38,035	\$ -	\$ -
Inventory				
Interfund receivables	135,696			
Due from other governments	1,075	26,965	14,911	16,703
 Total assets	 \$ 486,984	 \$ 65,000	 \$ 14,911	 \$ 16,703
 <b>Liabilities and Fund Balance</b>				
Accounts payable	\$ 6,738	\$ -	\$ -	\$ -
Interfund payables		65,000	14,911	16,703
 Total liabilities	 \$ 6,738	 \$ 65,000	 \$ 14,911	 \$ 16,703
 Fund balance:				
Reserved for:				
Inventory	\$ -	\$ -	\$ -	\$ -
Capital projects				
Unreserved, reported in:				
General fund	480,246			
Special revenue funds				
 Total fund balance	 \$ 480,246	 \$ -	 \$ -	 \$ -
 Total liabilities and fund balance	 \$ 486,984	 \$ 65,000	 \$ 14,911	 \$ 16,703

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

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 42,718	\$ 430,966
2,978	2,978
29,082	135,696
<u>29,082</u>	<u>88,736</u>
<u>\$ 74,778</u>	<u>\$ 658,376</u>

\$ -	\$ 6,738
39,082	135,696
<u>39,082</u>	<u>142,434</u>

\$ 2,978	\$ 2,978
238	238
32,480	480,246
<u>32,480</u>	<u>32,480</u>
<u>\$ 35,696</u>	<u>\$ 515,942</u>
<u>\$ 74,778</u>	<u>\$ 658,376</u>

Reserve Independent School District No.1  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
June 30, 2010

Total governmental fund balances	\$ 515,942
<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.	3,267,518
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>(31,168)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 3,752,292</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, 2010

	<u>General Fund</u>	<u>Title I</u>	<u>Entitlement</u>
Revenues:			
Property taxes	\$ 19,989	\$ -	\$ -
Fees and charges	20,863		
State aid	1,199,998		
Federal aid	1,474,467	78,034	30,326
Earnings on investments	785		
Miscellaneous	8,769		
	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ 2,724,871</u>	<u>\$ 78,034</u>	<u>\$ 30,326</u>
Expenditures:			
Current:			
Instruction	\$ 1,456,524	\$ 78,034	\$ 30,326
Support services - Students	149,144		
Support services - Instruction	67,214		
General administration	168,566		
School administration	175,647		
Central services	77,286		
Operation of plant	301,492		
Food service	30,529		
Transportation	182,746		
Capital outlay	73,800		
	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 2,682,948</u>	<u>\$ 78,034</u>	<u>\$ 30,326</u>
Revenues over (under) expenditures	\$ 41,923	\$ -	\$ -
Other financing sources (uses):			
Transfer in			
Transfer out	(10,000)		
	<hr/>	<hr/>	<hr/>
Net change in fund balance	\$ 31,923	\$ -	\$ -
Fund balance, June 30, 2009	<u>448,323</u>	<hr/>	<hr/>
Fund balance, June 30, 2010	<u><u>\$ 480,246</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

<u>Title I Recovery Act</u>	<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ -	\$ 19,989
	21,837	42,700
	3,157	1,203,155
38,989	206,223	1,828,039
	18	803
		8,769
<u>\$ 38,989</u>	<u>\$ 231,235</u>	<u>\$ 3,103,455</u>
\$ 31,069	\$ 80,016	\$ 1,675,969
1,784		150,928
2,112	3,495	72,821
	1,300	169,866
	205	175,852
	23,156	100,442
	34,332	335,824
1,732	61,056	93,317
2,292		185,038
	13,785	87,585
<u>\$ 38,989</u>	<u>\$ 217,345</u>	<u>\$ 3,047,642</u>
\$ -	\$ 13,890	\$ 55,813
	10,000	10,000
		(10,000)
<u>\$ -</u>	<u>\$ 23,890</u>	<u>\$ 55,813</u>
	11,806	460,129
<u>\$ -</u>	<u>\$ 35,696</u>	<u>\$ 515,942</u>

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

June 30, 2010

Net change in fund balances-total governmental funds	\$	55,813
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense:		
Capital outlay		87,585
Depreciation expense		(170,509)
 Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal. This is the basis in the assets disposed of.		
		(1,250)
 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.		
		<u>(28,842)</u>
 <i>Change in Net Assets of Governmental Activities</i>	 \$	 <u><u>(57,203)</u></u>

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



Reserve Independent School District No. 1  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 19,256	\$ 19,256	\$ 19,866	\$ 610
Federal sources	1,323,517	1,323,517	1,474,467	150,950
State sources	1,386,945	1,415,339	1,199,998	(215,341)
Local sources	19,200	19,200	29,433	10,233
Interest income	6,259	6,259	785	(5,474)
<b>Total revenues</b>	<b>\$ 2,755,177</b>	<b>\$ 2,783,571</b>	<b>\$ 2,724,549</b>	<b>\$ (59,022)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Instruction	\$ 1,522,584	\$ 1,498,051	\$ 1,454,688	\$ 43,363
Support services - Students	186,317	160,564	154,296	6,268
Support services - Instruction	71,465	70,944	67,214	3,730
General administration	183,790	183,754	167,468	16,286
School administration	179,200	179,200	175,722	3,478
Central services	82,346	82,346	78,723	3,623
Operational plant maintenance	355,294	331,376	300,971	30,405
Transportation	246,485	246,440	154,208	92,232
Food services	31,000	31,000	30,529	471
Capital outlay	23,824	127,024	102,391	24,633
<b>Total expenditures</b>	<b>\$ 2,882,305</b>	<b>\$ 2,910,699</b>	<b>\$ 2,686,210</b>	<b>\$ 224,489</b>
Revenues over (under) expenditures	\$ (127,128)	\$ (127,128)	\$ 38,339	\$ 165,467
<b>Other financing sources (uses):</b>				
Transfers out	-	-	(10,000)	(10,000)
Net change in fund balance	\$ (127,128)	\$ (127,128)	\$ 28,339	\$ 155,467
Fund balance, July 1, 2009	127,128	127,128	382,570	255,442
Fund balance, June 30, 2010	\$ -	\$ -	\$ 410,909	\$ 410,909

