

***STATE OF NEW MEXICO***  
***RESERVE INDEPENDENT SCHOOLS***  
***AUDIT REPORT***  
***For the Year Ended June 30, 2012***  
***(with Auditor's Report Thereon)***

***RICE & ASSOCIATES***  
***CERTIFIED PUBLIC ACCOUNTANTS***

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
AUDIT REPORT

For The Year Ended June 30, 2012  
(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOL DISTRICT  
TABLE OF CONTENTS  
Year Ended June 30, 2012

	<u>Page</u>
Introduction Section	
Official Roster	i
Financial Section	
Independent Auditor's Report	1
<u>Financial Statements</u>	
<u>Statements</u>	
1 Statement of Net Assets	3
2 Statement of Activities	4
3 Balance Sheet - All Governmental Funds	5
4 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	6
5 Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds	7
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	8
7 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	9
8 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - PL 94-142 Entitlement Fund	10
9 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Improving Teacher Quality	11
10 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Library GO Bond	12

Table of Contents (continued)

	<u>Page</u>
11 Statement of Fiduciary Assets and Liabilities - Agency Funds	13
Notes to Financial Statements	14
Non-Major Governmental Funds:	
A-1 Combining Balance Sheet - By Fund Type	38
A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - By Fund Type	39
A-3 Special Revenue Funds: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	40
A-4 Capital Projects Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	41
Non-Major Special Revenue Funds:	
B-1 Combining Balance Sheet	42
B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	46
B-3 Title I Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	50
B-4 Safe and Drug Free Schools: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	51
B-5 Title I - Stimulus: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	52
B-6 94-142 Entitlement Stimulus: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	53
B-7 PL 94-142 Preschool Stimulus: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	54

Table of Contents (continued)

	<u>Page</u>
B-8 REAP: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	55
B-9 Literacy Through School Libraries: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	56
B-10 Education Jobs Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	57
B-11 Dual Credit: Statement of Revenues Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	58
B-12 GO Bond Student Library: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	59
B-13 GO Bond Library Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	60
B-14 Breakfast Program: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	61
B-15 CATCH Grant: Statement of Revenues Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	62
B-16 Catron County Grant: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	63
B-17 Athletics: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	64

Table of Contents (continued)

	<u>Page</u>
B-18 Cafeteria: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	65
Non-Major Capital Projects Funds:	
C-1 Balance Sheet	66
C-2 Statement of Revenues, Expenditures and Changes in Fund Balances	67
C-3 Public Schools Capital Outlay Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	68
General Fund:	
D-1 Combining Balance Sheet	69
D-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70
D-3 Operational Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	71
D-4 Teacherage Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	72
D-5 Transportation Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	73
D-6 Instructional Materials Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	74

Table of Contents (continued)

	<u>Page</u>
Supplementary Information	
Schedule of Cash Receipts and Disbursements - All Funds by School District Classification	75
Schedule of Expenditures of Federal Awards	76
Schedule of Findings and Questioned Costs	77
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	78
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	80
Status of Findings and Responses	82
Financial Statement Preparation and Exit Conference	104

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Official Roster  
Year Ended June 30, 2012

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Roger Caylor	President
Ms. Cindy Wasserburger	Vice President
Mr. Russell Laney	Secretary
Mr. Sam Nichols	Member
Ms. Wilma Stanton	Member

School Officials

Mr. Bill Green	Acting Superintendent
Ms. Odelia Delgado	Business Manager



*Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

**INDEPENDENT AUDITOR'S REPORT**

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Reserve Independent Schools  
Reserve, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the General, PL 94-142 Entitlement, Improving Teacher Quality and Library GO Bond Funds of Reserve Independent Schools, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of Reserve Independent Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Reserve Independent Schools internal control over financial reporting. Accordingly, we express no such opinion. 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 Schools, as of June 30, 2012, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General, PL 94-142 Entitlement, Improving Teacher Quality and Library GO Bond 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 and fiduciary funds of Reserve Independent Schools, as of June 30, 2012, and the

respective changes in financial position, thereof and the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013 on our consideration of Reserve Independent Schools internal control over financial reporting and 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.

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB 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 an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Reserve Independent Schools. The accompanying financial information listed as 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 the Schedule of Cash Receipts and Disbursements are also not a required part of the basic 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.

*Rice & Associates, CPA*

June 12, 2013

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Net Assets  
June 30, 2012

Statement 1

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 260,995
Accounts receivable	280
Due from grantor	68,371
Inventory	4,120
Total current assets	333,766
Non-current assets	
Land (non-depreciable)	71,776
Capital assets (depreciable)	6,144,598
Less accumulated depreciation	(3,340,304)
Total non-current assets	2,876,070
<b>Total assets</b>	3,209,836
<b>LIABILITIES</b>	
Current liabilities	
Cash overdraft	68,371
Accounts payable	-
Security deposit payable	250
Deferred revenue	6,214
Total current liabilities	74,835
Long-term obligations:	
Compensated absences	32,963
Total long-term liabilities	32,963
<b>Total liabilities</b>	107,798
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,875,970
Restricted for	
Cafeteria fund (inventory)	4,120
Capital outlay	238
Unrestricted	221,610
<b>Total net assets</b>	\$ 3,101,938

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Activities  
Year Ended June 30, 2012

Statement 2

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net	
<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>(Expenses)</u> <u>Revenue and</u> <u>Changes</u> <u>Net Assets</u>	
<b>EXPENSES:</b>					
Governmental activities:					
Direct instruction	\$ 1,442,680	\$ 8,866	\$ 99,565	\$ 12,147	\$ (1,322,102)
Instructional support	1,486,533	25,900	334,962	-	(1,125,671)
Food services	101,735	4,864	66,860	-	(30,011)
Depreciation - unallocated	426,997	-	-	-	(426,997)
Total governmental activities	<u>3,457,945</u>	<u>39,630</u>	<u>501,387</u>	<u>12,147</u>	<u>(2,904,781)</u>
General revenues:					
Taxes					
Property taxes, levied for general purposes					21,861
Property taxes, levied for capital projects					-
Property taxes, levied for debt service					-
Federal and State aid not restricted to specific purpose General					1,523,594
Interest and investment earnings					816,225
Sub-total, general revenues					<u>389</u>
					<u>2,362,069</u>
Change in net assets					(542,712)
Net assets - beginning of year					3,715,361
Restatement					(70,711)
Net assets - beginning of year - restated					<u>3,644,650</u>
<b>Net assets - end of year</b>					<b><u>\$ 3,101,938</u></b>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Balance Sheet - All Governmental Funds  
June 30, 2012

Statement 3

	General	PL 94-142 Entitlement	Improving Teacher Quality	Library GO Bond	Other Governmental	Total
<b>ASSETS</b>						
Cash on deposit	\$ 170,380	\$ -	\$ -	\$ -	\$ 22,244	\$ 192,624
Accounts receivable, collectible	280	-	-	-	-	280
Due from grantor	-	30,495	10,816	9,252	17,808	68,371
Inventory, at cost	-	-	-	-	4,120	4,120
Due from other funds	68,371	-	-	-	-	68,371
<b>Total assets</b>	<b><u>\$ 239,031</u></b>	<b><u>\$ 30,495</u></b>	<b><u>\$ 10,816</u></b>	<b><u>\$ 9,252</u></b>	<b><u>\$ 44,172</u></b>	<b><u>\$ 333,766</u></b>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ 30,495	\$ 10,816	\$ 9,252	\$ 17,808	\$ 68,371
Accounts payable	-	-	-	-	-	-
Security deposit payable	250	-	-	-	-	250
Deferred revenues	-	-	-	-	6,214	6,214
<b>Total liabilities</b>	<b><u>250</u></b>	<b><u>30,495</u></b>	<b><u>10,816</u></b>	<b><u>9,252</u></b>	<b><u>24,022</u></b>	<b><u>74,835</u></b>
<b>FUND BALANCE</b>						
Nonspendable	-	-	-	-	4,120	4,120
Restricted	97,808	-	-	-	16,030	113,838
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	140,973	-	-	-	-	140,973
<b>Total fund balance</b>	<b><u>238,781</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>20,150</u></b>	<b><u>258,931</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 239,031</u></b>	<b><u>\$ 30,495</u></b>	<b><u>\$ 10,816</u></b>	<b><u>\$ 9,252</u></b>	<b><u>\$ 44,172</u></b>	<b><u>\$ 333,766</u></b>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2012

Statement 4

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$ 258,931
--	------------

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	6,216,274	
Accumulated depreciation	<u>(3,340,304)</u>	
		2,875,970

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Compensated absences payable	<u>(32,963)</u>
------------------------------	-----------------

Total net assets - governmental funds	<u><u>\$ 3,101,938</u></u>
---------------------------------------	----------------------------

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - All Governmental Funds  
Year Ended June 30, 2012

Statement 5

	General	PL 94-142 Entitlement	Improving Teacher Quality	Library GO Bond	Other Governmental	Total
<b>REVENUES</b>						
Property taxes	\$ 21,861	\$ -	\$ -	\$ -	\$ -	\$ 21,861
Charges for services	25,900	-	-	-	13,730	39,630
Local sources	16,245	-	-	-	1,174	17,419
State sources	1,725,795	-	-	-	3,924	1,729,719
Federal sources	816,225	66,869	18,406	-	192,568	1,094,068
Earnings from investments	368	-	-	-	21	389
Total revenues	<u>2,606,394</u>	<u>66,869</u>	<u>18,406</u>	<u>-</u>	<u>211,417</u>	<u>2,903,086</u>
<b>EXPENDITURES</b>						
Current:						
Direct instruction	1,328,274	29,273	18,406	-	55,194	1,431,147
Instructional support	1,363,551	37,565	-	-	85,417	1,486,533
Food services	10,372	31	-	-	91,332	101,735
Capital outlay	22,884	-	-	-	-	22,884
Total expenditures	<u>2,725,081</u>	<u>66,869</u>	<u>18,406</u>	<u>-</u>	<u>231,943</u>	<u>3,042,299</u>
Net change in fund balance	(118,687)	-	-	-	(20,526)	(139,213)
Fund balance beginning of year	<u>422,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,387</u>	<u>468,854</u>
Prior period adjustment	(65,000)	-	-	-	(5,711)	(70,711)
Fund balance beginning of year - restated	<u>357,467</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,676</u>	<u>398,143</u>
Fund balance end of year	<u>\$ 238,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,150</u>	<u>\$ 258,930</u>

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2012

Statement 6

Total net change in fund balances - governmental funds \$ (139,213)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Capital outlays to purchase or build capital  
assets are reported in governmental funds as  
expenditures. However, for governmental  
activities those costs are shown in the statement  
of net assets and allocated over their estimated  
useful lives as annual depreciation expenses in the  
statement of activities. This is the amount by which  
depreciation exceeds capital outlays in the period

