

Reserve Independent School District No. 1

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

For The Fiscal Year Ended June 30, 2011

Reserve Independent School District No.1
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Reserve Independent School District No. 1
DIRECTORY OF OFFICIALS
June 30, 2011

BOARD OF EDUCATION

Eddie Varela	President
Alan Tackman	Vice-President
Aaron Manelos	Secretary
Debra Porter	Member
Stanley Radvillas	Member

SCHOOL OFFICIALS

Christina Rigtrup	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, 2011, 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, 2011, 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 statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reserve Independent School District No. 1 as of June 30, 2011, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the General, Title I, and Entitlement 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, 2011, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the components of

the general fund, the non-major special revenue funds, and the capital projects fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

Stone, McGee & Co CPA's

December 10, 2012

Stone, McGee & Co.
Certified Public Accountants

Reserve Independent School District No.1
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 367,077
Inventory	1,489
Due from other governments	177,772
Capital assets:	
Land	459,164
Buildings and improvements	4,266,109
Furniture and fixtures and equipment	1,455,970
Less accumulated depreciation	(2,913,307)
Total capital assets	\$ 3,267,936
Total assets	\$ 3,814,274
Liabilities	
Cash overdraft	\$ 59,165
Accounts payable	18,319
Long-term liabilities:	
Portion due or payable after one year:	
Compensated absences	21,430
Total liabilities	\$ 98,914
Net Assets	
Invested in capital assets	\$ 3,267,936
Restricted for:	
Capital projects	238
Other purposes	46,148
Unrestricted	401,038
Total net assets	\$ 3,715,360

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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Operating Grants and Contributions</u>
Governmental activities:			
Instruction	\$ 1,773,121	\$ 10,235	\$ 1,336,615
Support services - Students	207,817		90,486
Support services - Instruction	360,467		283,911
General administration	258,580	11,337	16,837
School administration	207,738		4,662
Central services	83,466		
Operation of plant	389,882	17,177	31,948
Food services	100,504	10,246	69,210
Transportation	176,591		133,301
Other support services	2,582		
 Total governmental activities	 <u>\$ 3,560,748</u>	 <u>\$ 48,995</u>	 <u>\$ 1,966,970</u>

General revenues:

Property taxes:

Levied for general purposes

State aid - formula grants

Recoveries and refunds

Unrestricted investment earnings

Total general revenues and special items

Change in net assets

Net assets--beginning

Net assets--ending

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

<u>Revenues</u> Capital Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Assets</u> Total Governmental Activities
\$ -	\$ (426,271)
	(117,331)
	(76,556)
	(230,406)
	(203,076)
	(83,466)
89,410	(251,347)
	(21,048)
	(43,290)
	(2,582)
<u>\$ 89,410</u>	<u>\$ (1,455,373)</u>

\$ 20,649
1,386,564
10,451
<u>777</u>
<u>\$ 1,418,441</u>
\$ (36,932)
<u>3,752,292</u>
<u><u>\$ 3,715,360</u></u>

Reserve Independent School District No.1
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Title I	Entitlement Recovery Act
Assets			
Cash and investments	\$ 291,400	\$ 37,234	\$ -
Inventory			
Interfund receivables	148,737		
Due from other governments	650	27,766	37,149
 Total assets	\$ 440,787	\$ 65,000	\$ 37,149
 Liabilities and Fund Balance			
Cash overdraft	\$ -	\$ -	\$ 34,266
Accounts payable	18,319	-	
Interfund payables		65,000	2,883
 Total liabilities	\$ 18,319	\$ 65,000	\$ 37,149
 Fund balance:			
Nonspendable			
Inventory	\$ -	\$ -	\$ -
Restricted for:			
Education			
Food service			
Capital projects			
Unassigned	422,468		
 Total fund balance	\$ 422,468	\$ -	\$ -
 Total liabilities and fund balance	\$ 440,787	\$ 65,000	\$ 37,149

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

<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$ 38,443	\$ 367,077
1,489	1,489
112,207	148,737
112,207	177,772
<u>\$ 152,139</u>	<u>\$ 695,075</u>
\$ 24,899	\$ 59,165
	18,319
80,854	148,737
80,854	148,737
<u>\$ 105,753</u>	<u>\$ 226,221</u>
\$ 1,489	\$ 1,489
8,420	8,420
36,239	36,239
238	238
	422,468
46,386	422,468
<u>\$ 46,386</u>	<u>\$ 468,854</u>
<u>\$ 152,139</u>	<u>\$ 695,075</u>

Reserve Independent School District No.1
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**
June 30, 2011

Total governmental fund balances	\$ 468,854
<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.	3,267,936
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>(21,430)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 3,715,360</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**
For the Fiscal Year Ended June 30, 2011

	General Fund	Title I	Entitlement Recovery Act
Revenues:			
Property taxes	\$ 20,649	\$ -	\$ -
Fees and charges	17,490		
State aid	1,538,921		
Federal aid	1,042,817	82,188	31,768
Earnings on investments	749		
Miscellaneous	10,451		
Total revenues	\$ 2,631,077	\$ 82,188	\$ 31,768
Expenditures:			
Current:			
Instruction	\$ 1,433,521	\$ 82,188	\$ -
Support services - Students	116,489		31,768
Support services - Instruction	105,459		
General administration	232,476		
School administration	192,967		
Central services	78,411		
Operation of plant	333,162		
Food service	30,148		
Transportation	153,002		
Other support services	2,582		
Capital outlay	10,638		
Total expenditures	\$ 2,688,855	\$ 82,188	\$ 31,768
Revenues over (under) expenditures	\$ (57,778)	\$ -	\$ -
Other financing sources (uses):			
Transfer in			
Transfer out			
Net change in fund balance	\$ (57,778)	\$ -	\$ -
Fund balance, June 30, 2010	480,246		
Fund balance, June 30, 2011	\$ 422,468	\$ -	\$ -

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

<u>Other Funds</u>	<u>Governmental Funds Total</u>
\$ -	\$ 20,649
20,168	37,658
85,711	1,624,632
670,876	1,827,649
28	777
2,000	12,451
<u>\$ 778,783</u>	<u>\$ 3,523,816</u>
\$ 174,479	\$ 1,690,188
58,718	206,975
251,639	357,098
16,837	249,313
4,662	197,629
	78,411
31,948	365,110
66,986	97,134
	153,002
	2,582
<u>162,824</u>	<u>173,462</u>
<u>\$ 768,093</u>	<u>\$ 3,570,904</u>
\$ 10,690	\$ (47,088)
	-
	-
<u>\$ 10,690</u>	<u>\$ (47,088)</u>
<u>35,696</u>	<u>515,942</u>
<u>\$ 46,386</u>	<u>\$ 468,854</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, 2011

Net change in fund balances-total governmental funds	\$	(47,088)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay		173,462
Depreciation expense		(173,044)

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.