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 117,837	\$ 143,586	\$ 84,956	\$ (58,630)
Expenditures:				
Current:				
Instruction	<u>\$ 117,837</u>	<u>\$ 143,586</u>	<u>\$ 78,034</u>	<u>\$ 65,552</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ 6,922	\$ 6,922
Other financing sources (uses)				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ 6,922	\$ 6,922
Fund balance, June 30, 2009	<u>-</u>	<u>-</u>	<u>31,113</u>	<u>31,113</u>
Fund balance, June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 38,035</u></u>	<u><u>\$ 38,035</u></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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	<u>\$ 73,269</u>	<u>\$ 66,727</u>	<u>\$ 22,789</u>	<u>\$ (43,938)</u>
Expenditures:				
Current:				
Instruction	<u>\$ 73,269</u>	<u>\$ 66,727</u>	<u>\$ 30,326</u>	<u>\$ 36,401</u>
Net change in fund balance	\$ -	\$ -	\$ (7,537)	\$ (7,537)
Fund balance, July 1, 2009	<u>                    </u>	<u>                    </u>	<u>(7,374)</u>	<u>(7,374)</u>
Fund balance, June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (14,911)</u></u>	<u><u>\$ (14,911)</u></u>

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

Reserve Independent School District No. 1  
**SPECIAL REVENUE FUND - TITLE I RECOVERY ACT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 40,791	\$ 81,158	\$ 22,286	\$ (58,872)
Expenditures:				
Current:				
Instruction	\$ 34,101	\$ 74,468	\$ 31,069	\$ 43,399
Student support	2,405	2,405	1,784	621
Instructional support	1,365	1,365	2,112	(747)
Transportation	1,895	1,895	2,292	(397)
Food services	1,025	1,025	1,732	(707)
Total expenditures	<u>\$ 40,791</u>	<u>\$ 81,158</u>	<u>\$ 38,989</u>	<u>\$ 42,169</u>
Net change in fund balance	\$ -	\$ -	\$ (16,703)	\$ (16,703)
Fund balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,703)</u>	<u>\$ (16,703)</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, 2010

	<u>Agency</u>
<b>Assets</b>	
Cash and investments	<u>\$ 26,658</u>
<b>Liabilities and Fund Equity</b>	
Deposits held for others	<u>\$ 26,658</u>
Total liabilities	<u>\$ 26,658</u>

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

Reserve Independent School District No. 1  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2010

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.

Title I Recovery Act – fund used to account for federal resources administered by the New Mexico State Department of Education to help local education agencies improve the teaching and learning of children failing or most at risk of failing, to meet challenging state academic achievement standards. This is accounted for as a Special Revenue Fund (ARRA P.L. 111-5).

Entitlement – P.L. 94-142, Individuals with Disabilities Education Act – to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of



this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630 and 101-476; 20 U.S.C. 1401-1419, public Law 105-17.

### **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, 2010 was \$.500 per \$1,000 for non-residential property and \$.50 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, 2010, \$.00 of the government's bank balance of \$813,198 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	-0-
Uninsured and collateral held by pledging banks		
Trust department not in District's name		<u>-0-</u>
Total	\$	<u><u>-0-</u></u>

	<u>Bank 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	563,198	207,624
Uninsured and uncollateralized	<u>-0-</u>	<u>          </u>
	<u>\$ 813,198</u>	<u>\$ 457,624</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, 2010 was as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 459,164	\$ -0-	\$ -0-	\$ 459,164
Other capital assets:				
Buildings and improvements	\$ 4,184,066	\$ -	\$ -0-	\$ 4,184,066
Furniture and equipment	<u>1,371,107</u>	<u>87,585</u>	<u>94,141</u>	<u>1,364,551</u>
Total other capital assets at historical cost	<u>\$ 5,555,173</u>	<u>\$ 87,585</u>	<u>\$ 94,141</u>	<u>\$ 5,548,617</u>
Total capital assets	<u>\$ 6,014,337</u>	<u>\$ 87,585</u>	<u>\$ 94,141</u>	<u>\$ 6,007,781</u>
Accumulated depreciation:				
Buildings and improvements	\$(2,078,249)	\$ (133,609)	\$ -0-	\$(2,211,858)
Furniture and equipment	<u>(584,396)</u>	<u>(36,900)</u>	<u>92,891</u>	<u>(528,405)</u>
Total accumulated depreciation	<u>\$(2,662,645)</u>	<u>\$ (170,509)</u>	<u>\$ 92,891</u>	<u>\$(2,740,263)</u>
Capital assets net of depreciation	<u>\$ 3,351,692</u>	<u>\$ (82,924)</u>	<u>\$ (1,250)</u>	<u>\$ 3,267,518</u>

Depreciation was charged to functions as follows:

Instruction	\$ 93,779
Student support	911
Instructional support	3,410
General administration	9,501
School administration	10,231
Central services	5,115
Operation of plant	20,461
Food services	3,928
Transportation	<u>23,173</u>
	<u>\$ 170,509</u>

Note 4 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Compensated absences	\$ 2,326	\$ 30,525	\$ 1,683	\$ 31,168

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 (ERB) 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. ERB 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 ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