Depreciation expense	(426,997)	
Capital outlays	<u>35,031</u>	

Excess of depreciation expense over capital outlay (391,966)

Revenue in the Statement of Activities that do not provide  
current financial resources are not reported as revenues in  
the funds Property Taxes (net change for the year)

In the Statement of Activities, certain operating  
expenses are measured by the amounts incurred  
during the year. In the fund financial statements,  
however, expenditures are measured by the amount  
of financial resources used (essentially the amounts  
actually paid). The (increases) decreases in the  
liabilities for the year were:

Compensated absences payable		<u>(11,533)</u>
------------------------------	--	-----------------

Change in net assets of governmental activities \$ (542,712)

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 20,753	\$ 20,753	\$ 22,231	\$ 1,478
Charges for services	19,200	30,200	26,150	(4,050)
Local sources	-	15,519	16,245	726
State sources	1,679,678	1,630,905	1,725,795	94,890
Federal sources	924,012	816,225	816,225	-
Earnings from investments	555	555	368	(187)
	<u>\$ 2,644,198</u>	<u>\$ 2,644,198</u>	<u>\$ 2,607,014</u>	<u>\$ 2,607,014</u>
Direct instruction	\$ 1,391,125	\$ 1,340,635	\$ 1,328,274	\$ 12,361
Instructional support	1,406,139	1,530,444	1,404,754	125,690
Food services	36,000	10,400	10,372	28
	<u>\$ 2,833,264</u>	<u>\$ 2,881,479</u>	<u>\$ 2,743,400</u>	<u>\$ 138,079</u>
BUDGETED CASH BALANCE	<u>\$ 189,066</u>	<u>\$ 367,322</u>		

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
PL 94-142 Entitlement Fund  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 52,076	\$ 75,127	\$ 52,667	\$ (22,460)
Total revenues	<u>\$ 52,076</u>	<u>\$ 75,127</u>	<u>\$ 52,667</u>	<u>\$ (22,460)</u>
EXPENDITURES				
Direct instruction	\$ 31,826	\$ 37,041	\$ 29,273	\$ 7,768
Instructional support	20,250	37,750	37,565	185
Food services	-	336	31	305
Total expenditures	<u>\$ 52,076</u>	<u>\$ 75,127</u>	<u>\$ 66,869</u>	<u>\$ 8,258</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Improving Teacher Quality  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 18,367	\$ 21,657	\$ 12,266	\$ (9,391)
Total revenues	<u>\$ 18,367</u>	<u>\$ 21,657</u>	<u>\$ 12,266</u>	<u>\$ (9,391)</u>
EXPENDITURES				
Direct instruction	\$ 18,367	\$ 21,657	\$ 18,406	\$ 3,251
Instructional support	-	-	-	-
Food services	-	-	-	-
Total expenditures	<u>\$ 18,367</u>	<u>\$ 21,657</u>	<u>\$ 18,406</u>	<u>\$ 3,251</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Library GO Bond  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	-	-	-	-
Food services	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	\$ 35,730
Total assets	<u>\$ 35,730</u>
LIABILITIES	
Deposits held for others	\$ 35,730
Total liabilities	<u>\$ 35,730</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Notes to Financial Statements  
Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Reserve Independent Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB #'s 34, 37 and 38 effective July 1, 2002. As part of 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 requirement.

A. Reporting Entity

The District provides kindergarten, elementary, middle and secondary educational services to school age residents of the District. The Reserve Independent Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

## Notes to Financial Statements (continued)

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. This District also has no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship. The District has no component units, as defined by GASB Statement No. 14.

The accounting policies of the School District as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local governmental units. The following is a summary of the more significant policies:

### B. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

#### Governmental Funds

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.



## Notes to Financial Statements (continued)

Under the requirements of GASB 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

General Fund - The primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Fund - PL 94-142 Entitlement - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

Special Revenue Fund - Improving Teacher Quality - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

Special Revenue Fund - Library GO Bond - To account for the proceeds from New Mexico bonds for the purchase of library resources. Financing and authority is provided by the New Mexico State Legislature.

### Fiduciary Funds

Fiduciary Funds - account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The District also reports additional Government funds as non-major. They include:

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

Capital Project Funds - These funds are used to account for the acquisition of capital assets or construction of major capital projects.

### C. Measurement Focus and Basis of Accounting

#### **Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

## Notes to Financial Statements (continued)

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

### **Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as *program revenues*. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

### **Allocation of Indirect Expenses**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

### **Fund Financial Statements (FFS)**

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction

## Notes to Financial Statements (continued)

can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

### **Revenues**

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes were not available from the County Treasurer for the current year.

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

### **Expenditures**

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore not accrued.

### **Fiduciary Funds**

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

#### D. Budgets and Budgetary Accounting

All budgets, and any amendments or revision thereof, are approved by the State of New Mexico, Department of Finance and Administration, Department of Education. Budgets for the General, Special Revenue and Capital Projects Fund are adopted on a basis inconsistent with generally accepted accounting principles (GAAP) Encumbrance accounting is not used by the School District.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Capital Projects Fund.

Appropriations do not lapse at the end of the fiscal year and unexpended fund balances are budgeted in the succeeding fiscal year. The Board of Education is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State of New Mexico, Department of Finance and Administration, Department of Education. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations.

Expenditures of the School District may not legally exceed appropriations at the level at which the budget is adopted, that is, expenditures in each category of line items may not exceed the budgeted appropriation for that category.

#### E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The District is authorized under the provisions of Chapter 6, Article 10, Paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

2. **Accounts Receivable**

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	<u>\$ 280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280</u>

3. **Inventories**

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

4. **Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior

Notes to Financial Statements (continued)

years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Land improvements	20-50 years
Buildings & building improvements	20-50 years
Furniture & equipment	5-10 years

GASB Statement #34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets as of June 30.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

**5. Deferred Revenues**

The District reports deferred revenues on its Statement of Net Assets and fund balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**6. Compensated Absences**

All Administrator/Supervisor employees are entitled to 15 working days per year annual leave. Unused annual leave may be accumulated to a total of not more than 40 days per year, but upon cancellation of their contract, will only be paid for no more than 25 days of unused annual leave.

7. **Long-Term Liabilities**

For government-wide reporting, the costs associated with bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

For fund financial reporting issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as an other financing source.

Currently the School District has no long-term liabilities such as bonds.

8. **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District ordinances).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purpose specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the School District Board. Those committed amounts cannot be used for any other purpose unless the School District's

## Notes to Financial Statements (continued)

Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District's Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board or a School District official delegated that authority by the School District Board or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

### 9. **Restricted Net Assets**

The governmental activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Investment in capital assets, net of related debt - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.



Restricted net assets - This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net assets - This category reflects net assets of the Village not restricted for any project or other purposes.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. REVENUES

1. Property Tax Levies

Reserve Independent Schools receives property taxes from the Catron County Treasurer for operational, public school capital improvements and debt service purposes. Property taxes are assessed on January 1st of each year, except on livestock, and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year. Property taxes are collected by the County Treasurer and remitted to the School District in the month following collection.

Although there are no restrictions placed on property taxes collected for operation purposes, restrictions do exist on the amounts collected under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) and the amounts collected as a result of issuing general obligation bonds.

Under the provisions of the Public School Capital Improvements Act, any local school board may adopt a resolution to submit to the qualified electors of the school district the question of whether or not a property tax should be imposed on the net taxable value of property allocated to the school district for the purpose of capital improvements. The resolution shall:

1. Identify the capital improvements;
2. Specify the rate of the proposed tax, which shall not exceed two dollars (\$2.00) on each \$1,000 of net taxable value of property;
3. Specify the date an election will be held;
4. Limit the imposition of the tax to no more than three property tax years.

If approved, any revenues produced by the tax and any state distribution resulting to the District under the Act shall be expended only for the capital improvements specified in the authorized resolution.

## Notes to Financial Statements (continued)

General obligation bonds may be issued for the purpose of erecting, remodeling, making additions to and the furnishing of school buildings, or purchasing or improving school grounds or any combination of these purposes. Such bonds shall be fully negotiable and constitute negotiable instruments.

The school board shall establish adequate budgetary provisions, approved by the School Management Division, to promptly pay, as it becomes due, all principal and interest on general obligation bonds issued by the school district.

The full faith and credit of a school district shall be pledged to the payment of the principal and interest on general obligation bonds issued by the school district.

The board of county commissioners shall levy and collect upon all taxable property within a school district in the county such tax as is necessary to pay the interest and principal on general obligation bonds issued by the school district as the interest and principal become due, without limitation as to rate or amount.

### 2. State Equalization Guarantee

Each school district in the State of New Mexico receives a "state equalization guarantee distribution" which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined" (in Chapter 22, Section 8-25, NMSA 1978) "is at least equal to the school district's program cost."

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$1,523,594 in state equalization guarantee distributions during the year.

### 3. Transportation Distribution

Money in the transportation distribution of the public school fund shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation

Notes to Financial Statements (continued)

director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocation education programs are being offered, pursuant to Section 22-16-4.1 (NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$195,735 in transportation distribution during the year.

4. SB-9 State Match

The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the

Notes to Financial Statements (continued)

state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District received \$0 in state SB-9 matching during the year.

5. Critical Capital Outlay

Under the provisions of Chapter 22, Article 24, a critical capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner.
4. The district is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

## Notes to Financial Statements (continued)

During the year ended June 30, the District received \$0 in critical capital outlay funds and \$0 in special capital outlay funds.

### 6. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2002, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in prior years. During the year ended June 30, the District received \$6,466 in instructional materials allocation.