9,738

Change in Net Assets of Governmental Activities

\$ (36,932)

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 20,601	\$ 20,601	\$ 21,074	\$ 473
Federal sources	1,327,021	1,169,996	1,038,017	(131,979)
State sources	1,427,808	1,414,843	1,526,794	111,951
Local sources	22,200	22,200	32,741	10,541
Interest income	736	736	749	13
 Total revenues	 \$ 2,798,366	 \$ 2,628,376	 \$ 2,619,375	 \$ (9,001)
Expenditures:				
Current:				
Instruction	\$ 1,601,643	\$ 1,485,647	\$ 1,425,490	\$ 60,157
Support services - Students	233,397	152,397	116,489	35,908
Support services - Instruction	99,262	99,262	93,332	5,930
General administration	196,787	270,124	233,456	36,668
School administration	181,584	181,584	178,095	3,489
Central services	82,072	82,072	78,469	3,603
Operational plant maintenance	465,195	440,195	333,446	106,749
Transportation	174,716	160,715	153,002	7,713
Food services	35,000	35,000	30,148	4,852
Other support services	6,218	6,218	2,582	3,636
Capital outlay	30,000	26,000	10,638	15,362
 Total expenditures	 \$ 3,105,874	 \$ 2,939,214	 \$ 2,655,147	 \$ 284,067
Revenues over (under) expenditures	\$ (307,508)	\$ (310,838)	\$ (35,772)	\$ 275,066
Other financing sources (uses):				
Transfers out	-	-	-	-
Net change in fund balance	\$ (307,508)	\$ (310,838)	\$ (35,772)	\$ 275,066
Fund balance, July 1, 2011	332,838	332,838	410,909	78,071
Fund balance, June 30, 2012	\$ 25,330	\$ 22,000	\$ 375,137	\$ 353,137
Budgetary reconciliation:				
Net change in fund balance, GAAP basis				\$ (57,778)
Revenue accruals (net)				(11,702)
Expenditure accruals (net)				33,708
Net change in fund balance, NON-GAAP budgetary basis				\$ (35,772)

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 110,027	\$ 110,027	\$ 81,387	\$ (28,640)
Expenditures:				
Current:				
Instruction	<u>\$ 110,027</u>	<u>\$ 110,027</u>	<u>\$ 82,188</u>	<u>\$ 27,839</u>
Revenues over (under) expenditures	\$ -	\$ -	\$ (801)	\$ (801)
Other financing sources (uses)				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ -	\$ -	\$ (801)	\$ (801)
Fund balance, June 30, 2010	<u>-</u>	<u>-</u>	<u>38,035</u>	<u>38,035</u>
Fund balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,234</u></u>	<u><u>\$ 37,234</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(801)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (801)</u></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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ 31,794	\$ -	\$ (31,794)
Expenditures:				
Instruction	\$ -	\$ 31,794	\$ 31,768	\$ 26
Total expenditures	<u>\$ -</u>	<u>\$ 31,794</u>	<u>\$ 31,768</u>	<u>\$ 26</u>
Net change in fund balance	\$ -	\$ -	\$ (31,768)	\$ (31,768)
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>(5,381)</u>	<u>(5,381)</u>
Fund balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (37,149)</u></u>	<u><u>\$ (37,149)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(31,768)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (31,768)</u></u>	

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

Reserve Independent School District No.1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2011

	<u>Agency</u>
Assets	
Cash and investments	<u>\$ 32,844</u>
 Liabilities and Fund Equity	
Deposits held for others	<u>\$ 32,844</u>
Total liabilities	<u>\$ 32,844</u>

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

Reserve Independent School District No. 1
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

Entitlement Recovery Act – 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. This is a Special Revenue Fund.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

1. Accrual:

The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The government funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within 60 days after year end. Revenue that is not available is recorded as deferred revenue. 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

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

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

The Board of Education establishes (an modified or rescinds) fund balance commitments by adoption of a resolution or a vote of the Board. This is typically done through the adoption and amendment of the budget. Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for a specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes). Expenditures which are eligible for within more than one classification are considered expended first from committed resources, second from assigned resources, and finally from unassigned resources.

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, 2011 was \$.500 per \$1,000 for non-residential property and \$.478 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, 2011, \$.00 of the government's bank balance of \$742,498 was exposed to custodial credit risk as follows:

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:		
Insured	\$ 250,000	\$ 250,000
Collateral held by the pledging bank's agent in the District's name	492,498	90,756
Uninsured and uncollateralized	<u>-0-</u>	<u> </u>
	<u>\$ 742,498</u>	<u>\$ 340,756</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, 2011 was as follows:

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 459,164	\$ -0-	\$ -0-	\$ 459,164
Other capital assets:				
Buildings and improvements	\$ 4,184,066	\$ 82,043	\$ -0-	\$ 4,266,109
Furniture and equipment	<u>1,364,551</u>	<u>91,419</u>	<u>-0-</u>	<u>1,455,970</u>
Total other capital assets at historical cost	<u>\$ 5,548,617</u>	<u>\$ 173,462</u>	<u>\$ -0-</u>	<u>\$ 5,722,079</u>
Total capital assets	<u>\$ 6,007,781</u>	<u>\$ 173,462</u>	<u>\$ -0-</u>	<u>\$ 6,181,243</u>
Accumulated depreciation:				
Buildings and improvements	\$(2,211,858)	\$(134,842)	\$ -0-	\$(2,346,700)
Furniture and equipment	<u>(528,405)</u>	<u>(38,202)</u>	<u>-0-</u>	<u>(566,607)</u>
Total accumulated depreciation	<u>\$(2,740,263)</u>	<u>\$(173,044)</u>	<u>\$ -0-</u>	<u>\$(2,913,307)</u>
Capital assets net of depreciation	<u>\$ 3,267,518</u>	<u>\$ 418</u>	<u>\$ -0-</u>	<u>\$ 3,267,936</u>

Depreciation was charged to functions as follows:

Instruction	\$ 92,671
Student support	842
Instructional support	3,369
General administration	9,267
School administration	10,109
Central services	5,055
Operation of plant	24,772
Food services	23,589
Transportation	<u>3,370</u>
	<u>\$ 173,044</u>

Note 4 Long-term Debt

Changes in long-term debt were as follows during the year end June 30, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Compensated absences	<u>\$ 31,168</u>	<u>\$ 7,926</u>	<u>\$ 17,664</u>	<u>\$ 21,430</u>

Note 5 Retirement Plan

Plan Description

Substantially all of the Reserve Independent School District No. 1's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (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.