Funding Policy

Effective July 1, 2009, plan members are required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The Reserve Independent School District No. 1 was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011, the employer contribution will be 13.9% of the gross covered salary. 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 ERB for the fiscal years ending June 30, 2010, 2009, and 2008 were \$351,939, \$309,163, and \$296,311 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 dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the 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](http://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. During the fiscal year ended June 30, 2010, the statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years

ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY2011	1.666%	.833%
FY2012	1.834%	.917%
FY2013	2.000%	1.000%

Also, employers joining the program after 1/01/1998 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, 2010, 2009 and 2008 were \$33,477, \$31,664, and \$30,974, 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, 2010 is as follows:

	<u>Entitlement</u>	<u>Stimulus</u>	<u>General Fund</u>	<u>Title I</u>
Net change in fund balance (GAAP) basis	\$ -0-	\$ -0-	\$ 31,923	\$ -0-
Increase (decreases):				
Revenue accruals (net)	(7,537)	(16,703)	(322)	6,922
Expenditures accruals (net)			(3,262)	
Other financing uses (net)	_____	_____	<u>-0-</u>	_____
Net change in fund balance (NON-GAAP) budgetary basis	<u>\$ (7,537)</u>	<u>\$ (16,703)</u>	<u>\$ 28,339</u>	<u>\$ 6,922</u>

Note 10 Deficit Fund Balances

The District had no deficit fund balances as of June 30, 2010.

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	\$ 25,230
Athletics	2,843
Technology for education	2,742
Other	<u>4,643</u>
	<u>\$ 35,458</u>

The government-wide statement of net assets reports \$35,696 of restricted net assets, of which \$25,230 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, 2010, were as follows:

<u>Inter-fund Receivable</u>	<u>Title I Stimulus</u>	<u>Entitlement</u>	<u>Title I</u>	<u>Other Funds</u>	<u>Total</u>
General Fund	<u>\$ 16,703</u>	<u>\$ 14,911</u>	<u>\$ 65,000</u>	<u>\$ 39,082</u>	<u>\$ 135,696</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 following funds. The District intends to monitor expenditures to hold them within budgetary authority.

Title I Recovery Act:		
Instructional support		\$ 747
Transportation		397
Food services		707
2008 Library Bond:		
Instructional support		658
State Equalization Recovery Act:		
Capital outlay		1,274

## 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, 2.0 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.

**State Equalization Stimulus** – to support and restore funding for the District programs and services in state and local education agencies.

**Library GO Bonds** – to account for funds to upgrade library books and equipment (NMPED, Laws of 2004).

### **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, 2010

	Special Revenue Funds		
	Cafeteria	Athletics	Preschool
<b>Assets</b>			
Cash and investments	\$ 32,252	\$ 2,843	\$ -
Inventory	2,978		
Due from other governments			1,317
Total assets	\$ 35,230	\$ 2,843	\$ 1,317
<b>Liabilities and Fund Balance</b>			
Interfund payable	\$ 10,000	\$ -	\$ 1,317
Accounts payable			
Deferred revenue			
Total liabilities	\$ 10,000	\$ -	\$ 1,317
<b>Fund balances:</b>			
Reserved for:			
Inventory	\$ 2,978	\$ -	\$ -
Capital projects			
Unreserved	22,252	2,843	
Total fund balance	\$ 25,230	\$ 2,843	\$ -
Total liabilities and fund balance	\$ 35,230	\$ 2,843	\$ 1,317

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

Special Revenue Funds					
<u>Entitlement Stimulus</u>	<u>Rural Education Achievement</u>	<u>State Equalization Stimulus</u>	<u>Technology For Education</u>	<u>2008 GO Bonds</u>	<u>Teacher Mentoring</u>
\$ -	\$ -	\$ -	\$ 2,742	\$ -	\$ -
<u>5,381</u>	<u>898</u>	<u>3,486</u>		<u>658</u>	<u>714</u>
<u>\$ 5,381</u>	<u>\$ 898</u>	<u>\$ 3,486</u>	<u>\$ 2,742</u>	<u>\$ 658</u>	<u>\$ 714</u>
\$ 5,381	\$ 898	\$ 3,486	\$ -	\$ 658	\$ 714
<u>\$ 5,381</u>	<u>\$ 898</u>	<u>\$ 3,486</u>	<u>\$ -</u>	<u>\$ 658</u>	<u>\$ 714</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
			<u>2,742</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,742</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,381</u>	<u>\$ 898</u>	<u>\$ 3,486</u>	<u>\$ 2,742</u>	<u>\$ 658</u>	<u>\$ 714</u>



Reserve Independent School District No.1  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET (concluded)**  
 June 30, 2010

	Special Revenue Funds			
	Energy Minerals	Professional Development	School Improvement	Kindergarten
<b>Assets</b>				
Cash and investments	\$ 2,499	\$ -	\$ 1,514	\$ -
Inventory				
Due from other governments		4,876		2,500
Total assets	<u>\$ 2,499</u>	<u>\$ 4,876</u>	<u>\$ 1,514</u>	<u>\$ 2,500</u>
<b>Liabilities and Fund Balance</b>				
Interfund payable	\$ -	\$ 4,876	\$ -	\$ 2,500
Accounts payable				
Deferred revenue				
Total liabilities	<u>\$ -</u>	<u>\$ 4,876</u>	<u>\$ -</u>	<u>\$ 2,500</u>
Fund balances:				
Reserved for:				
Inventory	\$ -	\$ -	\$ -	\$ -
Capital projects				
Unreserved	2,499		1,514	
Total fund balance	<u>\$ 2,499</u>	<u>\$ -</u>	<u>\$ 1,514</u>	<u>\$ -</u>
Total liabilities and fund balance	<u>\$ 2,499</u>	<u>\$ 4,876</u>	<u>\$ 1,514</u>	<u>\$ 2,500</u>