### 7. Federal Grants

The District receives revenues from various Federal departments (both direct and indirect) which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Department of Education). The various budgets are approved by the Local School Board and the New Mexico Department of Education.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

### H. **Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Notes to Financial Statements (continued)

**I. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

First State Bank	Checking	Athletics	\$ 1,733
First State Bank	Checking	Teacherage	53,034
First State Bank	Checking	Operational	445,229
First State Bank	Checking	Activities	37,087
First State Bank	Checking	Cafeteria	31,530
First State Bank	Checking	Federal	17,342
First State Bank	Checking	Payroll	<u>56,105</u>
			<b><u>\$ 642,060</u></b>
Total amount on deposit			\$ 642,060
Outstanding checks			(413,706)
Deposits in transit			<u>-</u>
Total per financial statements			<b><u>\$ 228,354</u></b>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$642,060 of the School's bank balance of \$642,060 was exposed to custodial credit risk as follows:

A.	Uninsured and uncollateralized	\$ -
B.	Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name	<u>642,060</u>
	Total	<b><u>\$ 642,060</u></b>

Notes to Financial Statements (continued)

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>First State Bank</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FFCB CUSIP #31331V2J4	08/01/19	\$ 702,513
FHLB CUSIP #3133XN4B2	12/01/22	<u>182,156</u>
		<u><b>\$ 884,669</b></u>

The following schedule details the public money held by financial institutions and pledged collateral held by the District as follows:

	<u>First State Bank</u>
Cash on deposit at June 30	\$ 642,060
Less F.D.I.C.	<u>(250,000)</u>
Uninsured funds	392,060
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	196,030
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>844,669</u>
Excess of pledged collateral	<u><b>\$ 648,639</b></u>

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2012 are as follows:

	Balance July 1, 2011	Additions	Adjustments	Deletions	Balance June 30, 2012
Governmental activities:					
Land	\$ 459,164	\$ -	\$ (387,488)	\$ -	\$ 71,676
Total capital assets not being depreciated	<u>459,164</u>	<u>-</u>	<u>(387,488)</u>	<u>-</u>	<u>71,676</u>
Land improvements	-	-	772,593	-	772,593
Buildings & improvements	4,266,109	12,147	234,352	-	4,512,608
Vehicles	-	22,884	504,017	-	526,901
Equipment	1,455,970	-	(1,123,474)	-	332,496
Total	<u>5,722,079</u>	<u>35,031</u>	<u>387,488</u>	<u>-</u>	<u>6,144,598</u>
Less Accumulated Depreciation:					
Land improvements	-	(271,427)	(291,824)	-	(563,251)
Buildings & improvements	(2,346,700)	(115,872)	299,462	-	(2,163,110)
Vehicles	-	(20,168)	(418,012)	-	(438,180)
Equipment	(566,607)	(19,530)	410,374	-	(175,763)
Total	<u>(2,913,307)</u>	<u>(426,997)</u>	<u>-</u>	<u>-</u>	<u>(3,340,304)</u>
Governmental activities capital assets, net	<u>\$ 3,267,936</u>	<u>\$ (391,966)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,875,970</u>

The School District received \$12,147 in Capital Asset Improvements from the Public School Finance Authority during the year ended June 30, 2012.

The District has no infrastructure as of June 30, 2012.

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 426,997</u>
Total depreciation expense	<u>\$ 426,997</u>



Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
Compensated Absences	<u>\$ 21,430</u>	<u>\$ 15,859</u>	<u>\$ (4,326)</u>	<u>\$ 32,963</u>

The compensated absences liability will ultimately be liquidated by several of the Districts governmental funds, with most being paid by the General Fund, Transportation Fund, Cafeteria Fund and Title I Fund.

B. Operating Lease

The School District did not have any operating leases during the fiscal year.

C. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.

5. DEFERRED REVENUE

Deferred revenue represents advances on cost-reimbursement type grants which have not yet been earned.

6. DUE FROM GRANTOR

The amount shown as due from grantor represents federal, state and local expenditures in excess of revenues. Most federal, state or local projects earn revenue as expenditures are incurred and are subsequently reimbursed by the grantor.

7. CASH OVERDRAFTS

The cash overdrafts shown in some federal, state and local projects in the special revenue fund represent expenditures made by the District which will be reimbursed by the grantor. Receivables from grantor are presented to off-set these overdrafts.

Notes to Financial Statements (continued)

8. SOUTHWEST REGIONAL EDUCATION CENTER NO. 10

The School District is a member of the Southwest Regional Education Center No. 10. Southwest Regional Education Center No. 10 issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that audit report can be obtained by writing to Southwest Regional Education Center No. 10, PO Box 952, Truth or Consequences, New Mexico 87901.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>PL 94-142 Entitlement</u>	<u>Improving Teacher Quality</u>
Revenues per modified accrual basis	\$ 2,606,394	\$ 66,869	\$ 18,406
Receivables	370	-	-
Deferred revenues/Due from grantor	-	(14,202)	(6,140)
Security deposits	250	-	-
Revenues per budgetary basis	<u>\$ 2,607,014</u>	<u>\$ 52,667</u>	<u>\$ 12,266</u>
Expenditures per modified accrual basis	\$ 2,725,081	\$ 66,869	\$ 18,406
Accounts payable	18,319	-	-
Expenditures per budgetary basis	<u>\$ 2,743,400</u>	<u>\$ 66,869</u>	<u>\$ 18,406</u>
	<u>Library GO Bond</u>	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>
Revenues per modified accrual basis	\$ -	\$ 211,417	\$ -
Receivables	-	-	-
Deferred revenues/Due from grantor	-	64,597	-
Revenues per budgetary basis	<u>\$ -</u>	<u>\$ 276,014</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ -	\$ 231,943	\$ -
Inventory changes	-	-	-
Accounts payable	-	2,631	-
Expenditures per budgetary basis	<u>\$ -</u>	<u>\$ 234,574</u>	<u>\$ -</u>

10. RISK MANAGEMENT

The School 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 Workmens Compensation. For these risks of loss the School District belongs to a public entity risk pool currently operated as a common risk management and insurance program for 89 member school districts. (New Mexico Public School Insurance Authority). Amounts of settlement have not exceeded insurance coverage in the past three years.

Notes to Financial Statements (continued)

11. RETIREMENT PLAN

*Plan Description.* Substantially all of the Reserve Independent Schools full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERA) is the administrator of the plan, which is a cost-sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers and other employees of State public school districts, colleges and universities and beneficiaries). ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERA, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERA's website at [www.nmerb.org](http://www.nmerb.org).

*Funding Policy.* Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. Reserve Independent Schools has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 Reserve Independent Schools contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 Reserve Independent Schools will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and Reserve Independent Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Reserve Independent Schools contributions to ERB for the fiscal years ending June 30, 2012, 2011 and 2010 were \$150,384, \$342,949 and \$351,939, respectively, which equal the amount of the required contributions for each fiscal year.

12. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

*Plan Description.* Reserve Independent Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provided 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

Notes to Financial Statements (continued)

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 RHCA plan 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 employers 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. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and employees. During the fiscal year ending June 30, 2012 the statute requires each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

Notes to Financial Statements (continued)

1. For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 13	2.000%	1.000%

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

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

Reserve Independent Schools contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$29,190, \$39,510 and \$33,477, respectively, which equal the required contributions for each year.

13. BUDGETED ACTIVITY FUNDS

The Student Activity Funds, while budgeted under Non-Instructional Support in the financial statements, are considered for reporting purposes as Agency Funds. These monies are retained by the District in a fiduciary capacity. Monies are received from student groups and are expended for purposes determined by the students within guidelines established by the District. The changes in those balances follow:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
<b>ASSETS</b>				
Cash and cash equivalent	\$ 32,844	\$ 50,478	\$ 47,592	\$ 35,730
Total assets	<u>\$ 32,844</u>	<u>\$ 50,478</u>	<u>\$ 47,592</u>	<u>\$ 35,730</u>
<b>LIABILITIES</b>				
Deposits held for others				
Reserve Independent Schools	\$ 32,844	\$ 50,478	\$ 47,592	\$ 35,730
Total liabilities	<u>\$ 32,844</u>	<u>\$ 50,478</u>	<u>\$ 47,592</u>	<u>\$ 35,730</u>

Notes to Financial Statements (continued)

14. FUND BALANCES CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here.

<u>Fund Balances</u>	<u>General Fund</u>	<u>PL 94-142 Entitlement</u>	<u>Improving Teacher Quality</u>	<u>Library GO Bond</u>	<u>Non-Major Governmental Fund</u>	<u>Total</u>
Nonspendable:						
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	4,120	4,120
Total nonspendable	-	-	-	-	4,120	4,120
Restricted for:						
Transportation services	37,635	-	-	-	-	37,635
Instructional materials	7,388	-	-	-	-	7,388
Teacherage	52,784	-	-	-	-	52,784
Capital improvements	-	-	-	-	238	238
Debt service payments	-	-	-	-	-	-
Athletic services	-	-	-	-	1,802	1,802
Special grants	-	-	-	-	-	-
Cafeteria services	-	-	-	-	13,990	13,990
Total restricted	97,807	-	-	-	16,030	113,837
Committed to:						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
Unassigned:	140,973	-	-	-	-	140,973
Total Fund Balances	<u>\$ 238,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,150</u>	<u>\$ 258,930</u>

15. CONCENTRATIONS

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

16. RESTATEMENT - FUND BALANCE/STATEMENT OF ACTIVITIES

The fund balance of the General Fund was restated for \$65,000 that was loaned to the Title I Fund in fiscal year 2008 and will not be paid back because the reimbursement request for the Title I Fund was never submitted. The Other Governmental Funds was restated in the amount of \$5,711 in revenues that were never earned by the School District and thus should not have been included in Fund Balance.

**NON-MAJOR FUNDS**

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Governmental Funds  
Combining Balance Sheet - By Fund Type  
June 30, 2012

Statement A-1

	Special Revenue Funds	Capital Project Funds	Total
<b>ASSETS</b>			
Cash on deposit	\$ 22,006	\$ 238	\$ 22,244
Taxes receivable	-	-	-
Due from grantor	17,808	-	17,808
Inventory, at cost	4,120	-	4,120
Total assets	<b>\$ 43,934</b>	<b>\$ 238</b>	<b>\$ 44,172</b>
<b>LIABILITIES</b>			
Cash overdraft	\$ 17,808	\$ -	\$ 17,808
Deferred revenues	6,214	-	6,214
Total liabilities	24,022	-	24,022
<b>FUND BALANCE</b>			
Nonspendable	4,120	-	4,120
Restricted	15,792	238	16,030
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	19,912	238	20,150
Total liabilities and fund balance	<b>\$ 43,934</b>	<b>\$ 238</b>	<b>\$ 44,172</b>

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances - By Fund Type  
Year Ended June 30, 2012