Funding Policy

Effective July 1, 2009, through June 30, 2011, plan members were 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. Effective July 1, 2011 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 are required to contribute 11.15% of their gross salary. The Reserve Independent School District No. 1 is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. 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, 2011, 2010, and 2009 were \$342,949, \$351,939, and \$309,163 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.

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, 2011, the statute requires each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and 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>
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, 2011, 2010 and 2009 were \$39,510, \$33,477, and \$31,664, 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 District has not incurred any losses in excess of insurance coverage in the last three years.

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

The District had no deficit fund balances as of June 30, 2011.

Note 10 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	\$ 37,728
Athletics	2,710
Technology for education	1,067
Other	<u>4,643</u>
	<u>\$ 46,148</u>

The government-wide statement of net assets reports \$46,386 of restricted net assets, of which \$43,438 is restricted by enabling legislation.

Note 11 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 12 Inter-fund Activity

Inter-fund balances at June 30, 2011, were as follows:

<u>Inter-fund Receivable</u>	<u>Entitlement Recovery Act</u>	<u>Title I</u>	<u>Other Funds</u>	<u>Total</u>
General Fund	<u>\$ 2,883</u>	<u>\$ 65,000</u>	<u>\$ 80,854</u>	<u>\$ 148,737</u>

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

Note 13 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:		
General administration		\$ 5,500
Entitlement:		
School administration		4,662
State Equalization Recovery Act:		
Instruction		13,412
Capital outlay		10,640

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/Recovery Act – 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.

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

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

Preschool/Kindergarten/Three Plus/Recovery Act – 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.

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, Section 611, as amended; P.L. 91-230, 93-380, 94-142, 98-199, 99-457, 100-630 and 101,476; 20 U.S.C. 1401-1419, P.L. 105-17.

Improving Literacy Through School Libraries – fund used to account for federal resources to provide students with increased access to up-to-date school library materials, a well-equipped, technologically advanced school library media center, and well-trained, professionally certified school library media specialist to improve literacy skills and achievement of students.

Education Jobs Funds – used to account for federal funds given to states to assist local education agencies in saving or creating education jobs (P.L. 111-126).

Private Direct Grants -

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).

Schools 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.

State Equalization Recovery Act – 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, 2011

	Special Revenue Funds			
	Cafeteria	Athletics	Entitlement	Preschool
Assets				
Cash and investments	\$ 29,785	\$ 2,710	\$ -	\$ -
Inventory	1,489			
Due from other governments	6,454		16,293	2
Total assets	\$ 37,728	\$ 2,710	\$ 16,293	\$ 2
Liabilities and Fund Balance				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	16,293	2
Deferred revenue				
Total liabilities	\$ -	\$ -	\$ 16,293	\$ 2
Fund balances:				
Nonspendable:				
Inventory	\$ 1,489	\$ -	\$ -	\$ -
Restricted for:				
Education		2,710		
Food service	36,239			
Social services				
Capital projects				
Total fund balance	\$ 37,728	\$ 2,710	\$ -	\$ -
Total liabilities and fund balance	\$ 37,728	\$ 2,710	\$ 16,293	\$ 2

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

Special Revenue Funds					
Teacher Training	Title I Stimulus	Druf Free Schools	Preschool Stimulus	Literacy Through School Libraries	Rural Education
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>4,676</u>	<u>20,223</u>	<u>436</u>	<u>1,301</u>	<u>15,421</u>	<u>898</u>
<u><u>\$ 4,676</u></u>	<u><u>\$ 20,223</u></u>	<u><u>\$ 436</u></u>	<u><u>\$ 1,301</u></u>	<u><u>\$ 15,421</u></u>	<u><u>\$ 898</u></u>
\$ 4,676	\$ 20,223	\$ - 436	\$ - 1,301	\$ - 15,421	\$ - 898
<u>\$ 4,676</u>	<u>\$ 20,223</u>	<u>\$ 436</u>	<u>\$ 1,301</u>	<u>\$ 15,421</u>	<u>\$ 898</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u><u>\$ 4,676</u></u>	<u><u>\$ 20,223</u></u>	<u><u>\$ 436</u></u>	<u><u>\$ 1,301</u></u>	<u><u>\$ 15,421</u></u>	<u><u>\$ 898</u></u>

Reserve Independent School District No.1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (continued)
June 30, 2011

	Special Revenue Funds			
	Technology For Education	2008 GO Bonds	Teacher Mentoring	Energy Minerals
Assets				
Cash and investments	\$ 1,067	\$ -	\$ -	\$ 2,499
Inventory				
Due from other governments		8,428	714	
Total assets	\$ 1,067	\$ 8,428	\$ 714	\$ 2,499
Liabilities and Fund Balance				
Cash overdraft	\$ -	\$ -	\$ -	\$ -
Interfund payable		8,428	714	
Deferred revenue				
Total liabilities	\$ -	\$ 8,428	\$ 714	\$ -
Fund balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Education	1,067			2,499
Food service				
Social services				
Capital projects				
Total fund balance	\$ 1,067	\$ -	\$ -	\$ 2,499
Total liabilities and fund balance	\$ 1,067	\$ 8,428	\$ 714	\$ 2,499

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

Special Revenue Funds					
Professional Development	Schools In Need Of Improvement	Kindergarten	Library Bonds	Schools in Need	Library Audio/Visual
\$ -	\$ 1,514	\$ -	\$ -	\$ 609	\$ 21
<u>4,876</u>		<u>2,500</u>	<u>9,252</u>		
<u>\$ 4,876</u>	<u>\$ 1,514</u>	<u>\$ 2,500</u>	<u>\$ 9,252</u>	<u>\$ 609</u>	<u>\$ 21</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>4,876</u>		<u>2,500</u>	<u>9,252</u>		
<u>\$ 4,876</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 9,252</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	1,514			609	21
<u>\$ -</u>	<u>\$ 1,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609</u>	<u>\$ 21</u>
<u>\$ 4,876</u>	<u>\$ 1,514</u>	<u>\$ 2,500</u>	<u>\$ 9,252</u>	<u>\$ 609</u>	<u>\$ 21</u>

Reserve Independent School District No.1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (concluded)
June 30, 2011

	Special Revenue Funds	Capital Projects Funds	
	Education Job Fund	PSCOC	Total
Assets			
Cash and investments	\$ -	\$ 238	\$ 38,443
Inventory			1,489
Due from other governments	20,733		112,207
			-
Total assets	\$ 20,733	\$ 238	\$ 152,139
Liabilities and Fund Balance			
Cash overdraft	\$ -	\$ -	\$ 24,899
Interfund payable	20,733		80,854
Deferred revenue			-
Total liabilities	\$ 20,733	\$ -	\$ 105,753
Fund balances:			
Nonspendable:			
Inventory	\$ -	\$ -	\$ 1,489
Restricted for:			
Education			8,420
Food service			36,239
Social services			-
Capital projects		238	238
Total fund balance	\$ -	\$ 238	\$ 46,386
Total liabilities and fund balance	\$ 20,733	\$ 238	\$ 152,139