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

Special Revenue Funds			Capital Projects Fund	Total
Library Bonds	Schools In Need Of Improvement	Library Audio/Visual	PSCOC	
\$ -	\$ 609	\$ 21	\$ 238	\$ 42,718
9,252				2,978
				29,082
				-
<u>\$ 9,252</u>	<u>\$ 609</u>	<u>\$ 21</u>	<u>\$ 238</u>	<u>\$ 74,778</u>
\$ 9,252	\$ -	\$ -	\$ -	\$ 39,082
				-
				-
<u>\$ 9,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,082</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,978
	609	21	238	238
				32,480
<u>\$ -</u>	<u>\$ 609</u>	<u>\$ 21</u>	<u>\$ 238</u>	<u>\$ 35,696</u>
<u>\$ 9,252</u>	<u>\$ 609</u>	<u>\$ 21</u>	<u>\$ 238</u>	<u>\$ 74,778</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, 2010

	Special Revenue Funds		
	Cafeteria	Athletics	Preschool
Revenues:			
Fees and charges	\$ 11,855	\$ 9,982	\$ -
State aid			
Federal aid	60,935		6,125
Earnings on investments	18		
Total revenues	<u>\$ 72,808</u>	<u>\$ 9,982</u>	<u>\$ 6,125</u>
Expenditures:			
Current:			
Instruction	\$ -	\$ 9,847	\$ 6,125
Support services - Students			
Support services - Instruction			
General Administration			
School administration			
Central services			
Operation of plant			
Food service	61,056		
Capital outlay			
Total expenditures	<u>\$ 61,056</u>	<u>\$ 9,847</u>	<u>\$ 6,125</u>
Revenues over (under) expenditures	\$ 11,752	\$ 135	\$ -
Other financing sources (uses):			
Transfer in	10,000		
Net change in fund balance	\$ 21,752	\$ 135	\$ -
Fund balance, June 30, 2009	<u>3,478</u>	<u>2,708</u>	<u>-</u>
Fund balance, June 30, 2010	<u>\$ 25,230</u>	<u>\$ 2,843</u>	<u>\$ -</u>

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

Special Revenue Funds

Teacher Training	Entitlement Stimulus	Rural Education Achievement	State Equalization Stimulus	Technology For Education
\$ -	\$ -	\$ -	\$ -	\$ -
9,274	26,073	8,907	94,909	
<u>\$ 9,274</u>	<u>\$ 26,073</u>	<u>\$ 8,907</u>	<u>\$ 94,909</u>	<u>\$ -</u>
\$ 9,274	\$ 26,073	\$ 8,907	\$ 19,790	\$ -
			2,341	
			1,300	
			205	
			23,156	
			34,332	
			<u>13,785</u>	
<u>\$ 9,274</u>	<u>\$ 26,073</u>	<u>\$ 8,907</u>	<u>\$ 94,909</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	2,742
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,742</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, 2010

	Special Revenue Funds		
	2008 GO Bonds	Energy Minerals	School Improvement
Revenues:			
Fees and charges	\$ -	\$ -	\$ -
State aid	658	2,499	
Federal aid			
Earnings on investments			
Total revenues	<u>\$ 658</u>	<u>\$ 2,499</u>	<u>\$ -</u>
Expenditures:			
Current:			
Instruction	\$ -	\$ -	\$ -
Support services - Students			
Support services - Instruction	658		
General Administration			
School administration			
Central services			
Operation of plant			
Food service			
Capital outlay			
Total expenditures	<u>\$ 658</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues over (under) expenditures	\$ -	\$ 2,499	\$ -
Other financing sources (uses):			
Transfer in			
Net change in fund balance	\$ -	\$ 2,499	\$ -
Fund balance, June 30, 2009			1,514
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ 2,499</u>	<u>\$ 1,514</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
\$ -	\$ -	\$ -	\$ 21,837
			3,157
			206,223
			18
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,235</u>
\$ -	\$ -	\$ -	\$ 80,016
	496		-
			3,495
			1,300
			205
			23,156
			34,332
			61,056
			13,785
<u>\$ -</u>	<u>\$ 496</u>	<u>\$ -</u>	<u>\$ 217,345</u>
\$ -	\$ (496)	\$ -	\$ 13,890
			10,000
<u>\$ -</u>	<u>\$ (496)</u>	<u>\$ -</u>	<u>\$ 23,890</u>
609	517	238	11,806
<u>\$ 609</u>	<u>\$ 21</u>	<u>\$ 238</u>	<u>\$ 35,696</u>

Reserve Independent School District No.1  
**GENERAL FUND**  
**COMBINING BALANCE SHEET**  
June 30, 2010

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>
<b>Assets</b>			
Cash and investments	\$ 222,527	\$ 40,486	\$ 80,025
Interfund receivables	135,696		
Due from other governments	1,075		
Total assets	<u>\$ 359,298</u>	<u>\$ 40,486</u>	<u>\$ 80,025</u>
 <b>Liabilities and Fund Balance</b>			
Accounts payable	\$ 6,738	\$ -	\$ -
Total liabilities	\$ 6,738	\$ -	\$ -
Fund balance:			
Unreserved, reported in:			
General fund	\$ 352,560	\$ 40,486	\$ 80,025
Total fund balance	\$ 352,560	\$ 40,486	\$ 80,025
Total liabilities and fund balance	<u>\$ 359,298</u>	<u>\$ 40,486</u>	<u>\$ 80,025</u>