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	13,730	-	13,730
Local sources	1,174	-	1,174
State sources	3,924	-	3,924
Federal sources	192,568	-	192,568
Earnings from investments	21	-	21
	<u>211,417</u>	<u>-</u>	<u>211,417</u>
Total revenues			
EXPENDITURES			
Current:			
Direct instruction	55,194	-	55,194
Instructional support	85,417	-	85,417
Food services	91,332	-	91,332
Capital outlay	-	-	-
	<u>231,943</u>	<u>-</u>	<u>231,943</u>
Total expenditures			
Net change in fund balance	(20,526)	-	(20,526)
Fund balance beginning of year	<u>46,149</u>	<u>238</u>	<u>46,387</u>
Prior period adjustment	(5,711)	-	(5,711)
Fund balance beginning of year - restated	<u>40,438</u>	<u>238</u>	<u>40,676</u>
Fund balance end of year	<u>\$ 19,912</u>	<u>\$ 238</u>	<u>\$ 20,150</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Combined Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Governmental Fund Types - Non-Major  
Special Revenue Funds  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 20,140	\$ 20,140	\$ 13,730	\$ (6,410)
Local sources	-	1,250	1,072	(178)
State sources	6,152	10,080	9,016	(1,064)
Federal sources	184,450	240,031	252,175	12,144
Earnings from investments	25	25	21	(4)
	<u>210,767</u>	<u>271,526</u>	<u>276,014</u>	<u>4,488</u>
Total revenues	<u>\$ 210,767</u>	<u>\$ 271,526</u>	<u>\$ 276,014</u>	<u>\$ 4,488</u>
EXPENDITURES				
Direct instruction	\$ 88,437	\$ 99,992	\$ 55,194	\$ 44,798
Instructional support	43,406	89,591	85,417	4,174
Food services	124,889	127,908	93,963	33,945
Capital outlay	-	-	-	-
	<u>256,732</u>	<u>317,491</u>	<u>234,574</u>	<u>82,917</u>
Total expenditures	<u>\$ 256,732</u>	<u>\$ 317,491</u>	<u>\$ 234,574</u>	<u>\$ 82,917</u>
BUDGETED CASH BALANCE	<u>\$ 45,965</u>	<u>\$ 45,965</u>		

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Combined Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Governmental Fund Types - Non-Major  
Capital Projects Funds  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

## NON-MAJOR SPECIAL REVENUE FUNDS

**ALL FUNDS** - All funds were created by management directive.

**TITLE I ESEA FUND** - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

**PL94-142 PRESCHOOL** - To account for monies received for the operation and maintenance of meeting the special education needs of children with disabilities. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

**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.

**TITLE I STIMULUS** - To account for funds received from the Federal Government to supplement State and Local funding to help low-achieving children, especially in high-poverty schools. The program finances the additional academic support and learning opportunities that are often required to help disadvantaged students progress along with their classmates. Financing and authority for this program are the American Recovery and Reinvestment Act.

**PL 94-142 ENTITLEMENT - STIMULUS** - To account for resources received for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority for this program are the American Recovery and Reinvestment Act.

**PL 94-142 - PRESCHOOL - STIMULUS** - To account for resources received for the operation and maintenance of meeting special education needs of preschool children with disabilities. Financing and authority for the program are the American Recovery and Reinvestment Act.

**REAP (RURAL EDUCATION ACHIEVEMENT PROGRAM)** - To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

**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 FUND** - To account for resources received to assist local educational agencies in saving or creating education jobs during the 2010-2011 school year. Financing and authority for this program are the American Recovery and Reinvestment Act of 120009, Public Law 111-5 and 111-226.

**(Non-Major Special Revenue Funds - continued)**

**DUAL CREDIT** - To account for resources received from House Bill 2, 2009, to be used for dual credit instructional materials through a course approved by Higher Education Department and through a college/university for which the district has an approved agreement.

**GO BOND STUDENT LIBRARY** - To account for monies received from the SB333, Laws 2008 Appropriation to be used to improve the library, acquire library books or library resources that support the library program

**GO BOND SCHOOL LIBRARY** - To account for monies received from the SB1, Laws of 2010 Appropriation, Second Special Session, Chapter 3, Section B3 to be used to acquire library books, equipment and library resources for public school libraries statewide.

**TECHNOLOGY FOR EDUCATION** - To account for State funding which is to be used by the District to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities.

**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.

**INCENTIVES FOR SCHOOL IMPROVEMENT ACT** - To account for monies received to be used as determined by the school principal and teachers in cooperation with other school employees and the community. It shall not be used for salaries, salary increases or bonuses. Financing and authority is provided by NMSA 22-13A-5.

**BEGINNING TEACHER MENTORING PROGRAM** - To account for monies appropriated by the State Legislature to be used for stipends to mentors, for professional development opportunities, release time; including payment of substitutes, materials and supplies and for minor administrative costs. Financing and authority is provided by the State Legislature.

**BREAKFAST PROGRAM** - To account for monies received from the 2006 Legislative General Appropriations Act to be used for Elementary Breakfast food expenses. Financing and authority is provided by the State Legislature.

**SCHOOLS IN NEED OF IMPROVEMENT** - To account for resources received from the State to help with the original School Improvement Framework program.

**RURAL EDUCATION** - 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.

**(Non-Major Special Revenue Funds - continued)**

**KINDERGARTEN 3 PLUS** - 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. Authorized by P.L. 94-142 and P.L 99-457.

**2008 LIBRARY BOOK** - To account for resources received from the State of New Mexico Public Education Department and the Department of Cultural Affairs through a GO Bond C specifically issued for public school libraries. Laws 2002, Chapter 93 appropriate "funds to acquire library books, equipment and library resources for public school libraries.

**CATCH GRANT** - To account for a grant received to fund a research-based physical activity and nutrition diabetes prevention program for elementary school children attending Reserve Elementary School. Financing and authority is provided through New Mexico State University Cooperative Extension Service (NMSU Extension) and by the New Mexico Department of Health (NMDOH).

**CATRON COUNTY GRANT** - To account for resources received from Catron County Grassroots Behavioral Health Group to be used for a stipend to reimburse the staff members for the monies they spend while giving direct guidance and assistance to the students participating in the Natural Helpers Program.

**ATHLETICS FUND** - To account for the activities of the athletic functions of the District. (State Department of Education Regulation 93-1).

**SCHOOL LUNCH FUND** - This program provides financing for the School Hot Lunch Program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2012

Statement B-1  
Page 1 of 4

	Title I Fund	PL 94-142 Preschool Fund	Safe and Drug Free Schools Fund	Title I Stimulus Fund	PL 94-142 Entitlement Stimulus Fund	PL 94-142 Preschool - Stimulus	REAP Fund
<b>ASSETS</b>							
Cash on deposit	\$ 504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	-	1	-	-	5,381	-	898
Inventory, at cost	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 504</u></b>	<b><u>\$ 1</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,381</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 898</u></b>
<b>LIABILITIES</b>							
Cash overdraft	\$ -	\$ 1	\$ -	\$ -	\$ 5,381	\$ -	\$ 898
Deferred revenue	504	-	-	-	-	-	-
<b>Total liabilities</b>	<b><u>504</u></b>	<b><u>1</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,381</u></b>	<b><u>-</u></b>	<b><u>898</u></b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 504</u></b>	<b><u>\$ 1</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,381</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 898</u></b>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2012

Statement B-1  
Page 2 of 4

	Literacy Through School Libraries	Education Jobs Fund	Dual Credit	GO Bond Student Library	GO Bond School Library	Technology for Education	Professional Development
<b>ASSETS</b>							
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,066	\$ -
Due from grantor	-	-	-	-	2,075	-	4,876
Inventory, at cost	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,075</u></b>	<b><u>\$ 1,066</u></b>	<b><u>\$ 4,876</u></b>
<b>LIABILITIES</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ 2,075	\$ -	\$ 4,876
Deferred revenue	-	-	-	-	-	1,066	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,075</u></b>	<b><u>1,066</u></b>	<b><u>4,876</u></b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,075</u></b>	<b><u>\$ 1,066</u></b>	<b><u>\$ 4,876</u></b>

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2012

Statement B-1  
Page 3 of 4

	Incentives for School Improvement	Beginning Teacher Mentoring	Breakfast Program	Schools in Need of Improvement	Rural Education	Kindergarten 3 Plus
<b>ASSETS</b>						
Cash on deposit	\$ 1,514	\$ -	\$ -	\$ 609	\$ 2,499	\$ -
Due from grantor	-	714	1,261	-	-	2,500
Inventory, at cost	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 1,514</u></b>	<b><u>\$ 714</u></b>	<b><u>\$ 1,261</u></b>	<b><u>\$ 609</u></b>	<b><u>\$ 2,499</u></b>	<b><u>\$ 2,500</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ -	\$ 714	\$ 1,261	\$ -	\$ -	\$ 2,500
Deferred revenue	1,514	-	-	609	2,499	-
<b>Total liabilities</b>	<b><u>1,514</u></b>	<b><u>714</u></b>	<b><u>1,261</u></b>	<b><u>609</u></b>	<b><u>2,499</u></b>	<b><u>2,500</u></b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,514</u></b>	<b><u>\$ 714</u></b>	<b><u>\$ 1,261</u></b>	<b><u>\$ 609</u></b>	<b><u>\$ 2,499</u></b>	<b><u>\$ 2,500</u></b>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2012

Statement B-1  
Page 4 of 4

	2008 Library Book Fund	CATCH Grant	Catron County Grant	Athletics	Student Cafeteria Account	Totals
<b>ASSETS</b>						
Cash on deposit	\$ 22	\$ -	\$ -	\$ 1,802	\$ 13,990	\$ 22,006
Due from grantor	-	102	-	-	-	17,808
Inventory, at cost	-	-	-	-	4,120	4,120
<b>Total assets</b>	<b><u>\$ 22</u></b>	<b><u>\$ 102</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,802</u></b>	<b><u>\$ 18,110</u></b>	<b><u>\$ 43,934</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ -	\$ 102	\$ -	\$ -	\$ -	\$ 17,808
Deferred revenue	22	-	-	-	-	6,214
<b>Total liabilities</b>	<b><u>22</u></b>	<b><u>102</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>24,022</u></b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	4,120	4,120
Restricted	-	-	-	1,802	13,990	15,792
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,802</u></b>	<b><u>18,110</u></b>	<b><u>19,912</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 22</u></b>	<b><u>\$ 102</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,802</u></b>	<b><u>\$ 18,110</u></b>	<b><u>\$ 43,934</u></b>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2012

Statement B-2  
Page 1 of 4

	Title I Fund	Safe and Drug Free School Fund	Title I Stimulus Fund	PL 94-142 Entitlement Stimulus Fund	PL 94-142 Preschool Stimulus	REAP Fund
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	78,429	-	-	-	-	1,626
Earnings from investments	-	-	-	-	-	-
<b>Total revenues</b>	<u>78,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,626</u>
<b>EXPENDITURES</b>						
Direct instruction	41,175	-	-	-	-	1,626
Instructional support	37,254	-	-	-	-	-
Food services	-	-	-	-	-	-
<b>Total expenditures</b>	<u>78,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,626</u>
Net change in fund balance	-	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-	-
Prior period adjustment	-	-	-	-	-	-
Fund balance beginning of year - restated	-	-	-	-	-	-
<b>Fund balance at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2012