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

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, 2011

	Special Revenue Funds			
	Cafeteria	Athletics	Entitlement	Preschool
Revenues:				
Fees and charges	\$ 10,246	\$ 9,922	\$ -	\$ -
State aid				
Federal aid	69,210		59,817	5,427
Earnings on investments	28			
Miscellaneous				
Total revenues	\$ 79,484	\$ 9,922	\$ 59,817	\$ 5,427
Expenditures:				
Current:				
Instruction	\$ -	\$ 10,055	\$ 36,030	\$ -
Support services - Students			19,125	5,427
Support services - Instruction				
General Administration				
School administration			4,662	
Central services				
Operation of plant				
Food service	66,986			
Capital outlay				
Total expenditures	\$ 66,986	\$ 10,055	\$ 59,817	\$ 5,427
Revenues over (under) expenditures	\$ 12,498	\$ (133)	\$ -	\$ -
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ 12,498	\$ (133)	\$ -	\$ -
Fund balance, June 30, 2010	25,230	2,843		-
Fund balance, June 30, 2011	\$ 37,728	\$ 2,710	\$ -	\$ -

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

Special Revenue Funds						
Teacher Training	Title I Stimulus	Drug Free Schools	Preschool Stimulus	Literacy Through School Libraries	Rural Education	State Equalization Stimulus
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
18,705	36,873	436	1,301	303,572	4,961	112,699
<u>\$ 18,705</u>	<u>\$ 36,873</u>	<u>\$ 436</u>	<u>\$ 1,301</u>	<u>\$ 303,572</u>	<u>\$ 4,961</u>	<u>\$ 112,699</u>
\$ 18,705	\$ 31,373	\$ 436	\$ - 1,301	\$ 16,752	\$ 4,961	\$ 27,482
	5,500			243,211 11,337		
				32,272		31,948
<u>\$ 18,705</u>	<u>\$ 36,873</u>	<u>\$ 436</u>	<u>\$ 1,301</u>	<u>\$ 303,572</u>	<u>\$ 4,961</u>	<u>\$ 112,699</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Reserve Independent School District No.1
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (concluded)
For The Fiscal Year Ended June 30, 2011

1	Special Revenue Funds			
	Technology For Education	2008 GO Bonds	Energy Minerals	Schools In Need Of Improvement
Revenues:				
Fees and charges	\$ -	\$ -	\$ -	\$ -
State aid		8,428		
Federal aid				
Earnings on investments				
Miscellaneous				
Total revenues	\$ -	\$ 8,428	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ 1,675	\$ -	\$ -	\$ -
Support services - Students				
Support services - Instruction		8,428		
General Administration				
School administration				
Central services				
Operation of plant				
Food service				
Capital outlay				
Total expenditures	\$ 1,675	\$ 8,428	\$ -	\$ -
Revenues over (under) expenditures	\$ (1,675)	\$ -	\$ -	\$ -
Other financing sources (uses):				
Transfer in				
Net change in fund balance	\$ (1,675)	\$ -	\$ -	\$ -
Fund balance, June 30, 2010	2,742		2,499	1,514
Fund balance, June 30, 2011	\$ 1,067	\$ -	\$ 2,499	\$ 1,514

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

Schools in Need	Special Revenue Funds			Capital Projects Fund		Total
	Library Audio/Visual	Education Job Fund	Private Direct Grants	PSCOC	PSFA	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,168
		57,875			77,283	85,711
			2,000			670,876
						28
						2,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,875</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 77,283</u>	<u>\$ 778,783</u>
\$ -	\$ -	\$ 25,010	\$ 2,000	\$ -	\$ -	\$ 174,479
		32,865				58,718
						251,639
						16,837
						4,662
						-
						31,948
						66,986
					77,283	162,824
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,875</u>	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ 77,283</u>	<u>\$ 768,093</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,690
						-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,690
609	21			238		35,696
<u>\$ 609</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 46,386</u>

Reserve Independent School District No.1
GENERAL FUND
COMBINING BALANCE SHEET
June 30, 2011

	Operational	Teacherage	Transportation
Assets			
Cash and investments	\$ 166,217	\$ 54,465	\$ 63,539
Interfund receivables	148,739		
Due from other governments	650		
Total assets	<u>\$ 315,606</u>	<u>\$ 54,465</u>	<u>\$ 63,539</u>
 Liabilities and Fund Balance			
Accounts payable	\$ 18,319	\$ -	\$ -
Total liabilities	\$ 18,319	\$ -	\$ -
Fund balance:			
Unassigned	\$ 297,285	\$ 54,465	\$ 63,539
Total fund balance	\$ 297,285	\$ 54,465	\$ 63,539
Total liabilities and fund balance	<u>\$ 315,604</u>	<u>\$ 54,465</u>	<u>\$ 63,539</u>

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

<u>Instructional Materials</u>	<u>Total General Fund</u>
\$ 7,179	\$ 291,400 148,739 650
<u>\$ 7,179</u>	<u>\$ 440,789</u>
<u>\$ -</u>	<u>\$ 18,319</u>
<u>\$ -</u>	<u>\$ 18,319</u>
<u>\$ 7,179</u>	<u>\$ 422,468</u>
<u>\$ 7,179</u>	<u>\$ 422,468</u>
<u><u>\$ 7,179</u></u>	<u><u>\$ 440,787</u></u>

Reserve Independent School District No.1
GENERAL FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2011

	Operational	Teacherage	Transportation
Revenues:			
Property taxes	\$ 20,649	\$ -	\$ -
Fees and charges	313	17,177	
State aid	1,398,691		133,301
Federal aid	1,042,817		
Earnings on investments	706	43	
Miscellaneous	10,451		
	<u>\$ 2,473,627</u>	<u>\$ 17,220</u>	<u>\$ 133,301</u>
Expenditures:			
Current:			
Instruction	\$ 1,426,596	\$ -	\$ -
Support services - Students	116,489		
Support services - Instruction	105,459		
General administration	232,476		
School administration	192,967		
Central services	78,411		
Operation of plant	329,921	3,241	
Food service	30,148		
Transportation	3,215		149,787
Other support services	2,582		
Capital outlay	10,638		
	<u>\$ 2,528,902</u>	<u>\$ 3,241</u>	<u>\$ 149,787</u>
Revenues over (under) expenditures	\$ (55,275)	\$ 13,979	\$ (16,486)
Other financing sources (uses):			
Transfer in (out)			
Net change in fund balance	\$ (55,275)	\$ 13,979	\$ (16,486)
Fund balance, June 30, 2010	<u>352,560</u>	<u>40,486</u>	<u>80,025</u>
Fund balance, June 30, 2011	<u>\$ 297,285</u>	<u>\$ 54,465</u>	<u>\$ 63,539</u>