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

<u>Instructional Materials</u>	<u>Total General Fund</u>
\$ 7,175	\$ 350,213 135,696 1,075
<u>\$ 7,175</u>	<u>\$ 486,984</u>
<u>\$ -</u>	<u>\$ 6,738</u>
<u>\$ -</u>	<u>\$ 6,738</u>
<u>\$ 7,175</u>	<u>\$ 480,246</u>
<u>\$ 7,175</u>	<u>\$ 480,246</u>
<u><u>\$ 7,175</u></u>	<u><u>\$ 486,984</u></u>



Reserve Independent School District No.1  
**GENERAL FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
June 30, 2010

	Operational	Teacherage	Transportation
<b>Revenues:</b>			
Property taxes	\$ 19,989	\$ -	\$ -
Fees and charges	615	20,248	
State aid	933,610		259,903
Federal aid	1,474,467		
Earnings on investments	756	29	
Miscellaneous	8,769		
	<u>\$ 2,438,206</u>	<u>\$ 20,277</u>	<u>\$ 259,903</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Instruction	\$ 1,450,596	\$ -	\$ -
Support services - Students	149,144		
Support services - Instruction	67,214		
General administration	168,566		
School administration	175,647		
Central services	77,286		
Operation of plant	296,981	4,511	
Food service	30,529		
Transportation	5,201		177,545
Capital outlay			73,800
	<u>\$ 2,421,164</u>	<u>\$ 4,511</u>	<u>\$ 251,345</u>
Revenues over (under) expenditures	\$ 17,042	\$ 15,766	\$ 8,558
<b>Other financing sources (uses):</b>			
Transfer in (out)	(10,000)		
Net change in fund balance	\$ 7,042	\$ 15,766	\$ 8,558
Fund balance, June 30, 2009	<u>345,518</u>	<u>24,720</u>	<u>71,467</u>
Fund balance, June 30, 2010	<u>\$ 352,560</u>	<u>\$ 40,486</u>	<u>\$ 80,025</u>

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

<u>Instructional Materials</u>	<u>Total General Fund</u>
\$ -	\$ 19,989
	20,863
6,485	1,199,998
	1,474,467
	785
	8,769
<u>6,485</u>	<u>2,724,871</u>
\$ 6,485	\$ 2,724,871
\$ 5,928	\$ 1,456,524
	149,144
	67,214
	168,566
	175,647
	77,286
	301,492
	30,529
	182,746
	73,800
<u>5,928</u>	<u>2,682,948</u>
\$ 5,928	\$ 2,682,948
\$ 557	\$ 41,923
	(10,000)
<u>557</u>	<u>31,923</u>
6,618	448,323
<u>7,175</u>	<u>480,246</u>
<u>\$ 7,175</u>	<u>\$ 480,246</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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes	\$ 19,256	\$ 19,256	\$ 19,866	\$ 610
Federal sources	1,323,517	1,323,517	1,474,467	150,950
State sources	1,142,109	1,067,303	933,610	(133,693)
Local sources			9,185	9,185
Interest income	6,239	6,239	756	(5,483)
 Total revenues	 \$ 2,491,121	 \$ 2,416,315	 \$ 2,437,884	 \$ 21,569
 <b>Expenditures:</b>				
Current:				
Instruction	\$ 1,516,160	\$ 1,491,627	\$ 1,448,760	\$ 42,867
Support services - Students	186,317	160,564	154,296	6,268
Support services - Instruction	71,465	70,944	67,214	3,730
General administration	183,790	183,754	167,468	16,286
School administration	179,200	179,200	175,722	3,478
Central services	82,346	82,346	78,723	3,623
Operational plant maintenance	335,259	311,341	296,460	14,881
Transportation	8,073	8,028	5,254	2,774
Food services	31,000	31,000	30,529	471
Capital outlay	1,904	1,904		1,904
 Total expenditures	 \$ 2,595,514	 \$ 2,520,708	 \$ 2,424,426	 \$ 96,282
 Revenues over (under) expenditures	 \$ (104,393)	 \$ (104,393)	 \$ 13,458	 \$ 117,851
 Other financing sources (uses):				
Transfers out	-	-	(10,000)	(10,000)
 Net change in fund balance	 \$ (104,393)	 \$ (104,393)	 \$ 3,458	 \$ 107,851
 Fund balance, July 1, 2009	 104,393	 104,393	 279,765	 175,372
 Fund balance, June 30, 2010	 \$ -	 \$ -	 \$ 283,223	 \$ 283,223
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 7,042	
Revenue accruals (net)			(322)	
Expenditure accruals (net)			(3,262)	
Other financing uses (net)				
 Net change in fund balance, NON-GAAP budgetary basis			 \$ 3,458	

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources	\$ 19,200	\$ 19,200	\$ 20,248	\$ 1,048
Investment income	<u>20</u>	<u>20</u>	<u>29</u>	<u>9</u>
Total revenues	<u>\$ 19,220</u>	<u>\$ 19,220</u>	<u>\$ 20,277</u>	<u>\$ 1,057</u>
Expenditures:				
Current:				
Operation of plant	\$ 20,035	\$ 20,035	\$ 4,511	\$ 15,524
Capital outlay	<u>21,920</u>	<u>21,920</u>	<u>          </u>	<u>21,920</u>
Total expenditures	<u>\$ 41,955</u>	<u>\$ 41,955</u>	<u>\$ 4,511</u>	<u>\$ 37,444</u>
Net change in fund balance	\$ (22,735)	\$ (22,735)	\$ 15,766	\$ 38,501
Fund balance, July 1, 2009	<u>22,735</u>	<u>22,735</u>	<u>24,720</u>	<u>1,985</u>
Fund balance, June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 40,486</u></u>	<u><u>\$ 40,486</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 15,766	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 15,766</u></u>	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 238,412	\$ 341,612	\$ 259,903	\$ (81,709)
Investment income				-
Total revenues	\$ 238,412	\$ 341,612	\$ 259,903	\$ (81,709)
Expenditures:				
Current:				
Transportation	\$ 238,412	\$ 238,412	\$ 148,954	\$ 89,458
Capital outlay		103,200	102,391	809
Total expenditures	\$ 238,412	\$ 341,612	\$ 251,345	\$ 90,267
Net change in fund balance	\$ -	\$ -	\$ 8,558	\$ 8,558
Fund balance, July 1, 2009			71,467	71,467
Fund balance, June 30, 2010	\$ -	\$ -	\$ 80,025	\$ 80,025
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 8,558	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 8,558	

