

State of New Mexico

RESERVE INDEPENDENT SCHOOLS



FOR YEAR ENDED JUNE 30, 2014
(WITH AUDITOR'S REPORT THEREON)

*"To provide a safe learning environment that is conducive to
the development and enhancement of personal growth to all."*

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
AUDIT REPORT
For The Year Ended June 30, 2014
(with Auditor's Report Thereon)

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOL DISTRICT
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STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Official Roster
Year Ended June 30, 2014

Board of Education

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

School Officials

Mr. Bill Green	Superintendent
Ms. Odelia Delgado	Business Manager

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Board of Education
Reserve Independent 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, Title I, PL94-142 Entitlement and Improving Teacher Quality Funds of the Reserve Independent School District, as of and for the year ended June 30, 2014, 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 non-major governmental and fiduciary funds and the budgetary comparisons for the Major Capital Project Funds and all non-major 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, 2014 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 evaluating 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, 2014, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Title I, PL 94-142 Entitlement and Improving Teacher Quality 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, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project 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 financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The budgetary comparisons for the Major Capital Project Funds, the non-major governmental funds and the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification and Schedule of Changes in Assets and Liabilities - All Agency Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparisons for the Major Capital Project and Debt Service Funds and non-major governmental funds, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification, the Schedule of Changes in Assets and Liabilities - All Agency Funds and Schedule of Expenditures of Federal Awards 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 budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification and Schedule of Changes in Assets and Liabilities - All Agency Funds 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 October 20, 2014 on our consideration of the Reserve Independent School District 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 internal control over financial reporting and compliance.

Red & Associates, CPA

Albuquerque, New Mexico
October 20, 2014

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Statement of Net Position
June 30, 2014

Statement 1

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 2,494,053
Accounts receivable	1,774
Due from grantor	113,616
Inventory	2,578
Total current assets	2,612,021
Non-current assets	
Land (non-depreciable)	71,676
Capital assets (depreciable)	6,288,389
Less accumulated depreciation	(4,723,730)
Total non-current assets	1,636,335
Total assets	4,248,356
LIABILITIES	
Current liabilities	
Accounts payable	-
Security deposit payable	1,250
Current portion of long-term liabilities	-
Total current liabilities	1,250
Long-term obligations:	
Compensated absences	30,015
Non-current portion of long-term liabilities	2,400,000
Total long-term liabilities	2,430,015
Total liabilities	2,431,265
NET POSITION	
Net investment in capital assets	(763,665)
Restricted for:	
Cafeteria fund (inventory)	2,578
Capital outlay	2,401,100
Special grants	86,314
Unrestricted	90,764
Total net position	\$ 1,817,091

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, 2014

Statement 2

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENSES:					
Governmental activities:					
Direct instruction	\$1,508,554	\$ 10,277	\$ 173,421	\$ -	\$ (1,324,856)
Instructional support	1,301,993	11,307	396,312	-	(894,374)
Food services	101,987	6,924	69,720	-	(25,343)
Depreciation - unallocated	192,998	-	-	-	(192,998)
Total governmental activities	<u>3,105,532</u>	<u>28,508</u>	<u>639,453</u>	<u>-</u>	<u>(2,437,571)</u>
General revenues:					
Taxes					
Property taxes, levied for general purposes					20,676
Property taxes, levied for capital projects					80,970
Property taxes, levied for debt service					-
Federal and State aid not restricted to specific purpose					
General - SEG					1,823,762
Forest Reserve					509,719
Interest and investment earnings					706
Sub-total, general revenues					<u>2,435,833</u>
Change in net position					(1,738)
Net position - beginning of year					<u>1,818,829</u>
Net position - end of year					<u>\$ 1,817,091</u>