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

<u>Instructional Materials</u>	<u>Total General Fund</u>
\$ -	\$ 20,649
	17,490
6,929	1,538,921
	1,042,817
	749
	10,451
<u>\$ 6,929</u>	<u>\$ 2,631,077</u>
\$ 6,925	\$ 1,433,521
	116,489
	105,459
	232,476
	192,967
	78,411
	333,162
	30,148
	153,002
	2,582
	10,638
<u>\$ 6,925</u>	<u>\$ 2,688,855</u>
\$ 4	\$ (57,778)
<u>4</u>	<u>-</u>
\$ 4	(57,778)
7,175	480,246
<u>\$ 7,179</u>	<u>\$ 422,468</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 20,601	\$ 20,601	\$ 21,074	\$ 473
Federal sources	1,327,021	1,169,996	1,038,017	(131,979)
State sources	1,254,918	1,254,918	1,386,564	131,646
Local sources			15,564	15,564
Interest income	706	706	706	-
 Total revenues	 \$ 2,603,246	 \$ 2,446,221	 \$ 2,461,925	 \$ 15,704
 Expenditures:				
Current:				
Instruction	\$ 1,599,084	\$ 1,478,722	\$ 1,418,565	\$ 60,157
Support services - Students	233,397	152,397	116,489	35,908
Support services - Instruction	99,262	99,262	93,332	5,930
General administration	196,787	270,124	233,456	36,668
School administration	181,584	181,584	178,095	3,489
Central services	82,072	82,072	78,469	3,603
Operational plant maintenance	434,975	409,975	330,205	79,770
Transportation	7,715	7,715	3,215	4,500
Food services	35,000	35,000	30,148	4,852
Other support services	6,218	6,218	2,582	3,636
Capital outlay	30,000	26,000	10,638	15,362
 Total expenditures	 \$ 2,906,094	 \$ 2,749,069	 \$ 2,495,194	 \$ 253,875
 Revenues over (under) expenditures	 \$ (302,848)	 \$ (302,848)	 \$ (33,269)	 \$ 269,579
 Other financing sources (uses):				
Transfers out	-	-	-	-
 Net change in fund balance	 \$ (302,848)	 \$ (302,848)	 \$ (33,269)	 \$ 269,579
 Fund balance, July 1, 2010	 302,848	 302,848	 283,223	 (19,625)
 Fund balance, June 30, 2011	 \$ -	 \$ -	 \$ 249,954	 \$ 249,954
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (55,275)	
Revenue accruals (net)			(11,702)	
Expenditure accruals (net)			33,708	
Other financing uses (net)			-	
 Net change in fund balance, NON-GAAP budgetary basis			 \$ (33,269)	

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 22,200	\$ 22,200	\$ 17,177	\$ (5,023)
Investment income	30	30	43	13
Total revenues	\$ 22,230	\$ 22,230	\$ 17,220	\$ (5,010)
Expenditures:				
Current:				
Operation of plant	\$ 30,220	\$ 30,220	\$ 3,241	\$ 26,979
Capital outlay				-
Total expenditures	\$ 30,220	\$ 30,220	\$ 3,241	\$ 26,979
Net change in fund balance	\$ (7,990)	\$ (7,990)	\$ 13,979	\$ 21,969
Fund balance, July 1, 2010	29,990	29,990	40,486	10,496
Fund balance, June 30, 2011	\$ 22,000	\$ 22,000	\$ 54,465	\$ 32,465
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 13,979	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 13,979	

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 167,001	\$ 153,000	\$ 133,301	\$ (19,699)
Investment income				-
Total revenues	<u>\$ 167,001</u>	<u>\$ 153,000</u>	<u>\$ 133,301</u>	<u>\$ (19,699)</u>
Expenditures:				
Current:				
Transportation	\$ 167,001	\$ 153,000	\$ 149,787	\$ 3,213
Capital outlay				-
Total expenditures	<u>\$ 167,001</u>	<u>\$ 153,000</u>	<u>\$ 149,787</u>	<u>\$ 3,213</u>
Net change in fund balance	\$ -	\$ -	\$ (16,486)	\$ (16,486)
Fund balance, July 1, 2010			<u>80,025</u>	<u>80,025</u>
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,539</u>	<u>\$ 63,539</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (16,486)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (16,486)</u>	

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

Reserve Independent School District No. 1
GENERAL FUND/INSTRUCTIONAL MATERIALS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ 5,889	\$ 6,925	\$ 6,929	\$ 4
Expenditures:				
Instruction	\$ 2,559	\$ 6,925	\$ 6,925	\$ -
Support services - Instruction				-
Total expenditures	\$ 2,559	\$ 6,925	\$ 6,925	\$ -
Net change in fund balance	\$ 3,330	\$ -	\$ 4	\$ 4
Fund balance, July 1, 2010	-	-	7,175	7,175
Fund balance, June 30, 2011	\$ 3,330	\$ -	\$ 7,179	\$ 7,179
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 4	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 4	

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 55,000	\$ 55,000	\$ 58,305	\$ 3,305
Local sources	11,975	11,975	10,246	(1,729)
Earnings on investments	17	17	28	11
Total revenues	\$ 66,992	\$ 66,992	\$ 68,579	\$ 1,587
Expenditures:				
Current:				
Food services	\$ 66,992	\$ 66,992	\$ 61,046	\$ 5,946
Revenues over (under) expenditures	\$ -	\$ -	\$ 7,533	\$ 7,533
Other financing sources (uses):				
Transfers in	-	-		-
Net change in fund balance	\$ -	\$ -	\$ 7,533	\$ 7,533
Fund balance, July 1, 2010			22,252	22,252
Fund balance, June 30, 2011	\$ -	\$ -	\$ 29,785	\$ 29,785
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ 12,498	
Revenue accruals (net)			(10,905)	
Expenditure accruals (net)			5,940	
Other financing sources (net)				
Net change in fund balance, NON-GAAP budgetary basis			\$ 7,533	

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 9,985	\$ 9,985	\$ 9,922	\$ (63)
Expenditures:				
Current:				
Instruction	\$ 12,179	\$ 12,179	\$ 10,055	\$ 2,124
Net change in fund balance	\$ (2,194)	\$ (2,194)	\$ (133)	\$ 2,061
Fund balance, July 1, 2010	2,194	2,194	2,843	649
Fund balance, June 30, 2011	\$ -	\$ -	\$ 2,710	\$ 2,710
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (133)	
Revenue accruals (net)			-	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (133)	

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 54,094	\$ 80,374	\$ 58,435	\$ (21,939)
Expenditures:				
Current:				
Instruction	\$ 33,844	\$ 50,124	\$ 36,030	\$ 14,094
Student support	20,250	30,250	19,125	11,125
School administration	-	-	4,662	(4,662)
Total expenditures	<u>\$ 54,094</u>	<u>\$ 80,374</u>	<u>\$ 59,817</u>	<u>\$ 20,557</u>
Net change in fund balance	\$ -	\$ -	\$ (1,382)	\$ (1,382)
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>(14,911)</u>	<u>(14,911)</u>
Fund balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (16,293)</u></u>	<u><u>\$ (16,293)</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(1,382)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ (1,382)</u></u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - PRESCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 5,427	\$ 5,427	\$ 6,742	\$ 1,315
Expenditures:				
Support services - Students	\$ 5,427	\$ 5,427	\$ 5,427	\$ -
Total expenditures	\$ 5,427	\$ 5,427	\$ 5,427	\$ -
Net change in fund balance	\$ -	\$ -	\$ 1,315	\$ 1,315
Fund balance, July 1, 2010	-	-	(1,317)	(1,317)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (2)	\$ (2)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			1,315	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ 1,315	

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 21,706	\$ 21,706	\$ 14,029	\$ (7,677)
Expenditures:				
Current:				
Instruction	\$ 21,706	\$ 21,706	\$ 18,705	\$ 3,001
General administration	-	-	-	-
Total expenditures	\$ 21,706	\$ 21,706	\$ 18,705	\$ 3,001
Net change in fund balance	\$ -	\$ -	\$ (4,676)	\$ (4,676)
Fund balance, July 1, 2010	-	-	-	-
Fund balance, June 30, 2011	\$ -	\$ -	\$ (4,676)	\$ (4,676)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(4,676)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (4,676)	

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ 46,691	\$ 38,585	\$ 33,353	\$ (5,232)
Expenditures:				
Current:				
Instruction	\$ 46,691	\$ 38,585	\$ 31,373	\$ 7,212
General administration			5,500	(5,500)
Transportation				-
Food services				-
Total expenditures	\$ 46,691	\$ 38,585	\$ 36,873	\$ 1,712
Net change in fund balance	\$ -	\$ -	\$ (3,520)	\$ (3,520)
Fund balance, July 1, 2010	-	-	(16,703)	(16,703)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (20,223)	\$ (20,223)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(3,520)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (3,520)	

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ 1,683	\$ 1,675	\$ 8
Net change in fund balance	\$ -	\$ (1,683)	\$ (1,675)	\$ 8
Fund balance, July 1, 2010	<u>-</u>	<u>2,742</u>	<u>2,742</u>	<u>-</u>
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ 1,059</u>	<u>\$ 1,067</u>	<u>\$ 8</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ (1,675)	
Revenue accruals (net)			-	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (1,675)</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	-	-	1,514	1,514
Fund balance, June 30, 2011	\$ -	\$ -	\$ 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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ 8,603	\$ 658	\$ (7,945)
Expenditures:				
Current:				
Support services - Instruction	\$ -	\$ 8,603	\$ 8,428	\$ 175
Net change in fund balance	\$ -	\$ -	\$ (7,770)	\$ (7,770)
Fund balance, July 1, 2010	-	-	(658)	(658)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (8,428)	\$ (8,428)
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(7,770)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (7,770)	

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	-	-	(714)	(714)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (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, 2011

	<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, 2010	-	-	2,499	2,499
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,499</u>	<u>\$ 2,499</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 - 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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	-	-	(4,876)	(4,876)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	-	-	(2,500)	(2,500)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 7,909	\$ 4,961	\$ (2,948)
Expenditures:				
Current:				
Instruction	\$ -	\$ 7,909	\$ 4,961	\$ 2,948
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	_____	_____	(898)	(898)
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (898)</u>	<u>\$ (898)</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 - 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, 2011

	<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, 2010	-	-	609	609
Fund balance, June 30, 2011	<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, 2011

	<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, 2010	-	-	(9,252)	(9,252)
Fund balance, June 30, 2011	\$ -	\$ -	\$ (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 - 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, 2011

	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, 2010	-	-	21	21
Fund balance, June 30, 2011	\$ -	\$ -	\$ 21	\$ 21
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 - SAFE AND DRUG FREE SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 1,263	\$ -	\$ (1,263)
Expenditures:				
Instruction	\$ -	\$ 1,263	\$ 436	\$ 827
Total expenditures	\$ -	\$ 1,263	\$ 436	\$ 827
Net change in fund balance	\$ -	\$ -	\$ (436)	\$ (436)
Fund balance, July 1, 2010	-	-	-	-
Fund balance, June 30, 2011	\$ -	\$ -	\$ (436)	\$ (436)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(436)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (436)	

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 20,833	\$ 112,699	\$ 116,185	\$ 3,486
Expenditures:				
Current:				
Instruction	\$ 4,023	\$ 14,070	\$ 27,482	\$ (13,412)
Instructional support				-
General administration				-
School administration				-
Central services				-
Operation of plant		56,000	31,948	24,052
Capital outlay	16,810	42,629	53,269	(10,640)
Total expenditures	<u>\$ 20,833</u>	<u>\$ 112,699</u>	<u>\$ 112,699</u>	<u>\$ -</u>
Net change in fund balance	\$ -	\$ -	\$ 3,486	\$ 3,486
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>(3,486)</u>	<u>(3,486)</u>
Fund balance, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			3,486	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u><u>\$ 3,486</u></u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - PRESCHOOL 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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ 1,301	\$ -	\$ (1,301)
Expenditures:				
Instruction	\$ -	\$ 1,301	\$ 1,301	\$ -
Total expenditures	\$ -	\$ 1,301	\$ 1,301	\$ -
Net change in fund balance	\$ -	\$ -	\$ (1,301)	\$ (1,301)
Fund balance, July 1, 2010	-	-	-	-
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,301)</u>	<u>\$ (1,301)</u>
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(1,301)	
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ (1,301)</u>	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - IMPROVING LITERACY THROUGH SCHOOL LIBRARIES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 349,757	\$ 288,151	\$ (61,606)
Expenditures:				
Current:				
Instruction	\$ -	\$ 31,012	\$ 16,752	\$ 14,260
Support services - Instruction		254,150	243,211	10,939
General administration		11,337	11,337	-
Capital outlay		53,258	32,272	20,986
Total expenditures	\$ -	\$ 349,757	\$ 303,572	\$ 46,185
Net change in fund balance	\$ -	\$ -	\$ (15,421)	\$ (15,421)
Fund balance, July 1, 2010	-	-	-	-
Fund balance, June 30, 2011	\$ -	\$ -	\$ (15,421)	\$ (15,421)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(15,421)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (15,421)	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - EDUCATION JOBS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal sources	\$ -	\$ 57,875	\$ 37,142	\$ (20,733)
Expenditures:				
Current:				
Instruction	\$ -	\$ 25,010	\$ 25,010	\$ -
Support services - Students		32,865	32,865	-
School administration		-		-
Total expenditures	\$ -	\$ 57,875	\$ 57,875	\$ -
Net change in fund balance	\$ -	\$ -	\$ (20,733)	\$ (20,733)
Fund balance, July 1, 2010	-	-	-	-
Fund balance, June 30, 2011	\$ -	\$ -	\$ (20,733)	\$ (20,733)
Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)			(20,733)	
Expenditure accruals (net)			-	
Net change in fund balance, NON-GAAP budgetary basis			\$ (20,733)	