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 6,424	\$ 6,424	\$ 6,485	\$ 61
Expenditures:				
Instruction	\$ 6,424	\$ 6,424	\$ 5,928	\$ 496
Support services - Instruction				-
Total expenditures	<u>\$ 6,424</u>	<u>\$ 6,424</u>	<u>\$ 5,928</u>	<u>\$ 496</u>
Net change in fund balance	\$ -	\$ -	\$ 557	\$ 557
Fund balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>6,618</u>	<u>6,618</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,175</u>	<u>\$ 7,175</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 557	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ 557</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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 51,500	\$ 51,500	\$ 56,694	\$ 5,194
Local sources	12,695	12,695	11,855	(840)
Earnings on investments	15	15	18	3
Total revenues	\$ 64,210	\$ 64,210	\$ 68,567	\$ 4,357
Expenditures:				
Current:				
Food services	\$ 64,210	\$ 64,210	\$ 57,037	\$ 7,173
Revenues over (under) expenditures	\$ -	\$ -	\$ 11,530	\$ 11,530
Other financing sources (uses):				
Transfers in	-	-	10,000	10,000
Net change in fund balance	\$ -	\$ -	\$ 21,530	\$ 21,530
Fund balance, July 1, 2009			10,722	10,722
Fund balance, June 30, 2010	\$ -	\$ -	\$ 32,252	\$ 32,252
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 21,752	
Revenue accruals (net)			(4,241)	
Expenditure accruals (net)			4,019	
Other financing sources (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ 21,530	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 9,555	\$ 9,555	\$ 9,982	\$ 427
Expenditures:				
Current:				
Instruction	\$ 9,847	\$ 9,847	\$ 9,847	\$ -
Net change in fund balance	\$ (292)	\$ (292)	\$ 135	\$ 427
Fund balance, July 1, 2009	292	292	2,708	2,416
Fund balance, June 30, 2010	\$ -	\$ -	\$ 2,843	\$ 2,843
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 135	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 135	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 5,365	\$ 6,125	\$ 5,094	\$ (1,031)
Expenditures:				
Instruction	\$ 5,365	\$ 6,125	\$ 6,125	\$ -
Total expenditures	\$ 5,365	\$ 6,125	\$ 6,125	\$ -
Net change in fund balance	\$ -	\$ -	\$ (1,031)	\$ (1,031)
Fund balance, July 1, 2009	-	-	(286)	(286)
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,317)</u>	<u>\$ (1,317)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(1,031)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (1,031)</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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 21,677	\$ 21,677	\$ 14,189	\$ (7,488)
Expenditures:				
Current:				
Instruction	\$ 21,677	\$ 21,677	\$ 9,274	\$ 12,403
General administration	-	-	-	-
Total expenditures	\$ 21,677	\$ 21,677	\$ 9,274	\$ 12,403
Net change in fund balance	\$ -	\$ -	\$ 4,915	\$ 4,915
Fund balance, July 1, 2009	-	-	(4,915)	(4,915)
Fund balance, June 30, 2010	\$ -	\$ -	\$ -	\$ -
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			4,915	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 4,915	

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2009	-	-	2,742	2,742
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,742</u>	<u>\$ 2,742</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2009	-	-	1,514	1,514
Fund balance, June 30, 2010	\$ -	\$ -	\$ 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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2009	-	-	(9,252)	(9,252)
Fund balance, June 30, 2010	\$ -	\$ -	\$ (9,252)	\$ (9,252)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ -	

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

Reserve Independent School District No. 1  
**SPECIAL REVENUE FUND - TEACHER MENTORING**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2009	-	-	(714)	(714)
Fund balance, June 30, 2010	\$ -	\$ -	\$ (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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ 170	\$ 170
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ 170	\$ 170
Fund balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>2,329</u>	<u>2,329</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,499</u>	<u>\$ 2,499</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 2,499	
Revenue accruals (net)			(2,329)	
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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2009	-	-	(4,876)	(4,876)
Fund balance, June 30, 2010	\$ -	\$ -	\$ (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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2009	-	-	(2,500)	(2,500)
Fund balance, June 30, 2010	\$ -	\$ -	\$ (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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 9,026	\$ 12,422	\$ 8,806	\$ (3,616)
Expenditures:				
Current:				
Instruction	\$ 9,026	\$ 12,422	\$ 8,907	\$ 3,515
Net change in fund balance	\$ -	\$ -	\$ (101)	\$ (101)
Fund balance, July 1, 2009	-	-	(797)	(797)
Fund balance, June 30, 2010	\$ -	\$ -	\$ (898)	\$ (898)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(101)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (101)	

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2009	-	-	609	609
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ 609</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 517	\$ 517	\$ -	\$ (517)
Expenditures:				
Current:				
Support services - Instruction	\$ 517	\$ 517	\$ 496	\$ 21
Net change in fund balance	\$ -	\$ -	\$ (496)	\$ (496)
Fund balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>517</u>	<u>517</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 21</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (496)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (496)</u>	