Statement B-2  
Page 2 of 4

	Literacy Through School Libraries	Education Jobs Fund	Dual Credit	GO Bond Student Library	GO Bond School Library	Technology For Education
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	588	-	2,075	-
Federal sources	46,088	857	-	-	-	-
Earnings from investments	-	-	-	-	-	-
Total revenues	<u>46,088</u>	<u>857</u>	<u>588</u>	<u>-</u>	<u>2,075</u>	<u>-</u>
<b>EXPENDITURES</b>						
Direct instruction	-	857	588	-	-	-
Instructional support	46,088	-	-	-	2,075	-
Food services	-	-	-	-	-	-
Total expenditures	<u>46,088</u>	<u>857</u>	<u>588</u>	<u>-</u>	<u>2,075</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-	<u>1,067</u>
Prior period adjustment	-	-	-	-	-	(1,067)
Fund balance beginning of year - restated	-	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2012

Statement B-2  
Page 3 of 4

	Incentives For School Improvement	Breakfast Program	Schools In Need of Improvement	Rural Education	2008 Library Book Fund
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	-	1,261	-	-	-
Federal sources	-	-	-	-	-
Earnings from investments	-	-	-	-	-
Total revenues	<u>-</u>	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Direct instruction	-	-	-	-	-
Instructional support	-	-	-	-	-
Food services	-	1,261	-	-	-
Total expenditures	<u>-</u>	<u>1,261</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	<u>1,514</u>	<u>-</u>	<u>609</u>	<u>2,499</u>	<u>22</u>
Prior period adjustment	(1,514)	-	(609)	(2,499)	(22)
Fund balance beginning of year - restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO

RESERVE INDEPENDENT SCHOOLS

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures

and Changes in Fund Balances

Year Ended June 30, 2012

	Grant	CATCH	Grant	Athletics	Cafeteria	Totals
	County		County			
	Catron					
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ 8,866	\$ 4,864	\$ 13,730
Local sources	102		1,000	72	-	1,174
State sources	-	-	-	-	-	3,924
Federal sources	-	-	-	-	65,568	192,568
Earnings from investments	-	-	-	-	21	21
Total revenues	102		1,000	8,938	70,453	211,417
EXPENDITURES						
Direct instruction	102		1,000	9,846	-	55,194
Instructional support	-	-	-	-	-	85,417
Food services	-	-	-	-	90,071	91,332
Total expenditures	102		1,000	9,846	90,071	231,943
Net change in fund balance	-	-	-	(908)	(19,618)	(20,526)
Fund balance beginning of year	-	-	-	2,710	37,728	46,149
Prior period adjustment	-	-	-	-	-	(5,711)
Fund balance beginning of year - restated	-	-	-	2,710	37,728	40,438
Fund balance at end of year	\$ -	\$ -	\$ -	\$ 1,802	\$ 18,110	\$ 19,912

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Title I Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 110,106	\$ 110,106	\$ 41,699	\$ (68,407)
Total revenues	<u>\$ 110,106</u>	<u>\$ 110,106</u>	<u>\$ 41,699</u>	<u>\$ (68,407)</u>
EXPENDITURES				
Direct instruction	\$ 72,852	\$ 72,852	\$ 41,175	\$ 31,677
Instructional support	<u>37,254</u>	<u>37,254</u>	<u>37,254</u>	<u>-</u>
Total expenditures	<u>\$ 110,106</u>	<u>\$ 110,106</u>	<u>\$ 78,429</u>	<u>\$ 31,677</u>
REVENUES				
Budgetary basis			\$ 41,699	
Decrease in deferred revenue			<u>36,730</u>	
Modified accrual basis			<u>\$ 78,429</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Safe and Drug Free Schools  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 436	\$ 436
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436</u>	<u>\$ 436</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 436	
(Decrease) in due from grantor			<u>(436)</u>	
Modified accrual basis			<u>\$ -</u>	

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Title I - Stimulus  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 20,223	\$ 20,223
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,223</u>	<u>\$ 20,223</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 20,223	
(Decrease) in due from grantor			<u>(20,223)</u>	
Modified accrual basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - 94-142 Entitlement Stimulus  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 31,769	\$ 31,769
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,769</u>	<u>\$ 31,769</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 31,769	
Decrease in due from grantor			<u>(31,769)</u>	
Modified accrual basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - PL 94-142 Preschool Stimulus  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 1,301	\$ 1,301
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,301</u>	<u>\$ 1,301</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 1,301	
(Decrease) in due from grantor			<u>(1,301)</u>	
Modified accrual basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 RESERVE INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Fund - REAP  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 2,975	\$ 11,514	\$ 1,626	\$ (9,888)
Total revenues	<u>\$ 2,975</u>	<u>\$ 11,514</u>	<u>\$ 1,626</u>	<u>\$ (9,888)</u>
EXPENDITURES				
Direct instruction	\$ 2,975	\$ 11,514	\$ 1,626	\$ 9,888
Total expenditures	<u>\$ 2,975</u>	<u>\$ 11,514</u>	<u>\$ 1,626</u>	<u>\$ 9,888</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Literacy Through School Libraries  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 46,185	\$ 61,509	\$ 15,324
Total revenues	<u>\$ -</u>	<u>\$ 46,185</u>	<u>\$ 61,509</u>	<u>\$ 15,324</u>
EXPENDITURES				
Instructional support	\$ -	\$ 46,185	\$ 46,088	\$ 97
Total expenditures	<u>\$ -</u>	<u>\$ 46,185</u>	<u>\$ 46,088</u>	<u>\$ 97</u>
REVENUES				
Budgetary basis			\$ 61,509	
Decrease in due from grantor			<u>(15,421)</u>	
Modified accrual basis			<u>\$ 46,088</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Education Jobs Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 857	\$ 21,590	\$ 20,733
Total revenues	<u>\$ -</u>	<u>\$ 857</u>	<u>\$ 21,590</u>	<u>\$ 20,733</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 857	\$ 857	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 857</u>	<u>\$ 857</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 21,590	
(Decrease) in due from grantor			<u>(20,733)</u>	
Modified accrual basis			<u>\$ 857</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Dual Credit  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 909	\$ 588	\$ (321)
Total revenues	<u>\$ -</u>	<u>\$ 909</u>	<u>\$ 588</u>	<u>\$ (321)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 909	\$ 588	\$ 321
Total expenditures	<u>\$ -</u>	<u>\$ 909</u>	<u>\$ 588</u>	<u>\$ 321</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - GO Bond Student Library  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 8,428	\$ 8,428
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,428</u>	<u>\$ 8,428</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 8,428	
(Decrease) in due from grantor			<u>(8,428)</u>	
Modified accrual basis			<u>\$ -</u>	

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - GO Bond School Library Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 6,152	\$ 6,152	\$ -	\$ (6,152)
Total revenues	<u>\$ 6,152</u>	<u>\$ 6,152</u>	<u>\$ -</u>	<u>\$ (6,152)</u>
EXPENDITURES				
Instructional support	\$ 6,152	\$ 6,152	\$ 2,075	\$ 4,077
Total expenditures	<u>\$ 6,152</u>	<u>\$ 6,152</u>	<u>\$ 2,075</u>	<u>\$ 4,077</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>2,075</u>	
Modified accrual basis			<u>\$ 2,075</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Breakfast Program  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 3,019	\$ -	\$ (3,019)
Total revenues	\$ -	\$ 3,019	\$ -	\$ (3,019)
EXPENDITURES				
Food services	\$ -	\$ 3,019	\$ 1,261	\$ 1,758
Total expenditures	\$ -	\$ 3,019	\$ 1,261	\$ 1,758
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			1,261	
Modified accrual basis			\$ 1,261	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - CATCH Grant  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 250	\$ -	\$ (250)
Total revenues	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ (250)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 250	\$ 102	\$ 148
Total expenditures	<u>\$ -</u>	<u>\$ 250</u>	<u>\$ 102</u>	<u>\$ 148</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>102</u>	
Modified accrual basis			<u>\$ 102</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Catron County Grant  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 1,000	\$ 1,000	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 1,000	\$ 1,000	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Athletics  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 9,900	\$ 9,900	\$ 8,866	\$ (1,034)
Local services	-	-	72	72
Total revenues	<u>\$ 9,900</u>	<u>\$ 9,900</u>	<u>\$ 8,938</u>	<u>\$ (962)</u>
EXPENDITURES				
Direct instruction	\$ 12,610	\$ 12,610	\$ 9,846	\$ 2,764
Total expenditures	<u>\$ 12,610</u>	<u>\$ 12,610</u>	<u>\$ 9,846</u>	<u>\$ 2,764</u>
BUDGETED CASH BALANCE	<u>\$ 2,710</u>	<u>\$ 2,710</u>		

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Cafeteria  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 10,240	\$ 10,240	\$ 4,864	\$ (5,376)
Federal sources	71,369	71,369	72,022	653
Earnings from investments	25	25	21	(4)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 81,634</u>	<u>\$ 81,634</u>	<u>\$ 76,907</u>	<u>\$ (4,727)</u>
EXPENDITURES				
Food services	\$ 124,889	\$ 124,889	\$ 92,702	\$ 32,187
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 124,889</u>	<u>\$ 124,889</u>	<u>\$ 92,702</u>	<u>\$ 32,187</u>
BUDGETED CASH BALANCE				
	<u>\$ 43,255</u>	<u>\$ 43,255</u>		
REVENUES				
Budgetary basis			\$ 76,907	
(Decrease) in accounts receivable			<u>(6,454)</u>	
Modified accrual basis			<u>\$ 70,453</u>	
EXPENDITURES				
Budgetary basis			\$ 92,702	
Increase in inventory			<u>(2,631)</u>	
Modified accrual basis			<u>\$ 90,071</u>	

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

**NON-MAJOR CAPITAL PROJECTS FUND**

**PUBLIC SCHOOLS CAPITAL OUTLAY** - To account for funding which is to be used by the District to promote the comprehensive integration of advanced technology in an educational setting, through the conduct of technical assistance, professional development information and resource dissemination and collaboration activities. Authorization NMSA 22-15A-1.