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

Reserve Independent School District No. 1
SPECIAL REVENUE FUND - PRIVATE DIRECT GRANTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Miscellaneous	\$ -	\$ 2,000	\$ 2,000	\$ -
Expenditures:				
Current:				
Instruction	\$ -	\$ 2,000	\$ 2,000	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	-	-	-	-
Fund balance, June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Budgetary reconciliation:				
Net change in fund balance, GAAP basis			\$ -	
Revenue accruals (net)				
Expenditure accruals (net)			<u>-</u>	
Net change in fund balance, NON-GAAP budgetary basis			<u>\$ -</u>	

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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Operation of plant	\$ -	\$ -	\$ -	\$ -
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance, July 1, 2010	<u>-</u>	<u>-</u>	<u>238</u>	<u>238</u>
Fund balance, June 30, 2011	<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)			<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
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2011</u>
Assets				
Cash and investments:				
Reserve Schools	<u>\$ 26,658</u>	<u>\$ 58,154</u>	<u>\$ 51,968</u>	<u>\$ 32,844</u>
Total Assets	<u><u>\$ 26,658</u></u>	<u><u>\$ 58,154</u></u>	<u><u>\$ 51,968</u></u>	<u><u>\$ 32,844</u></u>
Liabilities				
Deposits held for others:				
Reserve Schools	<u>\$ 26,658</u>	<u>\$ 58,154</u>	<u>\$ 51,968</u>	<u>\$ 32,844</u>
Total Liabilities	<u><u>\$ 26,658</u></u>	<u><u>\$ 58,154</u></u>	<u><u>\$ 51,968</u></u>	<u><u>\$ 32,844</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, 2011

	<u>First State Bank</u>
Checking	\$ 742,498
CD	<u>-</u>
Total on deposit	\$ 742,498
Less: FDIC insurance	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 492,498</u>
50% collateralization requirement (Section 6-10-17 NMSA)	<u>\$ 246,249</u>
Pledged Securities:	
FFCB 31331V2J4 8-1-19	\$ 702,865
FHLB 3133XN4B2 12-1-22	<u>182,841</u>
Total pledged securities	<u>\$ 885,706</u>
Pledged securities over (under) requirement	<u>\$ 639,457</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, 2011

	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
First State Bank			
Operational	Checking	\$ 466,874	\$ 277,878
Cafeteria	Checking	36,583	29,785
Activity	Checking	34,459	32,844
Teacherage	Checking	54,481	54,465
Non-Instructional Support	Checking	2,131	2,710
Federal	Checking	14,822	(59,165)
Payroll	Checking	<u>133,148</u>	<u>2,239</u>
 Total cash and investments		 <u>\$ 742,498</u>	 <u>\$ 340,756</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, 2011

	<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, 2010	\$ 263,219	\$ 40,486	\$ 80,025	\$ 7,175	\$ 22,176
Add: Current year receipts	2,461,925	17,220	133,301	6,929	68,579
Outstanding loans					
Less: Current year expenditures	(2,477,448)	(3,241)	(149,787)	(6,925)	(60,970)
Transfers					
Total cash and investments as of June 30, 2011, per school district classification	<u>\$ 247,696</u>	<u>\$ 54,465</u>	<u>\$ 63,539</u>	<u>\$ 7,179</u>	<u>\$ 29,785</u>
Audit adjustment	<u>2,258</u>				
Total cash and investments as of June 30, 2011	<u><u>\$ 249,954</u></u>	<u><u>\$ 54,465</u></u>	<u><u>\$ 63,539</u></u>	<u><u>\$ 7,179</u></u>	<u><u>\$ 29,785</u></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, 2011

	<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, 2010	\$ 2,843	\$ (275)	\$ (4,384)	\$ (10,613)	\$ -
Add: Current year receipts	9,922	193,946	446,439	658	
Outstanding loans					
Less: Current year expenditures	(10,055)	(236,517)	(479,107)	(10,105)	
Transfers					
Total cash and investments as of June 30, 2011, per school district classification	<u>\$ 2,710</u>	<u>\$ (42,846)</u>	<u>\$ (37,052)</u>	<u>\$ (20,060)</u>	<u>\$ -</u>
Audit adjustment					
Total cash and investments as of June 30, 2011	<u><u>\$ 2,710</u></u>	<u><u>\$ (42,846)</u></u>	<u><u>\$ (37,052)</u></u>	<u><u>\$ (20,060)</u></u>	<u><u>\$ -</u></u>

Reserve Independent School District No.1
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS (concluded)
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
For The Fiscal Year Ended June 30, 2011

	PSCOC - 20% Fund	Debt Service	Agency	Total
Total cash and investments as of July 1, 2010	\$ 238	\$ -	\$ 26,658	\$ 427,548
Add: Current year receipts			58,154	3,397,073
Outstanding loans				-
Less: Current year expenditures			(51,968)	(3,486,123)
Transfers				-
Total cash and investments as of June 30, 2011, per school district classification	\$ 238	\$ -	\$ 32,844	\$ 338,498
Audit adjustment				2,258
Total cash and investments as of June 30, 2011	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 32,844</u>	<u>\$ 340,756</u>

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Reserve Independent School District No.1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Direct:			
ARRA-State Fiscal Stabilization Fund	84.394	25.250	\$ 112,699
Rural Education Achievement	84.358	25.233	4,961
Passed through N.M. Department of Education:			
Title I Grants to Lea's	84.010	24.101	82,188
ARRA-Title I Grants to Lea's, Recovery Act	84.389	24.201	36,873
Special Education - Grants to States	84.027	24.106	59,817
AARA-Special Education-Grants to States, Recovery Act	84.391	24.206	31,768
Safe and Drug Free Schools and Communities	84.186	24.157	436
21st Century Learning	84.287	N/A	4,800
Literacy Through School Libraries	84.364	25.235	303,572
Education Job Fund	84.410	25.255	57,875
Special Education-Preschool Grants	84.173	24.109	5,427
AARA-Special Education-Preschool Grants	84.392	24.209	1,301
Teacher Quality State Grants	84.367	24.154	<u>18,705</u>
Total U.S. Department of Education			<u>\$ 720,422</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Programs:			
Schools and Roads-Grants to States	10.665	N/A	\$ 1,026,680
Passed through N.M. Department of Education:			
National School Lunch Program	10.555	N/A	42,246
National School Breakfast Program	10.553	N/A	22,513
Passed through N.M. Department of Human Svc's:			
Emergency Food Assistance Program	10.569	N/A	<u>4,451</u>
Total U.S. Department of Agriculture			<u>\$ 1,095,890</u>
Total expenditures of federal awards			<u><u>\$ 1,816,312</u></u>

Reserve Independent School District #1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

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 \$4,451 in food commodities during the 2010-2011 fiscal year.

Note 3 The District had the following insurance coverage during the year ended June 30, 2011:

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, 2011

Current Year
Status

Findings – Financial Statement Audit

2010-1 Actual cash in bank did not agree to amounts reflected in the general ledger	Repeated
07-1 I-9 forms were not present in all employee files	Resolved
09-3 Expenditures made in excess of budgetary authority	Repeated

Findings and Questioned Costs – Major Federal Award Programs

None

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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, 2011, which collectively comprise Reserve Independent School District No. 1's basic financial statements and have issued our report thereon dated December 10, 2012. 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, 2011 and have issued our report thereon dated December 10, 2012. 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

Management of Reserve Independent School District No. 1 is responsible for establishing and maintaining effective 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 as findings 2011-1 and 2010-1 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a 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 findings 09-3, 2011-2, 2011-3 and 2011-4.

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

December 10, 2012

Stone, McGee & Co.
Certified Public Accountants

MIKE STONE, C.P.A.
LINDA STONE MCGEE, C.P.A.
KAY STONE, C.P.A.
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**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, 2011. 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, 2011.

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

December 10, 2012

Reserve Independent School District No. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2011

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. Two significant deficiencies relating to the audit of the financial statements are reported in the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards*. The deficiencies are not reported as material weaknesses.
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. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are disclosed in this schedule.
7. The programs tested as major programs included: Schools and Roads-Grants to States. CFDA No. 10.665, and Literacy through School Libraries, CFDA No. 84.364.
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

2011-1 Audit Report Delivery (Significant Deficiency)

Condition – The audit report was sent to the New Mexico State Auditor by common carrier on December 20, 2012.

Criteria – Section 2.2.2.9 of NMAC, commonly called the State Auditor's Rule, required delivery of the report by November 15, 2011.

Effect – The District has violated section 2.2.2.9 of NMAC. Furthermore, the New Mexico Legislature's use of the report for evaluation purposes has been delayed. Finally, lack of timely audit reports has jeopardized future discretionary funding from various funding sources.

Cause –The District initiated an investigation into the prior administration just prior to the due date of the audit report. The audit report was delayed pending the results of the investigation by independent outside parties.

Recommendation – We recommend that the District comply with the audit report submission deadlines established by the New Mexico State Auditor.

Agency Response – The investigation was an unusual circumstance which delayed the issuance of the audit report. The District believes that future audit reports will be filed in a timely manner.

2010-1 Cash Reporting (Significant Deficiency)

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 \$2,258 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 were unable to locate the cash differential and make the appropriate adjusting journal entry before year-end.

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.

09-3 Budgetary Controls (Other)

Condition – The District incurred expenditures in excess of budgetary authority of \$13,412 in the instructional function, and \$10,640 in the capital outlay function of the State Equalization Recovery Act Fund. The District also incurred expenditures in excess of budgetary authority of \$5,500 in the general administration function of the Title I Recovery Act Fund, and \$4,662 in the school administration function of the Entitlement Fund.

Criteria – Sections 6-3-1 through 6-3-25 NMSA 1978 require, in part, that expenditures not exceed budgetary authority. The function is the budgetary control for public school districts.

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, particularly with ARRA funds which required immediate expenditure at or near year-end. We will continue to review expenditures at year end for the necessary budget adjustments.

2011-2 Maintenance of Personnel Files (Other)

Condition – During our testing of 18 certified personnel files, we noted 14 instances where the employee's experience was not updated, one instance where no transcript was on file, and 3 instances where the employee's transcript was not tied to contract amounts.

Criteria – The District pays its certified employees based on a scale which requires payment based upon the employees training and experience.

Effect – The possibility exists that certified employees might not be paid based on their actual training and experience.

Cause – The District had not updated its personnel files, due to personnel changeover and no assignment of personnel to this task.

Recommendation – We recommend that the District establish a policy of reviewing personnel files annually, and updating the files to coincide with the issuance of certified employee contracts.

Agency Response – We perform an annual review of employee files, and will continue to make sure that certified employees are paid according to their training and experience.

2011-3 Capital Asset Recording (Other)

Condition – The District has not recorded as capital assets amounts spent on their behalf by the Public Schools Finance Authority (PSFA).

Criteria – Generally accepted accounting principles require that the District maintain a listing of all assets belonging to the Authority, and depreciate them accordingly.

Effect – Capital assets and depreciation expense, if not adjusted, would be understated.

Cause – Since PSFA pays the contractors directly, the District did not record the capital asset acquisitions.

Recommendation – We recommend that the District develop procedures to record PSFA expenditures made on behalf of the District, to ensure that all capital assets are properly recorded in the books and records of the District.

Agency Response – The District will record all capital assets purchased or constructed on their behalf by outside agencies.

2011-4 Deposit of Agency Funds (Other)

Condition – During our testing of 25 agency receipts, we noted 6 instances where the deposit was not made within twenty four hours of receipt. We also noted that in several instances, receipts were written as much as a week after receipt of funds.

Criteria – Sound internal controls require that receipts be written upon receipt of funds, and that daily receipts be balanced to the daily deposit. The Public Education Department’s *Manual of Procedures* requires the deposit of funds within twenty four hours of receipt, or one banking day.

Effect – There is an increased likelihood of conversion of funds without the necessity of collusion, since tracking of receipts to a specific deposit is problematical due to the timing of the receipt writing and the making of deposits. In addition, state mandated procedures have not been followed.

Cause – District personnel did not follow the District’s mandated handling of receipts and deposits, and oversight personnel did not discover the errors.

Recommendation – We recommend that the District instruct personnel in the use of receipts and deposits, and that supervisory personnel be charged with the task of over sighting the receipt and deposit process.

Agency Response – The recommendation will be adopted.

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 November 3, 2011. Present at this exit conference were:

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Eddie Varela	Board President	Reserve Independent Schools
Christina Rigtrup	Superintendent	Reserve Independent Schools
Odelia Delgado	Business Manager	Reserve Independent Schools
Mike Stone	Shareholder	Stone, McGee & Co., CPA’s