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

Reserve Independent School District No. 1  
**SPECIAL REVENUE FUND - 2008 LIBRARY BOND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instructional support	\$ -	\$ -	\$ 658	\$ (658)
Net change in fund balance	\$ -	\$ -	\$ (658)	\$ (658)
Fund balance, July 1, 2009	-	-		-
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (658)</u>	<u>\$ (658)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(658)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (658)</u>	

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

Reserve Independent School District No. 1  
**SPECIAL REVENUE FUND - ENTITLEMENT RECOVERY ACT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 26,996	\$ 26,073	\$ 20,692	\$ (5,381)
Expenditures:				
Instruction	\$ 26,996	\$ 26,073	\$ 26,073	\$ -
Total expenditures	<u>\$ 26,996</u>	<u>\$ 26,073</u>	<u>\$ 26,073</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ (5,381)	\$ (5,381)
Fund balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2010	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (5,381)</u></u>	<u><u>\$ (5,381)</u></u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(5,381)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (5,381)</u></u>	

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

Reserve Independent School District No. 1  
**SPECIAL REVENUE FUND - STATE EQUALIZATION RECOVERY ACT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 153,326	\$ 189,099	\$ 94,395	\$ (94,704)
Expenditures:				
Current:				
Instruction	\$ 43,000	\$ 43,000	\$ 22,762	\$ 20,238
Instructional support	4,500	4,500	2,341	2,159
General administration	4,000	4,000	1,300	2,700
School administration	1,513	1,513	205	1,308
Central services	46,493	46,493	23,156	23,337
Operation of plant	38,820	74,593	31,843	42,750
Capital outlay	15,000	15,000	16,274	(1,274)
Total expenditures	<u>\$ 153,326</u>	<u>\$ 189,099</u>	<u>\$ 97,881</u>	<u>\$ 91,218</u>
Net change in fund balance	\$ -	\$ -	\$ (3,486)	\$ (3,486)
Fund balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,486)</u>	<u>\$ (3,486)</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(514)	
Expenditure accruals (net)			<u>(2,972)</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (3,486)</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, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Operation of plant	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2009	-	-	238	238
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238</u>	<u>\$ 238</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

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, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Assets</b>				
Cash and investments:				
Reserve Schools	<u>\$ 31,282</u>	<u>\$ 77,448</u>	<u>\$ 82,072</u>	<u>\$ 26,658</u>
Total Assets	<u><u>\$ 31,282</u></u>	<u><u>\$ 77,448</u></u>	<u><u>\$ 82,072</u></u>	<u><u>\$ 26,658</u></u>
<b>Liabilities</b>				
Deposits held for others:				
Reserve Schools	<u>\$ 31,282</u>	<u>\$ 77,448</u>	<u>\$ 82,072</u>	<u>\$ 26,658</u>
Total Liabilities	<u><u>\$ 31,282</u></u>	<u><u>\$ 77,448</u></u>	<u><u>\$ 82,072</u></u>	<u><u>\$ 26,658</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, 2010

	<u>First State Bank</u>
Checking	\$ 813,198
CD	
	<hr/>
Total on deposit	\$ 813,198
Less: FDIC insurance	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 563,198</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ 281,599</u>
Pledged Securities:	
FFCB 31331V2J4 8-1-19	\$ 703,217
FHLB 3133XN4B2 12-1-22	<u>197,277</u>
Total pledged securities	<u>\$ 900,494</u>
Pledged securities over (under) requirement	<u>\$ 618,895</u>

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, 2010

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
First State Bank			
Operational	Checking	\$ 358,212	\$ 330,154
Cafeteria	Checking	22,176	22,176
Activity	Checking	29,237	26,658
Teacherage	Checking	41,233	40,486
Non-Instructional Support	Checking	2,264	2,889
Federal	Checking	5,108	5,033
Payroll	Checking	<u>354,968</u>	<u>30,228</u>
 Total cash and investments		 <u>\$ 813,198</u>	 <u>\$ 457,624</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, 2010

	<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, 2009	\$ 279,765	\$ 24,720	\$ 71,468	\$ 6,617	\$ 722
Add: Current year receipts	2,437,884	20,277	259,903	6,485	68,567
Outstanding loans	75,000				(10,000)
Less: Current year expenditures	(2,424,429)	(4,511)	(251,345)	(5,928)	(57,037)
Transfers	<u>(10,000)</u>				<u>10,000</u>
Total cash and investments as of June 30, 2010, per school district classification	\$ 358,220	\$ 40,486	\$ 80,026	\$ 7,174	\$ 12,252
Audit adjustment					<u>10,000</u>
Total cash and investments as of June 30, 2010	<u>\$ 358,220</u>	<u>\$ 40,486</u>	<u>\$ 80,026</u>	<u>\$ 7,174</u>	<u>\$ 22,252</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, 2010

	<u>PSCOC - 20%</u> <u>Fund</u>	<u>Debt</u> <u>Service</u>	<u>Agency</u>	<u>Total</u>
Total cash and investments as of July 1, 2009	\$ 238	\$ -	\$ 31,282	\$ 360,963
Add: Current year receipts			77,448	3,153,923
Outstanding loans				-
Less: Current year expenditures			(82,072)	(3,132,262)
Transfers				-
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments as of June 30, 2010, per school district classification	\$ 238	\$ -	\$ 26,658	\$ 382,624
Audit adjustment				75,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments as of June 30, 2010	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 26,658</u>	<u>\$ 457,624</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, 2010