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, 2014

	General	Title I	PL94-142 Entitlement	Improving Teacher Quality	Bond Building	Capital Improvements		Total
						SB-9	Other Governmental	
ASSETS								
Cash on deposit	\$ 83,742	\$ -	\$ -	\$ -	\$ 2,337,214	\$ 62,571	\$ 10,526	\$ 2,494,053
Accounts receivable	459	-	-	-	-	1,315	-	1,774
Inventory, at cost	-	-	-	-	-	-	2,578	2,578
Due from grantor	76,605	76,605	19,076	10,456	-	-	7,479	113,616
Due from other funds	113,616	-	-	-	-	-	-	113,616
Total assets	\$ 197,817	\$ 76,605	\$ 19,076	\$ 10,456	\$ 2,337,214	\$ 63,886	\$ 20,583	\$ 2,725,637
LIABILITIES								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rental deposits	1,250	-	-	-	-	-	-	1,250
Accounts payable	-	-	-	-	-	-	-	-
Due to other funds	76,605	76,605	19,076	10,456	-	-	7,479	113,616
Total liabilities	1,250	76,605	19,076	10,456	-	-	7,479	114,866
FUND BALANCE								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	75,788	-	-	-	2,337,214	63,886	10,526	2,487,414
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	120,779	-	-	-	-	-	-	120,779
Total fund balance	196,567	-	-	-	2,337,214	63,886	13,104	2,610,771
Total liabilities and fund balance	\$ 197,817	\$ 76,605	\$ 19,076	\$ 10,456	\$ 2,337,214	\$ 63,886	\$ 20,583	\$ 2,725,637

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, 2014

Statement 4

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

Total fund balances - governmental funds	\$ 2,610,771
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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	6,360,065	
Accumulated depreciation	<u>(4,723,730)</u>	
		1,636,335

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:

Bonds Payable	(2,400,000)
Compensated absences payable	<u>(30,015)</u>

Total net position - governmental funds	<u>\$ 1,817,091</u>
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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, 2014

	General	Title I	PL 94-142 Entitlement	Improving Teacher Quality	Bond Building	Capital Improvements SB-9	Other Governmental	Total
REVENUES								
Taxes	\$ 20,676	\$ -	\$ -	\$ -	\$ -	\$ 80,970	\$ -	\$ 101,646
Charges for services	12,895	-	-	-	-	-	15,613	28,508
Local sources	120,481	-	-	-	-	-	2,000	122,481
State sources	2,036,737	-	-	-	-	-	9,827	2,046,564
Federal sources	509,719	142,026	54,089	16,729	-	-	81,326	803,889
Earnings from investments	706	-	-	-	-	-	-	706
Total revenues	2,701,214	142,026	54,089	16,729	-	80,970	108,766	3,103,794
EXPENDITURES								
Current:								
Direct instruction	1,334,552	100,754	29,984	16,729	-	-	26,023	1,508,042
Instructional support	1,198,907	41,272	24,105	-	26,851	3,011	7,847	1,301,993
Food services	22,087	-	-	-	-	-	79,900	101,987
Capital outlay	92,183	-	-	-	35,935	14,073	-	142,191
Total expenditures	2,647,729	142,026	54,089	16,729	62,786	17,084	113,770	3,054,213
Excess (deficiency) revenue over expenditures	53,485	-	-	-	(62,786)	63,886	(5,004)	49,581
OTHER FINANCING SOURCES (USES)								
Bond proceeds	-	-	-	-	2,400,000	-	-	2,400,000
Total other financing sources (uses)	-	-	-	-	2,400,000	-	-	2,400,000
Net change in fund balances	53,485	-	-	-	2,337,214	63,886	(5,004)	2,449,581
Fund balance beginning of year	143,082	-	-	-	-	-	18,108	161,190
Fund balance end of year	\$ 196,567	\$ -	\$ -	\$ -	\$ 2,337,214	\$ 63,886	\$ 13,104	\$ 2,610,771

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

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2014

Statement 6

Total net change in fund balances - governmental funds \$ 2,449,581

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	(192,998)	
Capital outlays	<u>142,191</u>	

Excess of depreciation expense over capital outlay		(50,807)
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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>(512)</u>
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The issuance of long-term debt (e.g. bonds) provides current financial resources to government funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds

Proceeds of bond issue		(2,400,000)
Repayment of long-term debt		<u>-</u>

Change in net position of governmental activities		<u>\$ (1,738)</u>
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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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 21,309	\$ 21,309	\$ 20,702	\$ (607)
Charges for services	9,000	9,000	12,895	3,895
Local sources	-	59,221	120,481	61,260
State sources	2,533,468	2,032,392	2,036,737	4,345
Federal sources	-	509,719	509,719	-
Earnings from investments	720	720	706	(14)
Total revenues	<u>\$ 2,564,497</u>	<u>\$ 2,632,361</u>	<u>\$ 2,701,240</u>	<u>\$ 68,879</u>
EXPENDITURES				
Direct instruction	\$ 1,359,639	\$ 1,363,160	\$ 1,334,552	\$ 28,608
Instructional support	1,245,649	1,330,628	1,232,159	98,469
Food services	20,000	22,812	22,087	725
Capital outlay	-	50,000	58,931	(8,931)
Total expenditures	<u>\$ 2,625,288</u>	<u>\$ 2,766,600</u>	<u>\$ 2,647,729</u>	<u>\$ 118,871</u>
BUDGETED CASH BALANCE	<u>\$ 60,791</u>	<u>\$ 134,239</u>		

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

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Title I
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 126,103	\$ 188,088	\$ 139,934	\$ (48,154)
Total revenues	<u>\$ 126,103</u>	<u>\$ 188,088</u>	<u>\$ 139,934</u>	<u>\$ (48,154)</u>
EXPENDITURES				
Direct instruction	\$ 76,339	\$ 131,014	\$ 100,754	\$ 30,260
Instructional Support	49,764	57,074	41,272	15,802
Total expenditures	<u>\$ 126,103</u>	<u>\$ 188,088</u>	<u>\$ 142,026</u>	<u>\$ 46,062</u>

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

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
PL 94-142 Entitlement
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 47,472	\$ 57,424	\$ 55,788	\$ 1,636
Total revenues	<u>\$ 47,472</u>	<u>\$ 57,424</u>	<u>\$ 55,788</u>	<u>\$ 1,636</u>
EXPENDITURES				
Direct instruction	\$ 28,209	\$ 34,281	\$ 29,984	\$ 4,297
Instructional support	<u>19,263</u>	<u>23,143</u>	<u>24,105</u>	<u>(962)</u>
Total expenditures	<u>\$ 47,472</u>	<u>\$ 57,424</u>	<u>\$ 54,089</u>	<u>\$ 3,335</u>

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

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
Improving Teacher Quality
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 16,851	\$ 16,851	\$ 15,648	\$ (1,203)
Total revenues	<u>\$ 16,851</u>	<u>\$ 16,851</u>	<u>\$ 15,648</u>	<u>\$ (1,203)</u>
EXPENDITURES				
Direct instruction	\$ 16,851	\$ 16,851	\$ 16,729	\$ 122
Total expenditures	<u>\$ 16,851</u>	<u>\$ 16,851</u>	<u>\$ 16,729</u>	<u>\$ 122</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, 2014

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>43,760</u>
Total Assets	<u>\$ 43,760</u>
LIABILITIES	
Deposits held for others	\$ <u>43,760</u>
Total Liabilities	<u>\$ 43,760</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, 2014

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.

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:

Notes to Financial Statements (continued)

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 - 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.

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.

Capital Projects Funds - Bond Building - To account for resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings.

Capital Projects Fund - Capital Improvements SB-9 - To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also, for resources received from State of New Mexico Severance Tax Bonds.

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.

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.

Governmental Funds

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

Notes to Financial Statements (continued)

therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. **Accounts Receivable**

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

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	<u>\$ 459</u>	<u>\$ 1,315</u>	<u>\$ -</u>	<u>\$ 1,774</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

Notes to Financial Statements (continued)

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 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. Revenues Not Yet Earned

The District reports revenues not yet earned on its Statement of Net Assets and fund balance sheet. Revenues not yet earned 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 revenues not yet earned 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.

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 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

Notes to Financial Statements (continued)

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.

Notes to Financial Statements (continued)

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.

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

Notes to Financial Statements (continued)

grounds or any combination of these purposes. Such bonds shall be fully negotiable and constitute negotiable instruments.

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

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

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

2. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$1,823,762 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 director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Notes to Financial Statements (continued)

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 \$202,607 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 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.