STATE OF NEW MEXICO  
 RESERVE INDEPENDENT SCHOOLS  
 Non-Major Capital Projects Funds  
 Balance Sheet  
 June 30, 2012

	Public Schools Capital Outlay Fund
<b>ASSETS</b>	
Cash on deposit	\$ 238
Taxes receivable	-
Total assets	<b>\$ 238</b>
<b>LIABILITIES</b>	
Accounts payable	\$ -
Total liabilities	-
<b>FUND BALANCE</b>	
Restricted	238
Total fund balance	<b>238</b>
Total liabilities and fund balance	<b>\$ 238</b>

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Capital Projects Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2012

	Public Schools Capital Outlay Fund
REVENUES	
Taxes	\$ -
State sources	-
Earnings from investments	-
Total revenues	-
EXPENDITURES	
Instructional support	-
Capital outlay	-
Total expenditures	-
Net change in fund balance	-
Fund balance at beginning of year	238
Fund balance at end of year	\$ 238

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Capital Projects Fund - Public Schools Capital Outlay Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

### GENERAL FUND

**OPERATIONAL FUND** - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

**TEACHERAGE FUND** - To account for resources received from the rental of School owned facilities.

**TRANSPORTATION FUND** - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

**INSTRUCTIONAL MATERIALS FUND** - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Combining Balance Sheet  
General Fund  
June 30, 2012

Statement D-1

	Operational	Teacherage	Transporation	Instructional Materials	Total
<b>ASSETS</b>					
Cash on deposit	\$ 140,693	\$ 53,034	\$ 37,636	\$ 7,388	\$ 238,751
Accounts receivable, collectible	280	-	-	-	280
Total assets	<b>\$ 140,973</b>	<b>\$ 53,034</b>	<b>\$ 37,636</b>	<b>\$ 7,388</b>	<b>\$ 239,031</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Rental deposits	-	250	-	-	250
Total liabilities	-	250	-	-	250
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	52,784	37,636	7,388	97,808
Unassigned	140,973	-	-	-	140,973
Total fund balance	140,973	52,784	37,636	7,388	238,781
Total liabilities and fund balance	<b>\$ 140,973</b>	<b>\$ 53,034</b>	<b>\$ 37,636</b>	<b>\$ 7,388</b>	<b>\$ 239,031</b>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
General Fund  
Year Ended June 30, 2012

	Operational	Teacherage	Transportation	Instructional Materials	Total
<b>REVENUES</b>					
Property taxes	\$ 21,861	\$ -	\$ -	\$ -	\$ 21,861
Charges for services	18,600	7,300	-	-	25,900
Local sources	16,245	-	-	-	16,245
State sources	1,523,594	-	195,735	6,466	1,725,795
Federal sources	816,225	-	-	-	816,225
Earnings from investments	330	38	-	-	368
	<u>2,396,855</u>	<u>7,338</u>	<u>195,735</u>	<u>6,466</u>	<u>2,606,394</u>
<b>EXPENDITURES</b>					
Direct instruction	1,322,017	-	-	6,257	1,328,274
Instructional support	1,155,777	9,019	198,755	-	1,363,551
Food service	10,372	-	-	-	10,372
Capital outlay	-	-	22,884	-	22,884
	<u>2,488,166</u>	<u>9,019</u>	<u>221,639</u>	<u>6,257</u>	<u>2,725,081</u>
Net change in fund balance	(91,311)	(1,681)	(25,904)	209	(118,687)
Fund balance at beginning of year	<u>297,284</u>	<u>54,465</u>	<u>63,539</u>	<u>7,179</u>	<u>422,467</u>
Prior period adjustment	(65,000)	-	-	-	(65,000)
Fund balance beginning of year - restated	<u>232,284</u>	<u>54,465</u>	<u>63,539</u>	<u>7,179</u>	<u>357,467</u>
Fund balance at end of year	<u>\$ 140,973</u>	<u>\$ 52,784</u>	<u>\$ 37,635</u>	<u>\$ 7,388</u>	<u>\$ 238,780</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
General Fund - Operational Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 20,753	\$ 20,753	\$ 22,231	\$ 1,478
Charges for services	-	11,000	18,600	7,600
Local sources	-	15,519	16,245	726
State sources	1,505,685	1,428,913	1,523,594	94,681
Federal sources	924,012	816,225	816,225	-
Earnings from investments	520	520	330	(190)
	<u>\$ 2,450,970</u>	<u>\$ 2,292,930</u>	<u>\$ 2,397,225</u>	<u>\$ 104,295</u>
EXPENDITURES				
Direct instruction	\$ 1,384,868	\$ 1,334,378	\$ 1,322,017	\$ 12,361
Instructional support	1,163,081	1,195,848	1,174,096	21,752
Food services	36,000	10,400	10,372	28
	<u>\$ 2,583,949</u>	<u>\$ 2,540,626</u>	<u>\$ 2,506,485</u>	<u>\$ 34,141</u>
BUDGETED CASH BALANCE	<u>\$ 132,979</u>	<u>\$ 247,696</u>		
REVENUES			\$ 2,397,225	
Budgetary basis			(370)	
Decrease in receivables				
			<u>\$ 2,396,855</u>	
Modified accrual basis				
EXPENDITURES			\$ 2,506,485	
Budgetary basis			(18,319)	
Decrease in payables				
			<u>\$ 2,488,166</u>	
Modified accrual basis				

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
General Fund - Teacherage Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	19,200	19,200	7,550	(11,650)
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	35	35	38	3
<b>Total revenues</b>	<b><u>\$ 19,235</u></b>	<b><u>\$ 19,235</u></b>	<b><u>\$ 7,588</u></b>	<b><u>\$ (11,647)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	75,322	75,322	9,019	66,303
Food services	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 75,322</u></b>	<b><u>\$ 75,322</u></b>	<b><u>\$ 9,019</u></b>	<b><u>\$ 66,303</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 56,087</u></b>	<b><u>\$ 56,087</u></b>		
<b>REVENUES</b>			\$ 7,588	
Budgetary basis			(250)	
(Increase) in security deposits			<u>7,338</u>	
Modified accrual basis				

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
General Fund - Transportation Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	167,736	195,735	195,735	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 167,736</u>	<u>\$ 195,735</u>	<u>\$ 195,735</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	167,736	259,274	221,639	37,635
Food service	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 167,736</u>	<u>\$ 259,274</u>	<u>\$ 221,639</u>	<u>\$ 37,635</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 63,539</u>		

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
General Fund - Instructional Materials Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	6,257	6,257	6,466	209
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total revenues	<u>\$ 6,257</u>	<u>\$ 6,257</u>	<u>\$ 6,466</u>	<u>\$ 209</u>
EXPENDITURES				
Direct instruction	\$ 6,257	\$ 6,257	\$ 6,257	\$ -
Instructional support	-	-	-	-
Food services	-	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total expenditures	<u>\$ 6,257</u>	<u>\$ 6,257</u>	<u>\$ 6,257</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Schedule of Cash Receipts and  
Disbursements - All Funds by  
School District Classification  
Year Ended June 30, 2012

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Cafeteria</u>
Cash balance, June 30, 2011	\$ 249,953	\$ 54,465	\$ 63,540	\$ 7,179	\$ 29,785
Cash Receipts, 2011-2012	2,397,225	7,588	195,735	6,466	76,907
Cash Disbursements, 2011-2012	<u>(2,506,485)</u>	<u>(9,019)</u>	<u>(221,639)</u>	<u>(6,257)</u>	<u>(92,702)</u>
Cash balance, June 30, 2012	<u><b>\$ 140,693</b></u>	<u><b>\$ 53,034</b></u>	<u><b>\$ 37,636</b></u>	<u><b>\$ 7,388</b></u>	<u><b>\$ 13,990</b></u>

	<u>Athletics</u>	<u>Federal Projects</u>	<u>Local/ State</u>	<u>Public Schools Capital Outlay</u>	<u>Agency</u>
Cash balance, June 30, 2011	\$ 2,710	\$ (79,898)	\$ (20,060)	\$ 238	\$ 32,844
Cash Receipts, 2011-2012	8,938	245,086	10,016	-	50,478
Cash Disbursements, 2011-2012	<u>(9,846)</u>	<u>(212,275)</u>	<u>(5,026)</u>	<u>-</u>	<u>(47,592)</u>
Cash balance, June 30, 2012	<u><b>\$ 1,802</b></u>	<u><b>\$ (47,087)</b></u>	<u><b>\$ (15,070)</b></u>	<u><b>\$ 238</b></u>	<u><b>\$ 35,730</b></u>

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

<u>Source and Program</u>	<u>Federal Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
REAP	84.358	25.233	\$ 1,626
Education Jobs Fund-Stimulus-ARRA	84.410	25.255	857
Literacy Through School Libraries	84.364	25.235	46,088
Passed through State of NM			
Department of Education:			
Impact Aid Title I (Chapter 1) Basic	84.010	24.101	78,429
PL 94-142 Entitlement	84.027	24.106	66,869
Improving Teacher Quality	84.367	24.154	<u>18,406</u>
Sub-total			<u>212,275</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
National School Lunch Program	10.555	21.000	40,699
School Breakfast Program	10.553	21.000	17,910
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	6,959
Passed through State of NM			
Department of Finance and Administration:			
*Forest Reserve	10.665	N/A	<u>816,225</u>
Sub-total			<u>881,793</u>
Total Expenditures of Federal Awards			<u>\$ 1,094,068</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Reserve Independent Schools and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, 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 financial statements.

2. Non-Cash Assistance

The District did not receive any federal awards in the form of non-cash assistance except for U.S.D.A. Commodities during the year.

3. Subrecipients

The District did not provide any federal awards to subrecipients during the year.

\*Treated as a Major Program

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Part 1 - Summary of Auditor Results

1. Type of Report - Unqualified
2. Significant Deficiency - Title I Overdraft (12-19)
3. Non-Compliance - Late Audit Report (11-01), Rent Increase Without Board Approval (12-03), Missing Rental Agreement (12-05), Missing Board Meeting Minutes (12-06), Board Meeting Minutes Not Signed (12-07), Board Minutes Not Approved in Open Session (12-08), Outstanding Balances (12-09), Cash Deficits (12-10), CATCH Grant Not Shown as Special Revenue Fund (12-11), Receipts Out of Sequence (12-13), Receipt Books (12-14), Drug Testing Policy (12-15), Contract Addendums Missing (12-16), New Hire Reporting (12-17), Special Audit Requested (12-18), Title I Overdraft (12-19).
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unqualified
6. A-133 Audit Findings - NONE
7. Major Programs - Forest Reserve CFDA #10.665
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. Reserve Independent Schools did not qualify as a low-risk auditee

Part 2 - Findings

Late Audit Report (11-01), Agency Fund Records (12-01), Rental Deposit Cash Included in Budget (12-02), Rent Increase Without Board Approval (12-03), Damage Deposit Not Charged (12-04), Missing Rental Agreement (12-05), Missing Board Meeting Minutes (12-06), Board Meeting Minutes Not Signed (12-07), Board Minutes Not Approved in Open Session (12-08), Outstanding Balances (12-09), Cash Deficits (12-10), CATCH Grant Not Shown as Special Revenue Fund (12-11), USDA Student Nutrition Requests For Reimbursement Not Complete (12-12), Receipts Out of Sequence (12-13), Receipt Books (12-14), Drug Testing Policy (12-15), Contract Addendums Missing (12-16), New Hire Reporting (12-17), Special Audit Requested (12-18), Title I Overdraft (12-19).

Part 3 - Questioned Costs

NONE

# Rice and Associates, C.P.A.

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

## 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

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Reserve Independent Schools  
Reserve, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I, PL 94-142 Entitlement, Improving Teacher Quality and Library GO Bond Funds of Reserve Independent Schools, as of and for the year ended June 30, 2012, and have issued our report thereon dated June 12, 2013. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 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 Schools is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Reserve Independent Schools 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 Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not be 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 and Status of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting as Findings Title I Overdraft (12-19). A significant 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 the Reserve Independent Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. They are included in the Status of Findings and Responses and Schedule of Findings and Questioned Costs as Late Audit Report (11-01), Rent Increase Without Board Approval (12-03), Missing Rental Agreement (12-05), Missing Board Meeting Minutes (12-06), Board Meeting Minutes Not Signed (12-07), Board Minutes Not Approved in Open Session (12-08), Outstanding Balances (12-09), Cash Deficits (12-10), CATCH Grant Not Shown as Special Revenue Fund (12-11), Receipts Out of Sequence (12-13), Receipt Books (12-14), Drug Testing Policy (12-15), Contract Addendums Missing (12-16), New Hire Reporting (12-17), Special Audit Requested (12-18) and Title I Overdraft (12-19).

We also noted certain other 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 Status of Findings and Responses and Schedule of Findings and Questioned Costs as Findings Agency Fund Records (12-01), Rental Deposit Cash Included in Budget (12-02), Damage Deposit Not Charged (12-04), Outstanding Balances (12-09), Cash Deficits (12-10), CATCH Grant Not Shown as Special Revenue Fund (12-11), USDA Student Nutrition Requests For Reimbursement Not Complete (12-12), Receipts Out of Sequence (12-13), Receipt Books (12-14), Contract Addendums Missing (12-16 and Special Audit Requested (12-18).

Management's responses to the findings identified in our audit are described in the accompany Status of Findings and Responses and Schedule of Findings and Questioned Costs. We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Office of the State Auditor, the New Mexico State Legislature, applicable federal grantors and the Public Education Department and is not intended to be used by anyone other than these specified parties.



June 12, 2013

*Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Reserve Independent Schools  
Reserve, New Mexico

Compliance

We have audited the compliance of Reserve Independent Schools (District) 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 its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of the 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 are the responsibility of the District's management. Our responsibility is to express an opinion on the District'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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District'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 the District's compliance with those requirements.

In our opinion, the District 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, 2012.



## Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report 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 the District'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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the School Board, management, the Office of the State Auditor, and the Public Education Department, the New Mexico Legislature, and any applicable federal granting agency and is not intended to be and should not be used by anyone other than these specified parties.

*Rice & Associates, LLP*

June 12, 2013

## STATUS OF FINDINGS AND RESPONSES

### Prior Year Audit Findings:

1. Budgetary Controls (09-03) - Resolved.
2. Late Audit Report (11-01) - Repeated.
3. Maintenance of Personnel Files (11-02) - Resolved.
4. Capital Asset Recording (11-03) - Resolved.
5. Deposit of Agency Funds (11-04) - Resolved.

### Current Year Audit Findings:

1. Agency Fund Records (12-01)
2. Rental Deposit Cash Included in Budget (12-02)
3. Rent Increase Without Board Approval (12-03)
4. Damage Deposit Not Charged (12-04)
5. Missing Rental Agreement (12-05)
6. Missing Board Meeting Minutes (12-06)
7. Board Meeting Minutes Not Signed (12-07)
8. Board Minutes Not Approved in Open Session (12-08)
9. Outstanding Balances (12-09)
10. Cash Deficits (12-10)
11. CATCH Grant Not Shown as Special Revenue Fund (12-11)
12. USDA Student Nutrition Requests for Reimbursement Not Complete (12-12)
13. Receipts Out of Sequence (12-13)
14. Receipt Books (12-14)
15. Drug Testing Policy (12-15)
16. Contract Addendums Missing (12-16)
17. New Hire Reporting (12-17)
18. Special Audit Requested (12-18)
19. Title I Overdraft (12-19)

Late Audit Report - Other Matter  
(11-01)

CONDITION                    The June 30, 2012 audit report was not submitted to the State Auditors Office by the required deadline of November 15, 2012.

CRITERIA                    According to NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies; all School District audits are due to the State Auditors Office by November 15, 2012.

CAUSE                        The School District had a changeover in Management during the year. As a result, a new auditing firm was selected. The contract for the new firm was submitted timely, however, the new firm could not complete and submit the 2012 fiscal year audit report before the required deadline because the 2011 fiscal year audit report was not completed and submitted until December 10, 2012.

EFFECT                      NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies regulation was not followed.

RECOMMENDATION            Now that the 2012 fiscal year audit has been submitted, there should be no reason for the 2013 audit report to be late.

RESPONSE                    The District will make every effort to comply with the audit report submission deadlines established by the New Mexico State Auditor.

Agency Funds Records - Other Matter

(12-01)

CONDITION	Management is not using the Visions Software to correctly post transactions for each of the Schools activity funds.
CRITERIA	According to the Public Education Departments Manual of Procedures the Business Office is responsible for records of the activity funds to be retained and those records will include an opening balance at the beginning of each period, receipts, disbursements and end of period balances for each activity.
CAUSE	The Board has not provided adequate training for business office personnel to ensure this requirement is met.
EFFECT	Accounting records for each activity fund cannot be obtained promptly from the business software.
RECOMMENDATION	The Board should ensure that the business office staff obtains this training immediately.
RESPONSE	The Board will ensure that the Business Office establishes a new system for reporting Agency Activity Funds through the Visions Accounting Software, which will be put into use at the beginning of the 2013-2014 school year.

Rental Deposit Cash Included in Budget - Other Matter  
(12-02)

CONDITION                    The School District owes \$250 to Teacherage tenants for security deposits. This cash is being incorrectly included in cash carryover for the budget of the Teacherage Fund.

CRITERIA                     The Security Deposit of \$250 should be shown as a liability and not included in the School Districts budget as cash available for purchases/disbursements.

CAUSE                        Management was unaware of this situation.

EFFECT                      The School District could incorrectly spend this cash causing the Operational Fund to cover the disbursement.

RECOMMENDATION            Management should ensure this \$250 is not included in the cash carryover portion of the budget for the Teacherage Fund.

RESPONSE                    Management will ensure that Security Deposits are not included in cash carryover to be budgeted.

Rent Increase Without Board Approval - Other Matter  
(12-03)

CONDITION                    A tenant of the School District had their rent increased. This increase could not be verified as approved by the Board in any of the Board Minutes.

CRITERIA                    All increases in security deposits, rents, or other charges must be approved by the Board.

CAUSE                        Management was not aware that Board approval was required.

EFFECT                      The rate being charged may not be enforceable without Board approval.

RECOMMENDATION            The Board should approve all rates charged for rent yearly for each tenant.

RESPONSE                    The Board will approve teacherage rental rates at their next regularly scheduled meeting and any future rate changes will be presented to the board for approval.

Damage Deposit Not Charged - Other Matter  
(12-04)

CONDITION                      Currently a tenant is renting a Teacherage but a damage deposit was never requested or obtained from the tenant.

CRITERIA                         A damage deposit should be obtained from every tenant when the rental agreement is signed. The amount of the deposit is to be determined by the Board for each teacherage.

CAUSE                             Prior management did not ensure a security deposit was obtained on a tenant that has rented a teacherage since October, 2007.

EFFECT                            Damages could be sustained without any resources to ensure the damages could be recovered.

RECOMMENDATION                The Board may want to obtain a security deposit from this tenant currently.

RESPONSE                        The Board will ensure that damage deposits are collected from every tenant according to the rental agreement and proper records maintained to show such collections.

Missing Rental Agreement - Other Matter  
(12-05)

CONDITION                    The School District has a tenant currently renting a Teacherage without an approved, signed rental agreement.

CRITERIA                     The School District should obtain a rental agreement from each tenant each fiscal year that sets forth all terms of the rent, duration, etc. of the rental agreement. These agreements should be signed by the School District and the renter each year.

CAUSE                         Prior management did not ensure a rental agreement was obtained for each tenant.

EFFECT                        The terms of the agreement have not been approved by both parties and may not be legally enforceable.

RECOMMENDATION            Management of the School District should obtain approved, signed rental agreements for each Teacherage at the start of the 2013-2014 fiscal year.

RESPONSE                    Management will ensure all tenants have a rental agreement in place and will renew each agreement every school year.



Missing Board Meeting Minutes - Other Matter  
(12-06)

CONDITION                    The School District could not provide any Board Meeting Minutes for the April 9, 2012 meeting.

CRITERIA                     According to the Open Meetings Act, Article 15, Section 10-15-1G "The board commission or other policy making body shall keep written minutes of all its meetings".

CAUSE                         The School District is not ensuring this procedure is completed.

EFFECT                        Written approved minutes of the Board are not available as required by the Open Meetings Act.

RECOMMENDATION            The Board should ensure that all future Board Minutes be prepared, approved, signed and available for review.

RESPONSE                     The Board has corrected this issue and will continue to comply with the recommendation to be in compliance with the Open Meetings Act and make the board minutes readily available.

Board Meeting Minutes Not Signed - Other Matter

(12-07)

CONDITION                    There were six different Board meetings held throughout the year that were not properly signed as approved.

CRITERIA                     According to the Open Meetings Act Article 15, Section 10-15-1G "Minutes shall not become official until approved by the policy making body". This is done by formal approval in a subsequent Board Meeting and having a signed copy available for review.

CAUSE                         The School District is not ensuring this procedure is completed.

EFFECT                        Written approved minutes of the Board are not available as required by the Open Meetings Act.

RECOMMENDATION             The Board should ensure that all future Board Minutes be prepared, approved, signed and available for review.

RESPONSE                     The Board has corrected this issue and will continue to ensure that the minutes are signed at the time of approval.

Board Minutes Not Approved in  
Open Session - Other Matter  
(12-08)

CONDITION                    The January 11, 2012 Regular Board Meeting minutes were never approved by the Board in open session.

CRITERIA                     According to the Open Meetings Act Article 15, Section 10-15-1G "Minutes shall not become official until approved by the policy making body". This is done by formal approval in a subsequent Board Meeting and having a signed copy available for review.

CAUSE                         The School District is not ensuring this procedure is completed.

EFFECT                        Written approved minutes of the Board are not available as required by the Open Meetings Act.

RECOMMENDATION            The Board should ensure that all future Board Minutes be prepared, approved, signed and available for review.

RESPONSE                    The Board has corrected this issue and will continue to follow the recommendation to be in compliance with the Open Meetings Act.

Outstanding Balances - Other Matter

(12-09)

CONDITION	The School District has cash balances in its Special Revenue Funds totaling \$5,710 that represent grants that have not been utilized for several years.
CRITERIA	Each grant has a specified time period in which they are to be utilized.
CAUSE	Management has not taken measures to ensure that all grants received are utilized in a timely manner according to the grant restrictions.
EFFECT	Monies are available to be used for special projects and the School District has not used them.
RECOMMENDATION	Management should approve budgets and spend the assets received according to the grant agreements.
RESPONSE	Management will monitor more closely and timely grant activity to ensure that funds are being utilized in the best interest of the district and not losing potential grants in the future.

Cash Deficits - Other Matter

(12-10)

CONDITION	The School District has numerous funds with cash deficits totaling \$18,241.
CRITERIA	The School District must request reimbursements of grant disbursements immediately as to have a proper cash balance at all times to ensure purchase obligations are met.
CAUSE	Current management has not ensured these funds have been requested.
EFFECT	The School District has to use Operational monies to cover these disbursements until they receive their reimbursements. Thus, depleting their Operational cash that is needed and budgeted for other expenditures.
RECOMMENDATION	The Business Office should implement procedures to ensure reimbursement requests are submitted timely and often to ensure monies earned are received.
RESPONSE	The Business Office will request and monitor reimbursements on a monthly basis to ensure timely receipt of monies.

CATCH Grant Not Shown as Special Revenue Fund - Other Matter

(12-11)

CONDITION	The School District received revenues from a CATCH Grant during the fiscal year. This grant was posted in the books of record as part of the Operational Fund not a Special Revenue Fund.
CRITERIA	The CATCH Grant should be considered a Special Revenue Fund in the School Districts books of record. The Public Education Department has designated a fund number 28140 verifying it as a Special Revenue Fund.
CAUSE	Management was not aware that this fund should be classified as a Special Revenue Fund.
EFFECT	This grant might not have been recorded and presented as a Special Revenue Fund.
RECOMMENDATION	Management should review all documentation received concerning grants so they may be recorded correctly.
RESPONSE	Management will verify with the New Mexico Public Education Department Uniform Chart of Accounts to accurately account for grants.

USDA Student Nutrition Requests for Reimbursement

Not Complete - Other Matter

(12-12)

Federal Program Information

Funding Agency: U.S. Department of Agriculture

Title: National School Lunch/Breakfast Program

CFDA Numbers: 10.555 and 10.553

Pass Through Agency: State of New Mexico Department of Education

CONDITION All of the reimbursement requests filed to claim breakfast and lunch resources from the USDA did not include figures for severe need. Because this part of the form was not completed the School District did not receive revenue resources in the amount of \$4,500 (approximately).

CRITERIA Reimbursement requests should be filled out with all necessary information and reviewed before submission to the New Mexico Department of Education.

CAUSE Management did not have an employee responsible for reviewing these requests for completeness before submission to the New Mexico Department of Education.

EFFECT The School District did not receive \$4,500 in revenue resources it was entitled to.

RECOMMENDATION Management should ensure that an employee is designated with the responsibility of reviewing these reimbursement requests before they are submitted.

RESPONSE Management will review each USDA Student Nutrition Reimbursement Request and certify its accuracy.

Receipts Out of Sequence - Other Matter

(12-13)

CONDITION	Management is not ensuring receipts are used/issued in sequence.
CRITERIA	The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with managements assertions embodied in the financial statements.
CAUSE	Management was unaware of this procedure.
EFFECT	Management is not ensuring proper internal control procedures are being used.
RECOMMENDATION	Management should start using receipt books in sequence as soon as possible.
RESPONSE	Management will begin to record receipts more timely and prevent receipts being issued out of sequence.



Receipt Books - Other Matter

(12-14)

CONDITION	The School District is not using receipt books to collect all revenues received.
CRITERIA	The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with managements assertions embodied in the financial statements.
CAUSE	Management was unaware of this procedure.
EFFECT	Management is not ensuring proper internal control procedures are being used.
RECOMMENDATION	Management should start using receipt books to receipt all monies received as soon as possible.
RESPONSE	Management will begin to record receipts for all revenues received.

Drug Testing Policy - Other Matter

(12-15)

CONDITION	<p>The School District adopted a drug policy during the fiscal year. It does not contain the following:</p> <ol style="list-style-type: none"><li>1. It does not set a minimum number (or percentage) of drivers to be tested each fiscal year.</li><li>2. It does not state that the 2012 policy supersedes (or replaces) the 1996 policy.</li><li>3. It does not require random testing of activity bus drivers. (This is to comply with federal Commercial Drivers License requirements.)</li></ol>
CRITERIA	<p>All policies approved by the Board should be complete and determine all relevant terms of compliance by employees.</p>
CAUSE	<p>Management did not ensure that all relevant terms of the policy be included.</p>
EFFECT	<p>The School District may not comply with required federal CDL requirements.</p>
RECOMMENDATION	<p>Management should revise the current policy as soon as possible to include the items mentioned above.</p>
RESPONSE	<p>Management will revise the policy to adhere to the recommendation and present it to the Board for approval.</p>

Contract Addendums Missing - Other Matter

(12-16)

CONDITION                      Six out of twelve employees were paid more than their original contract. A contract addendum was not present for the additional duties and pay. Contract addendums should include:

1. A statement as to what original contract is being amended.
2. That the increase in pay is subject to all applicable income taxes.
3. What additional duties, hours/days will be needed to earn the additional pay.

CRITERIA                        All contracts should specifically identify rate of pay, hours, duties, income taxes, etc. to ensure both parties understand the additional requirements and method of payment.

CAUSE                            Management was not aware of this procedure to ensure all amounts/duties were agreed to by both the employee and Management of the School District.

EFFECT                          Payments to employees could be incorrect by amounts paid based on the contract used.

RECOMMENDATION                Management should prepare all contract addendums to ensure all required information is included, as soon as possible.

RESPONSE                        Management will ensure that appropriate contracts are prepared and kept on file to show salary payments made in excess of an employee's regular contract.

New Hire Reporting - Other Matter

(12-17)

CONDITION                    The School District did not properly report newly hired employees to a State directory within 20 days of their hire date since 9-2-11.

CRITERIA                     New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42. U.S.C. 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire.

CAUSE                        Management did not know of this requirement.

EFFECT                       The School District did not comply with New Mexico State Statute 50-13-1 or the PRWORA of 1996.

RECOMMENDATION            Management should ensure that this requirement is completed on a monthly basis.

RESPONSE                    Management will ensure that new employees are reported via the New Mexico New Hires Directory. This duty will be completed monthly as the recommendation states.

Special Audit Requested - Other Matter

(12-18)

CONDITION

An accounting firm was supposedly hired to perform a special audit to investigate possible violations of regulations by the then Superintendent. The issues surrounding this situation are:

1. There is no evidence in the Board minutes that this firm was approved to perform the Special Audit.
2. There was no engagement letter or contract signed by both parties to perform the Special Audit on file with the School District.
3. There was no evidence that the State Auditors Office approved this Special Audit or the auditing firm supposedly hired to perform the audit.
4. The accounting firm supposedly prepared a list of findings but they were never presented to an audit committee or the Board.
5. The accounting firm never issued any type of report that the Board could review.

CRITERIA

All vendors providing goods and/or services are to be hired by the School District in a legal manner according to applicable laws and regulations set forth by the Public Education Department, the State Auditors Office and Board Policy.

CAUSE Management and the Board mishandled the treatment of how this firm was hired. The services they were to provide were not set in a valid engagement letter/contract and a report providing conclusions of their services were never required to be presented/provided to the Board for review.

EFFECT The School District "offered" the accounting firm \$1,500 for services that were never rendered. In effect, misusing public monies in the amount of \$1,500.

RECOMMENDATION All services must follow all applicable laws and regulations set forth by the applicable agencies. Therefore, Management and the Board need to be more diligent in ensuring engagement letters, contracts and services obtained are obtained in a legal manner and that those services are provided before payment is made.

RESPONSE Prior Board and Management elected to have a forensic investigation due to allegations against a former superintendent. The District's auditor at the time notified the Office of the State Auditor via a letter dated November 10, 2011. The investigation was an unusual circumstance, therefore, the new Board and Management does not foresee similar issues arising. The District will ensure that public monies that are spent are in line with the Procurement code and all other applicable rules and regulations.

Title I Overdraft - Significant Deficiency

(12-19)

Federal Program Information

Funding Agency: U.S. Department of Education

Title: Impact Aid Title I

CFDA Number: 84.010

Pass Through Agency: State of New Mexico Department of Education

CONDITION                    The Title I cash balance has been carried incorrectly on the books of record as a positive balance since fiscal year 2008. The actual cash balance is (\$64,491). The Operational Fund loaned the Title I Fund \$65,000 in 2008. This was not shown as a payable back to the Operational Fund but as cash. These monies have been spent over the last four years. This also means that the Operational cash balance has been overstated by the \$65,000 for the last four years.

CRITERIA                    All temporary transfers need to be correctly recorded as payables and receivables on the books of record.

CAUSE                        Management incorrectly brought forward figures from the audit report instead of the books of record.

EFFECT                      The Operational Fund has spent \$65,000 incorrectly on behalf of another fund. Also, the School District did not submit requests for reimbursement (RFR) in a timely basis to recover these monies from the granting agency.

RECOMMENDATION            Management is aware of the procedures on how to submit RFR's timely and correctly. This situation arose from new management back in fiscal year 2008.

RESPONSE                    Management will investigate the prior year's reimbursement requests. Depending on the result, Management may request the temporary loan be made permanent. Management will submit to the Public Education Department a Request for Reimbursements monthly and monitor the receipt of them. Future temporary loans will be monitored and paid back timely as reimbursements are received.

## FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2012 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

## EXIT CONFERENCE

An exit conference was held at the School District on June 12, 2013, to discuss the current audit report. In attendance were Mr. Bill Green, Superintendent, Ms. Sharon Armijo, Board Secretary, Ms. Odelia Delgado, Business Manager and Ms. Pamela A. Rice, CPA, Contract Auditor.