	<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, 2009	\$ 2,708	\$ (46,129)	\$ (797)	\$ (9,631)	\$ -
Add: Current year receipts	9,982	170,006	103,201	170	
Outstanding loans		(65,000)			
Less: Current year expenditures	(9,847)	(189,153)	(106,787)	(1,153)	
Transfers					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments as of June 30, 2010, per school district classification	\$ 2,843	\$ (130,276)	\$ (4,383)	\$ (10,614)	\$ -
Audit adjustment		65,000			
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and investments as of June 30, 2010	<u>\$ 2,843</u>	<u>\$ (65,276)</u>	<u>\$ (4,383)</u>	<u>\$ (10,614)</u>	<u>\$ -</u>



Reserve Independent School District No.1  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Fiscal Year Ended June 30, 2010

<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>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Direct:			
ARRA-State Fiscal Stabilization Fund	84.394	25.250	\$ 94,909
Rural Education Achievement	84.358	25.233	8,907
Passed through N.M. Department of Education:			
Title I Grants to Lea's	84.010	24.101	78,034
ARRA-Title I Grants to Lea's, Recovery Act	84.389	24.201	38,989
Special Education - Grants to States	84.027	24.106	30,326
AARA-Special Education-Grants to States, Recovery Act	84.391	24.206	26,073
Special Education-Preschool Grants	84.173	24.109	6,125
Teacher Quality State Grants	84.367	24.154	<u>9,274</u>
Total U.S. Department of Education			<u>\$ 292,637</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Direct Programs:			
Schools and Roads-Grants to States	10.665	N/A	\$ 1,474,467
Passed through N.M. Department of Education:			
National School Lunch Program	10.555	N/A	37,947
National School Breakfast Program	10.553	N/A	18,747
Passed through N.M. Department of Human Svc's:			
Emergency Food Assistance Program	10.569	N/A	<u>4,241</u>
Total U.S. Department of Agriculture			<u>\$ 1,535,402</u>
Total expenditures of federal awards			<u>\$ 1,828,039</u>



Reserve Independent School District #1  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2010

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 \$4,241 in food commodities during the 2009-2010 fiscal year.

Note 3    The District had the following insurance coverages during the year ended June 30, 2010:

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, 2010

Current Year  
Status

**Findings – Financial Statement Audit**

07-1 I-9 forms were not present in all employee files	Repeated
09-1 Audit report not submitted by required deadline	Resolved
09-2 Payroll tax deposits not made timely	Resolved
09-3 Expenditures made in excess of budgetary authority	Repeated

**Findings and Questioned Costs – Major Federal Award Programs**

None

MIKE STONE, C.P.A.  
LINDA STONE MCGEE, C.P.A.  
KAY STONE, C.P.A.  
JARROD MASON, C.P.A.  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS 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, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of Reserve Independent School District No. 1 as of and for the year ended June 30, 2010, which collectively comprise Reserve Independent School District No. 1's basic financial statements and have issued our report thereon dated October 15, 2010. We have also audited the financial statements of each of the District's non-major governmental funds and related budgetary comparisons presented as other supplementary information as of and for the year ended June 30, 2010 and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting, identified as item 2010-1. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 07-1 and 09-3.

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

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

Stone, McGee & Co. CPAs

October 15, 2010

MIKE STONE, C.P.A.  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Reserve Independent School District No. 1's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Reserve Independent School District No. 1's major federal programs for the year ended June 30, 2010. 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 Reserve Independent School District No. 1's management. Our responsibility is to express an opinion on 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 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 of 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

Management of 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 Reserve Independent School District No. 1's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reserve Independent School District No. 1's internal control over compliance.

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

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

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

Stone, McGee & Co CPAs

October 15, 2010

Reserve Independent School District No. 1  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2010

**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 Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*. The deficiency 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 *Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on 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**

**2010-1 Cash Reporting**

Condition – The District's cash reconciliations, which reflect actual cash in the bank, did not agree to amounts reflected in the general ledger. The District reconciled cash balances totaled \$75,000 more than the balances in the general ledger.

Criteria – Sound accounting practice and the PED *Manual of Procedures* requires the monthly reconciliation of cash in the bank to general ledger amounts.

Effect – Reports furnished to the local school board and the Public Education Department did not reflect the actual cash balances of the District. In addition, without accurate cash balances, management of the District becomes problematical.

Cause – District personnel had entered inter-fund loan transactions twice, and were unable to locate the difference.

Recommendation – We recommend that the District establish an internal control procedure whereby reconciled cash balances are reconciled to general ledger amounts on a monthly basis. We further recommend that the Superintendent review these reconciliations for accuracy.

Agency Response – The recommendation will be adopted.

#### OTHER INSTANCES OF NONCOMPLIANCE

##### 09-3 Budgetary Controls

Condition – The District incurred expenditures in excess of budgetary authority of \$747 in the instructional support function, \$397 in the transportation function, and \$707 in the food service function of the Title I Recovery Fund. The District also incurred expenditures in excess of budgetary authority of \$658 in the instructional support function of the 2008 Library Bond fund, and \$1,274 in the capital outlay function of the State Equalization Recovery Act.

Criteria – Section 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 three 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 not yet completed review of personnel files for missing documents.



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 have substantially reduced the number of missing documents in employee files, and we will continue to update the files until all required documents are present.

**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 September 30, 2010. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Deborah Porter	Board President	Reserve Independent Schools
Joan McCargish	Board Vice-President	Reserve Independent Schools
Ann Baca	Audit Committee Member	Reserve Independent Schools
Sharon Armijo	Audit Committee Member	Reserve Independent Schools
Loren Cushman	Superintendent	Reserve Independent Schools
Odelia Delgado	Business Manager	Reserve Independent Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPA's