

**STATE OF NEW MEXICO**  
**RESERVE INDEPENDENT SCHOOLS**  
**AUDIT REPORT**  
**For the Year Ended June 30, 2013**  
**(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, 2013  
(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOL DISTRICT  
TABLE OF CONTENTS  
Year Ended June 30, 2013

	<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 Position	4
2 Statement of Activities	5
3 Balance Sheet - All Governmental Funds	6
4 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	7
5 Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds	8
6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	9
7 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	10
8 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) - Library GO Fund	11
9 Statement of Fiduciary Assets and Liabilities - Agency Funds	12
Notes to Financial Statements	13

Table of Contents (continued)

	<u>Page</u>
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)	49
B-4 IDEA-B Entitlement: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	50
B-5 IDEA-B Preschool: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	51
B-6 IDEA-B "Risk Pool": Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	52
B-7 Improving Teacher Quality: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	53

Table of Contents (continued)

	<u>Page</u>
B-8 REAP: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	54
B-9 Dual Credit Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	55
B-10 GO Bond School Library Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	56
B-11 Formative Assessments: Statement of Revenues Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	57
B-12 Breakfast Program Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	58
B-13 CATCH Grant: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	59
B-14 Catron County Grant: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	60
B-15 Athletics: Statement of Revenues Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	61
B-16 Cafeteria: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	62

Table of Contents (continued)

	<u>Page</u>
Non-Major Capital Projects Funds:	
C-1 Balance Sheet	63
C-2 Statement of Revenues, Expenditures and Changes in Fund Balances	64
C-3 Public Schools Capital Outlay Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	65
General Fund:	
D-1 Combining Balance Sheet	66
D-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	67
D-3 Operational Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	68
D-4 Teacherage Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	69
D-5 Transportation Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	70
D-6 Instructional Materials Fund: Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)	71

Table of Contents (continued)

	<u>Page</u>
Supplementary Information	
Schedule of Cash Receipts and Disbursements - All Funds by School District Classification	72
Schedule of Expenditures of Federal Awards	73
Schedule of Findings and Questioned Costs	74
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>	75
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	77
Status of Findings and Responses	80
Financial Statement Preparation and Exit Conference	87

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Official Roster  
Year Ended June 30, 2013

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Russell Laney	President
Mr. Sam Nicolds	Vice President
Ms. Sharon Armijo	Secretary
Mr. Carl Livingston	Member
Mr. Robert Ricks	Member

School Officials

Mr. Bill Green	Superintendent
Ms. Odelia Delgado	Business Manager



## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General and Library Go Bond Funds of the Reserve Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Reserve Independent School District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Reserve Independent School District's non-major governmental and fiduciary funds and the budgetary comparisons for the non-major Special Revenue and Capital Project funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as valuating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### 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 the Reserve Independent School District, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General and Library Go Bond Funds for the year then ended in accordance 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 the Reserve Independent School District, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

##### *Required Supplementary Information*

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.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Reserve Independent School District's financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, the budgetary comparisons for the non-major governmental funds and the Schedule of Cash Receipts and Disbursements - All Funds by School District classification are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the budgetary comparisons for the non-major governmental funds and the Schedule of Cash Receipts and Disbursements - All Funds by School District classification are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the budgetary comparisons for the non-major governmental funds and the Schedule of Cash Receipts and Disbursements - All Funds by School District classification fairly states, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013 on our consideration of the Reserve Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Reserve Independent School District's internal control over financial reporting and compliance.



Albuquerque, New Mexico  
November 11, 2013

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Net Position  
June 30, 2013

Statement 1

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 138,671
Accounts receivable	486
Due from grantor	26,218
Inventory	<u>2,772</u>
Total current assets	<u>168,147</u>
Non-current assets	
Land (non-depreciable)	71,776
Capital assets (depreciable)	6,160,598
Less accumulated depreciation	<u>(4,545,131)</u>
Total non-current assets	<u>1,687,243</u>
<b>Total assets</b>	<u>1,855,390</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	-
Security deposit payable	1,250
Deferred revenue	<u>5,710</u>
Total current liabilities	<u>6,960</u>
Long-term obligations:	
Compensated absences	<u>29,503</u>
Total long-term liabilities	<u>29,503</u>
<b>Total liabilities</b>	<u>36,463</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,687,143
Restricted for:	
Cafeteria fund (inventory)	2,772
Capital outlay	238
Special grants	127,700
Unrestricted	<u>974</u>
<b>Total net position</b>	<u><b>\$ 1,818,827</b></u>

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, 2013

Statement 2

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expenses) Revenue and Changes Net Assets	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>EXPENSES:</b>					
<b>Governmental activities:</b>					
Direct instruction	\$1,549,137	\$ 10,225	\$ 221,686	\$ -	\$ (1,317,226)
Instructional support	1,279,183	14,293	289,474	-	(975,416)
Food services	100,560	9,393	66,600	-	(24,567)
Depreciation - unallocated	<u>1,204,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,204,827)</u>
Total governmental activities	<u>4,133,707</u>	<u>33,911</u>	<u>577,760</u>	<u>-</u>	<u>(3,522,036)</u>
<b>General revenues:</b>					
<b>Taxes</b>					
Property taxes, levied for general purposes					21,104
Property taxes, levied for capital projects					-
Property taxes, levied for debt service					-
<b>Federal and State aid not restricted to specific purpose</b>					
General - SEG					1,579,584
Forest Reserve					637,815
Interest and investment earnings					<u>421</u>
Sub-total, general revenues					<u>2,238,924</u>
Change in net position					(1,283,112)
Net position - beginning of year - restated					<u>3,101,939</u>
<b>Net position - end of year</b>					<b><u>\$ 1,818,827</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, 2013

Statement 3

	General	Library GO Bond	Other Governmental	Total
<b>ASSETS</b>				
Cash on deposit	\$ 117,627	\$ -	\$ 21,044	\$ 138,671
Accounts receivable, collectible	486	-	-	486
Due from grantor	-	9,252	16,966	26,218
Inventory, at cost	-	-	2,772	2,772
Due from other funds	26,218	-	-	26,218
	<u>26,218</u>	<u>-</u>	<u>-</u>	<u>26,218</u>
Total assets	<u><b>\$ 144,331</b></u>	<u><b>\$ 9,252</b></u>	<u><b>\$ 40,782</b></u>	<u><b>\$ 194,365</b></u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 9,252	\$ 16,966	\$ 26,218
Accounts payable	-	-	-	-
Security deposit payable	1,250	-	-	1,250
Deferred revenues	-	-	5,710	5,710
	<u>1,250</u>	<u>-</u>	<u>5,710</u>	<u>5,710</u>
Total liabilities	<u>1,250</u>	<u>9,252</u>	<u>22,676</u>	<u>33,178</u>
<b>FUND BALANCE</b>				
Nonspendable	-	-	2,772	2,772
Restricted	112,604	-	15,334	127,938
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	30,477	-	-	30,477
	<u>30,477</u>	<u>-</u>	<u>-</u>	<u>30,477</u>
Total fund balance	<u>143,081</u>	<u>-</u>	<u>18,106</u>	<u>161,187</u>
Total liabilities and fund balance	<u><b>\$ 144,331</b></u>	<u><b>\$ 9,252</b></u>	<u><b>\$ 40,782</b></u>	<u><b>\$ 194,365</b></u>

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 Position  
June 30, 2013

Statement 4

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

Total fund balances - governmental funds		\$ 161,187
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	6,232,274	
Accumulated depreciation	<u>(4,545,131)</u>	
		1,687,143

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>(29,503)</u>
 Total net position - governmental funds		 <u><u>\$ 1,818,827</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, 2013

Statement 5

	General	Library GO Bond	Other Governmental	Total
<b>REVENUES</b>				
Property taxes	\$ 21,104	\$ -	\$ -	\$ 21,104
Charges for services	14,293	-	19,618	33,911
Local sources	5,009	-	2,000	7,009
State sources	1,795,261	-	5,779	1,801,040
Federal sources	637,815	-	349,295	987,110
Earnings from investments	410	-	11	421
<b>Total revenues</b>	<u>2,473,892</u>	<u>-</u>	<u>376,703</u>	<u>2,850,595</u>
<b>EXPENDITURES</b>				
Current:				
Direct instruction	1,330,512	-	222,085	1,552,597
Instructional support	1,200,514	-	78,669	1,279,183
Food services	22,566	-	77,994	100,560
Capital outlay	16,000	-	-	16,000
<b>Total expenditures</b>	<u>2,569,592</u>	<u>-</u>	<u>378,748</u>	<u>2,948,340</u>
Net change in fund balance	(95,700)	-	(2,045)	(97,745)
Fund balance beginning of year	<u>238,781</u>	<u>-</u>	<u>20,151</u>	<u>258,932</u>
Fund balance end of year	<u><b>\$ 143,081</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 18,106</b></u>	<u><b>\$ 161,187</b></u>

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

## 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, 2013

Total net change in fund balances - governmental funds \$ (97,745)

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	(1,204,827)
Capital outlays	<u>16,000</u>

Excess of depreciation expense over capital outlay (1,188,827)

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>3,460</u>
------------------------------	--------------

Change in net position of governmental activities \$ (1,283,112)

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 21,884	\$ 21,884	\$ 20,898	\$ (986)
Charges for services	8,400	13,769	15,293	1,524
Local sources	-	4,850	5,009	159
State sources	2,588,447	1,768,596	1,795,261	26,665
Federal sources	-	637,815	637,815	-
Earnings from investments	325	325	410	85
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<b><u>\$ 2,619,056</u></b>	<b><u>\$ 2,447,239</u></b>	<b><u>\$ 2,474,686</u></b>	<b><u>\$ 27,447</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 1,371,906	\$ 1,334,701	\$ 1,330,512	\$ 4,189
Instructional support	1,363,264	1,295,227	1,216,514	78,713
Food services	30,000	22,567	22,566	1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<b><u>\$ 2,765,170</u></b>	<b><u>\$ 2,652,495</u></b>	<b><u>\$ 2,569,592</u></b>	<b><u>\$ 82,903</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 146,114</u></b>	<b><u>\$ 205,256</u></b>		

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	-	-	-	-
Food services	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
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, 2013

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 37,289
Total Assets	<u>\$ 37,289</u>
LIABILITIES	
Deposits held for others	\$ 37,289
Total Liabilities	<u>\$ 37,289</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, 2013

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 Position 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 Position 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

Notes to Financial Statements (continued)

available"). "Measurable" means the amount of the transaction 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.

Notes to Financial Statements (continued)

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>\$ 486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486</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:

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

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

Unrestricted net position - This category reflects net assets of the School District 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-multi-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 \$1,579,584 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 \$205,796 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 \$9,881 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	Operational	\$ 424,610
First State Bank	Checking	Activities	<u>38,888</u>
			<b><u>\$ 463,498</u></b>
Total amount on deposit			\$ 463,498
Outstanding checks			(348,156)
Deposits in transit			<u>60,618</u>
Total per financial statements			<b><u>\$ 175,960</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, 2013, \$463,498 of the School's bank balance of \$463,498 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>463,498</u>
	Total	<b><u>\$ 463,498</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	\$ 702,161
FHLB CUSIP #3133XN4B2	12/01/22	<u>181,471</u>
		<b><u>\$ 883,632</u></b>

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	\$ 463,498
Less F.D.I.C.	<u>(250,000)</u>
Uninsured funds	213,498
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	106,748
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>883,632</u>
Excess of pledged collateral	<b><u>\$ 776,884</u></b>

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

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

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>
Governmental activities:				
Land	\$ 71,676	\$ -	\$ -	71,676
Total capital assets not being depreciated	<u>71,676</u>	<u>-</u>	<u>-</u>	<u>71,676</u>
Land improvements	772,593	-	-	772,593
Buildings & building improvements	4,512,608	-	-	4,512,608
Vehicles	526,901	-	-	526,901
Equipment	<u>332,496</u>	<u>16,000</u>	<u>-</u>	<u>348,496</u>
Total	<u>6,144,598</u>	<u>16,000</u>	<u>-</u>	<u>6,160,598</u>
Less accumulated depreciation:				
Land improvements	(563,251)	(186,370)	-	(749,621)
Buildings & building improvements	(2,163,110)	(893,273)	-	(3,056,383)
Vehicles	(438,180)	(54,431)	-	(492,611)
Equipment	<u>(175,763)</u>	<u>(70,753)</u>	<u>-</u>	<u>(246,516)</u>
Total	<u>(3,340,304)</u>	<u>(1,204,827)</u>	<u>-</u>	<u>(4,545,131)</u>
Governmental activities Capital assets, net	<u>\$ 2,875,970</u>	<u>\$ (1,188,827)</u>	<u>\$ -</u>	<u>\$ 1,687,143</u>

The District has no infrastructure as of June 30, 2013.

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$1,204,827</u>
Total depreciation expense	<u>\$1,204,827</u>

Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance June 30, 2012	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2013
Compensated Absences	<u>\$ 32,963</u>	<u>\$ -</u>	<u>\$ (3,460)</u>	<u>\$ 29,503</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>Library GO Bond</u>
Revenues per modified accrual basis	\$ 2,473,892	\$ -
Receivables		-
Deferred revenues/Due from grantor	(206)	-
Security deposits	1,000	-
Revenues per budgetary basis	<u>\$ 2,474,686</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ 2,569,592	\$ -
Accounts payable	-	-
Expenditures per budgetary basis	<u>\$ 2,569,592</u>	<u>\$ -</u>
	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>
Revenues per modified accrual basis	\$ 376,703	\$ -
Receivables	-	-
Deferred revenues/Due from grantor	41,649	-
Revenues per budgetary basis	<u>\$ 418,352</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ 378,748	\$ -
Inventory changes	(1,348)	-
Accounts payable	-	-
Expenditures per budgetary basis	<u>\$ 377,400</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.

11. RETIREMENT PLAN

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

*Funding Policy*

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In the fiscal year 2013, the Reserve Independent Schools was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, Reserve Independent Schools will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the 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. The Reserve Independent Schools contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$157,826, \$150,384 and \$342,949, 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 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).

Notes to Financial Statements (continued)

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Reserve Independent Schools contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$28,632, \$29,190 and \$39,510, 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:

Notes to Financial Statements (continued)

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2013</u>
<b>ASSETS</b>				
Cash and cash equivalent	\$ 35,730	\$ 60,639	\$ 59,080	\$ 37,289
Total assets	<u>\$ 35,730</u>	<u>\$ 60,639</u>	<u>\$ 59,080</u>	<u>\$ 37,289</u>
<b>LIABILITIES</b>				
Deposits held for others				
Reserve Independent Schools	\$ 35,730	\$ 60,639	\$ 59,080	\$ 37,289
Total liabilities	<u>\$ 35,730</u>	<u>\$ 60,639</u>	<u>\$ 59,080</u>	<u>\$ 37,289</u>

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>General Fund</u>	<u>Library GO Bond</u>	<u>Non-Major Governmental Fund</u>	<u>Total</u>
<u>Fund Balances</u>				
Non-spendable:				
Interfund loans	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	2,772	2,772
Total non-spendable	-	-	<u>2,772</u>	<u>2,772</u>
Restricted for:				
Transportation services	48,846	-	-	48,846
Instructional materials	11,194	-	-	11,194
Teacherage	52,564	-	-	52,564
Capital improvements	-	-	238	238
Athletic services	-	-	1,747	1,747
Special grants	-	-	-	-
Cafeteria services	-	-	13,349	13,349
Total restricted	<u>112,604</u>	<u>-</u>	<u>15,334</u>	<u>127,938</u>
Committed to:				
Other purposes	-	-	-	-
Total committed	-	-	-	-
Unassigned:				
	<u>30,477</u>	<u>-</u>	<u>-</u>	<u>30,477</u>
Total Fund Balances	<u>\$ 143,081</u>	<u>\$ -</u>	<u>\$ 18,106</u>	<u>\$ 161,187</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.

**NON-MAJOR FUNDS**

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Governmental Funds  
Combining Balance Sheet - By Fund Type  
June 30, 2013

Statement A-1

	Special Revenue Funds	Capital Project Funds	Total
<b>ASSETS</b>			
Cash on deposit	\$ 20,806	\$ 238	\$ 21,044
Taxes receivable	-	-	-
Due from grantor	16,966	-	16,966
Inventory, at cost	2,772	-	2,772
Total assets	<b>\$ 40,544</b>	<b>\$ 238</b>	<b>\$ 40,782</b>
<b>LIABILITIES</b>			
Cash overdraft	\$ 16,966	\$ -	\$ 16,966
Deferred revenues	5,710	-	5,710
Total liabilities	22,676	-	22,676
<b>FUND BALANCE</b>			
Nonspendable	2,772	-	2,772
Restricted	15,096	238	15,334
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	17,868	238	18,106
Total liabilities and fund balance	<b>\$ 40,544</b>	<b>\$ 238</b>	<b>\$ 40,782</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, 2013

	Special Revenue Funds	Capital Project Funds	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for services	19,618	-	19,618
Local sources	2,000	-	2,000
State sources	5,779	-	5,779
Federal sources	349,295	-	349,295
Earnings from investments	11	-	11
	<u>376,703</u>	<u>-</u>	<u>376,703</u>
<b>Total revenues</b>			
<b>EXPENDITURES</b>			
Current:			
Direct instruction	222,085	-	222,085
Instructional support	78,669	-	78,669
Food services	77,994	-	77,994
Capital outlay	-	-	-
	<u>378,748</u>	<u>-</u>	<u>378,748</u>
<b>Total expenditures</b>			
Net change in fund balance	(2,045)	-	(2,045)
Fund balance beginning of year	19,913	238	20,151
Fund balance end of year	<u>\$ 17,868</u>	<u>\$ 238</u>	<u>\$ 18,106</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 14,400	\$ 14,400	\$ 19,618	\$ 5,218
Local sources	-	2,000	2,102	102
State sources	3,418	6,926	8,035	1,109
Federal sources	235,062	415,685	388,586	(27,099)
Earnings from investments	22	22	11	(11)
	<u>22</u>	<u>22</u>	<u>11</u>	<u>(11)</u>
Total revenues	<u><b>\$ 252,902</b></u>	<u><b>\$ 439,033</b></u>	<u><b>\$ 418,352</b></u>	<u><b>\$ (20,681)</b></u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 105,618	\$ 268,158	\$ 222,085	\$ 46,073
Instructional support	80,509	102,208	78,669	23,539
Food services	78,530	84,385	76,646	7,739
Capital outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u><b>\$ 264,657</b></u>	<u><b>\$ 454,751</b></u>	<u><b>\$ 377,400</b></u>	<u><b>\$ 77,351</b></u>
BUDGETED CASH BALANCE	<u><b>\$ 11,755</b></u>	<u><b>\$ 15,718</b></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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Earnings from investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
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.

**IDEA-B 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.

**IDEA-B 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.

**IDEA-B - "RISK POOL"** - To account for resources received to provide for special educational needs for handicapped children 6-21 years old. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

**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.

**IDEA-B 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.

**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.

**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 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.

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

**FORMATIVE ASSESSMENTS** - To account for resources received from a special state appropriation to be used to purchase formative assessments. The approved formative assessments are for English language arts and math in grades 4 through 10. These formative assessments will give teachers essential tools for monitoring student progress and making timely, strategic interventions throughout the school year. Funding is authorized by a Special State Appropriation.

**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.

**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.

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

**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, 2013

Statement B-1  
Page 1 of 4

	Title I Fund	IDEA-B Entitlement Fund	IDEA-B Preschool Fund	IDEA-B "Risk Pool" Fund	Improving Teacher Quality Fund	IDEA-B Entitlement Stimulus Fund
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	-	-	1	-	-	5,381
Inventory, at cost	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,381</b>
<b>LIABILITIES</b>						
Cash overdraft	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 5,381
Deferred revenue	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>5,381</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,381</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, 2013

Statement B-1  
Page 2 of 4

	REAP Fund	Dual Credit Fund	GO Bond School Library Fund	Formative Assessments Fund	Technology for Education Fund	Professional Development Fund
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ 1,066	\$ -
Due from grantor	2,414	-	-	1,080	-	4,876
Inventory, at cost	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 2,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,080</u>	<u>\$ 1,066</u>	<u>\$ 4,876</u>
<b>LIABILITIES</b>						
Cash overdraft	\$ 2,414	-	-	1,080	-	4,876
Deferred revenue	-	-	-	-	1,066	-
<b>Total liabilities</b>	<u>\$ 2,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,080</u>	<u>\$ 1,066</u>	<u>\$ 4,876</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
<b>Total fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total liabilities and fund balances</b>	<u>\$ 2,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,080</u>	<u>\$ 1,066</u>	<u>\$ 4,876</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 Balance Sheet  
June 30, 2013

Statement B-1  
Page 3 of 4

	Incentives for School Improvements Fund	Beginning Teacher Mentoring Fund	Breakfast Program Fund	Schools in Need of Improvement Fund	Rural Education Fund	Kindergarten 3 Plus Fund
<b>ASSETS</b>						
Cash on deposit	\$ 1,514	-	-	\$ 609	\$ 2,499	-
Due from grantor	-	714	-	-	-	2,500
Inventory, at cost	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,514</b>	<b>\$ 714</b>	<b>\$ -</b>	<b>\$ 609</b>	<b>\$ 2,499</b>	<b>\$ 2,500</b>
<b>LIABILITIES</b>						
Cash overdraft	-	714	-	-	-	2,500
Deferred revenue	1,514	-	-	609	2,499	-
<b>Total liabilities</b>	<b>1,514</b>	<b>714</b>	<b>-</b>	<b>609</b>	<b>2,499</b>	<b>2,500</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,514</b>	<b>\$ 714</b>	<b>\$ -</b>	<b>\$ 609</b>	<b>\$ 2,499</b>	<b>\$ 2,500</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, 2013

Statement B-1  
Page 4 of 4

	2008	Library Book Fund	CATCH Grant Fund	Catron County Grant	Athletics	Student Cafeteria Account	Totals
<b>ASSETS</b>							
Cash on deposit	\$ 22	\$ -	\$ -	\$ -	\$ 1,747	\$ 13,349	\$ 20,806
Due from grantor	-	-	-	-	-	-	16,966
Inventory, at cost	-	-	-	-	-	2,772	2,772
<b>Total assets</b>	<b>\$ 22</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,747</b>	<b>\$ 16,121</b>	<b>\$ 40,544</b>
<b>LIABILITIES</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,966
Deferred revenue	22	-	-	-	-	-	5,710
<b>Total liabilities</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,676</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	2,772	2,772
Restricted	-	-	-	-	1,747	13,349	15,096
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,747</b>	<b>16,121</b>	<b>17,868</b>
<b>Total liabilities and fund balances</b>	<b>\$ 22</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,747</b>	<b>\$ 16,121</b>	<b>\$ 40,544</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, 2013

	Title I Fund	IDEA-B Entitlement Fund	IDEA-B Preschool Fund	IDEA-B "Risk Pool" Fund	Improving Teacher Quality Fund
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	200,053	55,842	2,724	239	19,497
Earnings from investments	-	-	-	-	-
<b>Total revenues</b>	<u>200,053</u>	<u>55,842</u>	<u>2,724</u>	<u>239</u>	<u>19,497</u>
<b>EXPENDITURES</b>					
Direct instruction	157,598	23,103	2,724	239	18,847
Instructional support	42,455	32,739	-	-	650
Food services	-	-	-	-	-
<b>Total expenditures</b>	<u>200,053</u>	<u>55,842</u>	<u>2,724</u>	<u>239</u>	<u>19,497</u>
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
<b>Fund balance at end of year</b>	<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, 2013

	REAP Fund	Dual Credit Fund	GO Bond School Library Fund	Formative Assessments Fund	Breakfast Program Fund
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	-	431	2,825	1,080	1,443
Federal sources	5,783	-	-	-	-
Earnings from investments	-	-	-	-	-
<b>Total revenues</b>	<u>5,783</u>	<u>431</u>	<u>2,825</u>	<u>1,080</u>	<u>1,443</u>
<b>EXPENDITURES</b>					
Direct instruction	5,783	431	-	1,080	-
Instructional support	-	-	2,825	-	-
Food services	-	-	-	-	1,443
<b>Total expenditures</b>	<u>5,783</u>	<u>431</u>	<u>2,825</u>	<u>1,080</u>	<u>1,443</u>
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
Fund balance at end of year	<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, 2013

	CATCH Grant	Catron County Grant	Athletics	Cafeteria	Totals
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ 10,225	\$ 9,393	\$ 19,618
Local sources	-	2,000	-	-	2,000
State sources	-	-	-	-	5,779
Federal sources	-	-	-	65,157	349,295
Earnings from investments	-	-	-	11	11
Total revenues	-	2,000	10,225	74,561	376,703
<b>EXPENDITURES</b>					
Direct instruction	-	2,000	10,280	-	222,085
Instructional support	-	-	-	-	78,669
Food services	-	-	-	76,551	77,994
Total expenditures	-	2,000	10,280	76,551	378,748
Net change in fund balance	-	-	(55)	(1,990)	(2,045)
Fund balance beginning of year	-	-	1,802	18,111	19,913
Fund balance at end of year	\$ -	\$ -	\$ 1,747	\$ 16,121	\$ 17,868

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 94,497	\$ 249,420	\$ 199,549	\$ (49,871)
Total revenues	<u>\$ 94,497</u>	<u>\$ 249,420</u>	<u>\$ 199,549</u>	<u>\$ (49,871)</u>
EXPENDITURES				
Direct instruction	\$ 42,739	\$ 191,132	\$ 157,598	\$ 33,534
Instructional support	51,758	58,288	42,455	15,833
Total expenditures	<u>\$ 94,497</u>	<u>\$ 249,420</u>	<u>\$ 200,053</u>	<u>\$ 49,367</u>
REVENUES				
Budgetary basis			\$ 199,549	
Decrease in deferred revenue			504	
Modified accrual basis			<u>\$ 200,053</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - IDEA-B Entitlement  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 49,511	\$ 62,101	\$ 86,337	\$ 24,236
Total revenues	<u>\$ 49,511</u>	<u>\$ 62,101</u>	<u>\$ 86,337</u>	<u>\$ 24,236</u>
EXPENDITURES				
Direct instruction	\$ 29,061	\$ 29,361	\$ 23,103	\$ 6,258
Instructional support	20,450	32,740	32,739	1
Total expenditures	<u>\$ 49,511</u>	<u>\$ 62,101</u>	<u>\$ 55,842</u>	<u>\$ 6,259</u>
REVENUES				
Budgetary basis			\$ 86,337	
(Decrease) in due from grantor			<u>(30,495)</u>	
Modified accrual basis			<u>\$ 55,842</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - IDEA-B Preschool  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 4,883	\$ 10,845	\$ 2,724	\$ (8,121)
Total revenues	<u>\$ 4,883</u>	<u>\$ 10,845</u>	<u>\$ 2,724</u>	<u>\$ (8,121)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 5,962	\$ 2,724	\$ 3,238
Instructional support	4,883	4,883	-	4,883
Total expenditures	<u>\$ 4,883</u>	<u>\$ 10,845</u>	<u>\$ 2,724</u>	<u>\$ 8,121</u>

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - IDEA-B "Risk Pool"  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 269	\$ 239	\$ (30)
Total revenues	<u>\$ -</u>	<u>\$ 269</u>	<u>\$ 239</u>	<u>\$ (30)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 269	\$ 239	\$ 30
Total expenditures	<u>\$ -</u>	<u>\$ 269</u>	<u>\$ 239</u>	<u>\$ 30</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Improving Teacher Quality  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 16,404	\$ 23,283	\$ 30,313	\$ 7,030
Total revenues	<u>\$ 16,404</u>	<u>\$ 23,283</u>	<u>\$ 30,313</u>	<u>\$ 7,030</u>
EXPENDITURES				
Direct instruction	\$ 16,404	\$ 20,404	\$ 18,847	\$ 1,557
Instructional support	-	2,879	650	2,229
Total expenditures	<u>\$ 16,404</u>	<u>\$ 23,283</u>	<u>\$ 19,497</u>	<u>\$ 3,786</u>
REVENUES				
Budgetary basis			\$ 30,313	
(Decrease) in due from grantor			<u>(10,816)</u>	
Modified accrual basis			<u>\$ 19,497</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 6,886	\$ 6,886	\$ 4,267	\$ (2,619)
Total revenues	<u>\$ 6,886</u>	<u>\$ 6,886</u>	<u>\$ 4,267</u>	<u>\$ (2,619)</u>
EXPENDITURES				
Direct instruction	\$ 6,886	\$ 6,886	\$ 5,783	\$ 1,103
Total expenditures	<u>\$ 6,886</u>	<u>\$ 6,886</u>	<u>\$ 5,783</u>	<u>\$ 1,103</u>
REVENUES				
Budgetary basis			\$ 4,267	
Increase in due from grantor			<u>1,516</u>	
Modified accrual basis			<u>\$ 5,783</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 Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 431	\$ 431	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 431</u>	<u>\$ 431</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 431	\$ 431	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 431</u>	<u>\$ 431</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 - GO Bond School Library Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 3,418	\$ 3,418	\$ 4,900	\$ 1,482
Total revenues	<u>\$ 3,418</u>	<u>\$ 3,418</u>	<u>\$ 4,900</u>	<u>\$ 1,482</u>
EXPENDITURES				
Instructional support	\$ 3,418	\$ 3,418	\$ 2,825	\$ 593
Total expenditures	<u>\$ 3,418</u>	<u>\$ 3,418</u>	<u>\$ 2,825</u>	<u>\$ 593</u>
REVENUES				
Budgetary basis			\$ 4,900	
(Decrease) in due from grantor			<u>(2,075)</u>	
Modified accrual basis			<u>\$ 2,825</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Formative Assessments  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 1,185	\$ -	\$ (1,185)
Total revenues	<u>\$ -</u>	<u>\$ 1,185</u>	<u>\$ -</u>	<u>\$ (1,185)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 1,185	\$ 1,080	\$ 105
Total expenditures	<u>\$ -</u>	<u>\$ 1,185</u>	<u>\$ 1,080</u>	<u>\$ 105</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>1,080</u>	
Modified accrual basis			<u>\$ 1,080</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 Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 1,892	\$ 2,704	\$ 812
Total revenues	<u>\$ -</u>	<u>\$ 1,892</u>	<u>\$ 2,704</u>	<u>\$ 812</u>
EXPENDITURES				
Food services	\$ -	\$ 1,892	\$ 1,443	\$ 449
Total expenditures	<u>\$ -</u>	<u>\$ 1,892</u>	<u>\$ 1,443</u>	<u>\$ 449</u>
REVENUES				
Budgetary basis			\$ 2,704	
(Decrease) in due from grantor			<u>(1,261)</u>	
Modified accrual basis			<u>\$ 1,443</u>	

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ 102	\$ 102
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ 102</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>REVENUES</b>				
Budgetary basis			\$ 102	
(Decrease) in due from grantor			<u>(102)</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 - Catron County Grant  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 2,000	\$ 2,000	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 2,000	\$ 2,000	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 2,000</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 8,800	\$ 8,800	\$ 10,225	\$ 1,425
Total revenues	<u>\$ 8,800</u>	<u>\$ 8,800</u>	<u>\$ 10,225</u>	<u>\$ 1,425</u>
EXPENDITURES				
Direct instruction	\$ 10,528	\$ 10,528	\$ 10,280	\$ 248
Total expenditures	<u>\$ 10,528</u>	<u>\$ 10,528</u>	<u>\$ 10,280</u>	<u>\$ 248</u>
BUDGETED CASH BALANCE	<u>\$ 1,728</u>	<u>\$ 1,728</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 5,600	\$ 5,600	\$ 9,393	\$ 3,793
Federal sources	62,881	62,881	65,157	2,276
Earnings from investments	<u>22</u>	<u>22</u>	<u>11</u>	<u>(11)</u>
Total revenues	<u><b>\$ 68,503</b></u>	<u><b>\$ 68,503</b></u>	<u><b>\$ 74,561</b></u>	<u><b>\$ 6,058</b></u>
<b>EXPENDITURES</b>				
Food services	\$ 78,530	\$ 82,493	\$ 75,203	\$ 7,290
Total expenditures	<u><b>\$ 78,530</b></u>	<u><b>\$ 82,493</b></u>	<u><b>\$ 75,203</b></u>	<u><b>\$ 7,290</b></u>
<b>BUDGETED CASH BALANCE</b>	<u><b>\$ 10,027</b></u>	<u><b>\$ 13,990</b></u>		
<b>EXPENDITURES</b>				
Budgetary basis			\$ 75,203	
Decrease in inventory			<u>1,347</u>	
Modified accrual basis			<u><b>\$ 76,550</b></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, 2013

	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, 2013

	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, 2013

	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, 2013

	Operational	Teacherae	Transporation	Instructional Materials	Total
<b>ASSETS</b>					
Cash on deposit	\$ 29,991	\$ 53,814	\$ 48,846	\$ 11,194	\$ 143,845
Accounts receivable, collectible	486	-	-	-	486
<b>Total assets</b>	<b>\$ 30,477</b>	<b>\$ 53,814</b>	<b>\$ 48,846</b>	<b>\$ 11,194</b>	<b>\$ 144,331</b>
<b>LIABILITIES</b>					
Accounts payable	-	-	-	-	-
Rental deposits	-	1,250	-	-	1,250
<b>Total liabilities</b>	<b>-</b>	<b>1,250</b>	<b>-</b>	<b>-</b>	<b>1,250</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	52,564	48,846	11,194	112,604
Unassigned	30,477	-	-	-	30,477
<b>Total fund balance</b>	<b>30,477</b>	<b>52,564</b>	<b>48,846</b>	<b>11,194</b>	<b>143,081</b>
<b>Total liabilities and fund balance</b>	<b>\$ 30,477</b>	<b>\$ 53,814</b>	<b>\$ 48,846</b>	<b>\$ 11,194</b>	<b>\$ 144,331</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, 2013

	Operational	Teacheraage	Transportation	Instructional Materials	Total
<b>REVENUES</b>					
Property taxes	\$ 21,104	-	-	-	\$ 21,104
Charges for services	5,793	8,500	-	-	14,293
Local sources	5,009	-	-	-	5,009
State sources	1,579,584	-	205,796	9,881	1,795,261
Federal sources	637,815	-	-	-	637,815
Earnings from investments	388	22	-	-	410
	2,249,693	8,522	205,796	9,881	2,473,892
<b>EXPENDITURES</b>					
Direct instruction	1,324,437	-	-	6,075	1,330,512
Instructional support	1,013,187	8,741	178,586	-	1,200,514
Food service	22,566	-	-	-	22,566
Capital outlay	-	-	16,000	-	16,000
	2,360,190	8,741	194,586	6,075	2,569,592
Net change in fund balance	(110,497)	(219)	11,210	3,806	(95,700)
Fund balance at beginning of year	140,974	52,783	37,636	7,388	238,781
Fund balance at end of year	<u>\$ 30,477</u>	<u>\$ 52,564</u>	<u>\$ 48,846</u>	<u>\$ 11,194</u>	<u>\$ 143,081</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 21,884	\$ 21,884	\$ 20,898	\$ (986)
Charges for services	-	5,369	5,793	424
Local sources	-	4,850	5,009	159
State sources	2,381,909	1,552,919	1,579,584	26,665
Federal sources	-	637,815	637,815	-
Earnings from investments	290	290	388	98
	<u>\$ 2,404,083</u>	<u>\$ 2,223,127</u>	<u>\$ 2,249,487</u>	<u>\$ 26,360</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 1,362,025	\$ 1,324,820	\$ 1,324,437	\$ 383
Instructional support	1,109,341	1,013,347	1,013,187	160
Food services	30,000	22,567	22,566	1
	<u>\$ 2,501,366</u>	<u>\$ 2,360,734</u>	<u>\$ 2,360,190</u>	<u>\$ 544</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 97,283</u>	<u>\$ 137,607</u>		
<b>REVENUES</b>				
Budgetary basis			\$ 2,249,487	
Increase in receivables			<u>206</u>	
Modified accrual basis			<u>\$ 2,249,693</u>	

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	8,400	8,400	9,500	1,100
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	35	35	22	(13)
<b>Total revenues</b>	<b><u>\$ 8,435</u></b>	<b><u>\$ 8,435</u></b>	<b><u>\$ 9,522</u></b>	<b><u>\$ 1,087</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	57,266	57,266	8,741	48,525
Food services	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 57,266</u></b>	<b><u>\$ 57,266</u></b>	<b><u>\$ 8,741</u></b>	<b><u>\$ 48,525</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 48,831</u></b>	<b><u>\$ 48,831</u></b>		
<b>REVENUES</b>			\$ 9,522	
Budgetary basis			(1,000)	
(Increase) in security deposits				
			<b><u>\$ 8,522</u></b>	
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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	196,657	205,796	205,796	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 196,657</u></b>	<b><u>\$ 205,796</u></b>	<b><u>\$ 205,796</u></b>	<b><u>\$ -</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	196,657	224,614	194,586	30,028
Food service	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 196,657</u></b>	<b><u>\$ 224,614</u></b>	<b><u>\$ 194,586</u></b>	<b><u>\$ 30,028</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ 18,818</u></b>		

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	9,881	9,881	9,881	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 9,881</u></b>	<b><u>\$ 9,881</u></b>	<b><u>\$ 9,881</u></b>	<b><u>\$ -</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 9,881	\$ 9,881	\$ 6,075	\$ 3,806
Instructional support	-	-	-	-
Food services	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 9,881</u></b>	<b><u>\$ 9,881</u></b>	<b><u>\$ 6,075</u></b>	<b><u>\$ 3,806</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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, 2013

	Operational	Teachergage	Transportation	Instructional Materials	Cafeteria
Cash balance, June 30, 2012	\$ 140,694	\$ 53,033	\$ 37,636	\$ 7,388	\$ 13,991
Cash Receipts, 2012-2013	2,249,487	9,522	205,796	9,881	74,561
Cash Disbursements, 2012-2013	<u>(2,360,190)</u>	<u>(8,741)</u>	<u>(194,586)</u>	<u>(6,075)</u>	<u>(75,203)</u>
Cash balance, June 30, 2013	<u><u>\$ 29,991</u></u>	<u><u>\$ 53,814</u></u>	<u><u>\$ 48,846</u></u>	<u><u>\$ 11,194</u></u>	<u><u>\$ 13,349</u></u>

	Athletics	Federal Projects	Local/ State	Public Schools Capital Outlay	Agency
Cash balance, June 30, 2012	\$ 1,802	\$ (47,085)	\$ (15,070)	\$ 238	\$ 35,730
Cash Receipts, 2012-2013	10,225	323,429	10,137	-	60,639
Cash Disbursements, 2012-2013	<u>(10,280)</u>	<u>(284,138)</u>	<u>(7,779)</u>	<u>-</u>	<u>(59,080)</u>
Cash balance, June 30, 2013	<u><u>\$ 1,747</u></u>	<u><u>\$ (7,794)</u></u>	<u><u>\$ (12,712)</u></u>	<u><u>\$ 238</u></u>	<u><u>\$ 37,289</u></u>



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

<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	\$ 5,783
Passed through State of NM			
Department of Education:			
Impact Aid Title I (Chapter 1) Basic	84.010	24.101	200,053
IDEA-B Entitlement	84.027	24.106	55,842
IDEA-B Preschool	84.027	24.109	2,724
IDEA-B "Risk Pool"	84.027	24.120	239
Improving Teacher Quality	84.367	24.154	<u>19,497</u>
Sub-total			<u>278,355</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
National School Lunch Program	10.555	21.000	40,141
School Breakfast Program	10.553	21.000	19,922
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	5,106
Passed through State of NM			
Department of Finance and Administration:			
*Forest Reserve	10.665	N/A	<u>637,815</u>
Sub-total			<u>702,984</u>
Total Expenditures of Federal Awards			<u>\$ 987,122</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, 2013

Part 1 - Summary of Auditor Results

1. Type of Report - Unmodified
2. Significant Deficiency - NONE
3. Non-Compliance - Outstanding Balances (12-09), Cash Deficits (12-10), Receipts Out of Sequence (12-13), Contract Addendums Missing (12-16), Bus Contracts (13-01) and Fixed Assets Software (13-02).
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unmodified
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 qualify as a low-risk auditee

Part 2 - Findings

Outstanding Balances (12-09), Cash Deficits (12-10), Receipts Out of Sequence (12-13), Contract Addendums Missing (12-16), Bus Contracts (13-01) and Fixed Assets Software (13-02).

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**

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General and Library Go Bond Funds of the Reserve Independent School District, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Reserve Independent School District's basic financial statements, and the combining and individual funds and the related budgetary comparison of the non-major funds, presented as supplemental information, and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Reserve Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Reserve Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Reserve Independent School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial

reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Reserve Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs and the Status of Findings and Responses as Outstanding Balances (12-09), Cash Deficits (12-10), Receipts Out of Sequence (12-13), Contract Addendums Missing (12-16), Bus Contracts (13-01) and Fixed Assets Software (13-02).

#### Responses to the Findings

Reserve Independent School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Status of Findings and Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Reserve Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rice & Associates, Co. P.A.*

Albuquerque, New Mexico  
November 11, 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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### **Report on Compliance for Each Major Federal Program**

We have audited Reserve Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Reserve Independent School District's major federal programs for the year ended June 30, 2013. Reserve Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Reserve Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those Standards and OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Reserve Independent School District'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Reserve Independent School District's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, Reserve Independent School District, complied, in all material respects, with the types of 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, 2013.

#### **Report on Internal Control Over Compliance**

The management of Reserve Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered Reserve Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance of each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reserve Independent School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Albuquerque, New Mexico  
November 11, 2013

## STATUS OF FINDINGS AND RESPONSES

### Prior Year Audit Findings:

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

### Current Year Audit Findings:

1. Bus Contracts (13-01)
2. Fixed Assets Software (13-02)



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 make every effort to diligently monitor grant activity in a timely manner to ensure that funds are being utilized in the best interest of the district and to prevent the possibility of losing potential grants in the future.

Cash Deficits - Other Matter  
(12-10)

CONDITION	The School District has numerous funds with cash deficits totaling \$22,979.
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 make every effort to request and monitor reimbursement in a timely manner to ensure timely receipt of monies.

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 start using receipt books in sequence immediately per recommendation.

Contract Addendums Missing - Other Matter

(12-16)

CONDITION Ten out of ten employees were paid more than their original contract. Also, an Owner/Operator bus driver had changes to their 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 aware of this situation late in the School year and was not able to obtain all the required contract addendums.

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 for all the various stipends that may occur are prepared, signed and kept in personnel files.

Bus Contracts - Other Matter  
(13-01)

CONDITION                    The School District entered into a Fleet Contract with one Owner/Operator. This contract was entered into during August, 2012. This contract was not prepared correctly because:

- 1) They are not Fleet owners,
- 2) the contract is an Owner/Operator contract not a fleet contract,
- 3) this contract violates State Statute 22-16-3 that states Owner/Operators will be paid "employee salary and benefits".

CRITERIA                    NMSA 22-16-3 states that Owner/Operator contracts shall "include recognition of fuel costs, operation and maintenance costs and employee salary and benefit costs".

CAUSE                        The Transportation Division of the Public Education Department incorrectly approved the change from an Owner/Operator contract to a Fleet Contract.

EFFECT                      The School District is not following NMSA 22-16-3.

RECOMMENDATION            The School District should change the Fleet Contract back to an Owner/Operator contract to ensure NMSA 22-16-3 is followed.

RESPONSE                    The district will contact the Public Education Department to resolve this issue and seek further direction to ensure that we are in compliance with state statute.

Fixed Assets Software - Other Matter  
(13-02)

CONDITION	The School District does not have the Fixed Asset Module (Software) of the Business Program from Visions. Thus, the Business Office is not able to fully utilize the Software to ensure all fixed assets purchased are included on the fixed asset listing.
CRITERIA	A fixed asset listing is required to comply with 2.20.1.11 NMAC. This list is easily facilitated with the fixed asset module of the Visions Business Software.
CAUSE	The Public Education Department is not allowing the School District to obtain the necessary software to complete the fixed asset listing.
EFFECT	Assets of the School District are not being properly safeguarded.
RECOMMENDATION	The School District should purchase the fixed asset module (software) of the Visions Program as soon as possible.
RESPONSE	The district will submit a budget adjustment request to the Public Education Department upon the approval of the Independent School District No. 1 Board of Education to purchase the Visions Fixed Asset Module.

### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2013 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 October 24, 2013, to discuss the current audit report. In attendance were Mr. Bill Green, Superintendent, Ms. Sharon Armijo, Board Secretary, Ms. Odelia Delgado, Business Manager, Mr. Carl Livingston, Board Member and Ms. Pamela A. Rice, CPA, Contract Auditor.