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 \$10,368 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.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States

Notes to Financial Statements (continued)

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	\$2,927,043
First State Bank	Checking	Activities	<u>44,805</u>
			<u>\$2,971,848</u>
Total amount on deposit			\$2,971,848
Outstanding checks			(434,035)
Deposits in transit			<u> </u>
Total per financial statements			<u>\$2,537,813</u>

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, 2014, \$2,721,848 of the School's bank balance of \$2,971,848 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 918,985
B. Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name	<u>1,802,863</u>
Total	<u>\$2,721,848</u>

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:

Notes to Financial Statements (continued)

<u>First State Bank</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FFCB CUSIP #31331V2J4	08/01/19	\$ 1,203,102
FHLB CUSIP #3133XN4B2	12/01/22	180,785
FFCB CUSIP #3133KUDO	02/11/25	<u>418,976</u>
		<u>\$ 1,802,863</u>

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

	<u>First State Bank</u>
Cash on deposit at June 30	\$ 2,971,848
Less F.D.I.C.	<u>(250,000)</u>
Uninsured funds	2,721,848
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	1,360,924
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>1,802,863</u>
Excess of pledged collateral	<u>\$ 441,939</u>

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2014 are as follows:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Governmental activities:				
Land	\$ 71,676	\$ -	\$ -	<u>71,676</u>
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	35,935	-	4,548,543
Vehicles	526,901	106,255	(14,399)	618,757
Equipment	<u>348,496</u>	<u>-</u>	<u>-</u>	<u>348,496</u>
Total	<u>6,160,598</u>	<u>142,190</u>	<u>(14,399)</u>	<u>6,288,389</u>
Less accumulated depreciation:				
Land improvements	(749,621)	(8,127)	-	(757,748)
Buildings & building improvements	(3,056,383)	(125,519)	-	(3,181,902)
Vehicles	(492,611)	(41,487)	14,399	(519,699)
Equipment	<u>(246,516)</u>	<u>(17,865)</u>	<u>-</u>	<u>(264,381)</u>
Total	<u>(4,545,131)</u>	<u>(192,998)</u>	<u>14,399</u>	<u>(4,723,730)</u>
Governmental activities Capital assets, net	<u>\$ 1,687,143</u>	<u>\$ (50,808)</u>	<u>\$ -</u>	<u>\$ 1,636,335</u>

Notes to Financial Statements (continued)

The District has no infrastructure as of June 30, 2014. Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 192,998</u>
Total depreciation expense	<u>\$ 192,998</u>

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:

B. Compensated Absences

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Compensated Absences	<u>\$ 29,503</u>	<u>\$ 512</u>	<u>\$ -</u>	<u>\$ 30,015</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.

C. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The School District has pledged future property taxes to repay the outstanding bonds of \$2,400,000. Total annual principal and interest payments for all General Obligation Bonds are expected to require 100% of gross revenue in the Debt Service Fund. The annual requirements to retire general obligation bonds are as follows:

Date of issue - March 21, 2014
Original Amount - \$2,400,000
Interest Rate - .1000% to 3.2000%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 37,305	\$ 37,305
2016	155,000	43,000	198,000
2017	180,000	42,167	222,167
2018	185,000	40,938	225,938
2019	190,000	39,121	229,121
2020	195,000	36,554	231,554
2021	205,000	33,100	238,100

Notes to Financial Statements (continued)

2022	210,000	28,682	238,682
2023	220,000	23,306	243,306
2024	230,000	17,007	247,007
2025	230,000	10,127	240,127
2026	200,000	3,400	203,400
2027	<u>200,000</u>	<u>100</u>	<u>200,100</u>
	<u>\$2,400,000</u>	<u>\$ 354,807</u>	<u>\$2,754,807</u>

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

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
2014GOBonds	<u>\$ -</u>	<u>\$ 2,400,000</u>	<u>\$ -</u>	<u>\$ 2,400,000</u>	<u>\$ -</u>

D. Operating Lease

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

E. Short-Term Liabilities

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

5. 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.

6. 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.

7. 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.

Notes to Financial Statements (continued)

8. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>	<u>PL 94-142 Entitlement</u>	<u>Improving Teacher Quality</u>
Revenues per modified accrual basis	\$ 2,701,214	\$ 142,026	\$ 54,089	\$ 16,729
Receivables			-	-
Deferred revenues/Due from grantor	26	-	1,699	(1,081)
Security deposits	-	-	-	-
Revenues per budgetary basis	<u>\$ 2,701,240</u>	<u>\$ 139,934</u>	<u>\$ 55,788</u>	<u>\$ 15,648</u>
Expenditures per modified accrual basis	\$ 2,647,729	\$ 142,026	\$ 54,089	\$ 16,729
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 2,647,729</u>	<u>\$ 142,026</u>	<u>\$ 54,089</u>	<u>\$ 16,729</u>

	<u>Bond Building</u>	<u>Capital Improvement SB-9</u>	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>
Revenues per modified accrual basis	\$ -	\$ 80,970	\$ 108,766	\$ -
Receivables	-	(1,315)	-	-
Deferred revenues/Due from grantor	-	-	(615)	-
Revenues per budgetary basis	<u>\$ -</u>	<u>\$ 79,655</u>	<u>\$ 108,151</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ 62,786	\$ 17,084	\$ 113,770	\$ -
Inventory changes	-	-	-	-
Accounts payable	-	-	(194)	-
Expenditures per budgetary basis	<u>\$ 62,786</u>	<u>\$ 17,084</u>	<u>\$ 113,576</u>	<u>\$ -</u>

9. 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.

10. 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

Notes to Financial Statements (continued)

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.

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, 2014, 2013, and 2012, were \$190,000, \$157,826, and \$150,384, respectively, which equal the amount of the required contributions for each fiscal year.

11. 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

Notes to Financial Statements (continued)

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.

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

Notes to Financial Statements (continued)

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, 2014, 2013, and 2012 were \$29,261, \$28,632, and \$29,190, respectively, which equal the required contributions for each year.

12. BUDGETED ACTIVITY FUNDS

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS				
Cash and cash equivalent	\$ 37,289	\$ 56,488	\$ 50,017	\$ 43,760
Total assets	<u>\$ 37,289</u>	<u>\$ 56,488</u>	<u>\$ 50,017</u>	<u>\$ 43,760</u>
LIABILITIES				
Deposits held for others				
Reserve Independent Schools	\$ 37,289	\$ 56,488	\$ 50,017	\$ 43,760
Total liabilities	<u>\$ 37,289</u>	<u>\$ 56,488</u>	<u>\$ 50,017</u>	<u>\$ 43,760</u>

Notes to Financial Statements (continued)

13. FUND BALANCES CLASSIFIED

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Bond Building</u>	<u>Capital Improvements SB-9</u>	<u>Non-Major Governmental Fund</u>	<u>Total</u>
Nonspendable:					
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	2,578	2,578
Total nonspendable	-	-	-	2,578	2,578
Restricted for:					
Transportation services	19,713	-	-	-	19,713
Instructional materials	2,965	-	-	-	2,965
Teacherage units	53,110	-	-	-	53,110
Capital improvements	-	2,337,214	63,886	238	2,401,338
Debt service payments	-	-	-	-	-
Athletic services	-	-	-	-	-
Special grants	-	-	-	-	-
Cafeteria services	-	-	-	10,288	10,288
Total restricted	75,788	2,337,214	63,886	10,526	2,487,414
Committed to:					
Other purposes	-	-	-	-	-
Total committed	-	-	-	-	-
Unassigned:					
	120,779	-	-	-	120,779
Total Fund Balances	\$ 196,567	\$ 2,337,214	\$ 63,886	\$ 13,104	\$ 2,610,771

14. 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.

15. PENSION LIABILITY

Agencies that contribute to pensions subject to GASB 68 must include a pension liability in the financial statements beginning in the fiscal year ending June 30, 2015 audit report. At this time the Educational Retirement Board is a Statewide pension for Education Employees that will fall under the requirement of GASB 68. This liability and the total amount needed to be reported are unknown at this time.

OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP Budgetary Basis)
Bond Building
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
State sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	\$ -	\$ 2,400,000	\$ 62,786	\$ 2,337,214
Total expenditures	\$ -	\$ 2,400,000	\$ 62,786	\$ 2,337,214
OTHER FINANCING SOURCES (USES)				
Bond proceeds	\$ -	\$ 2,400,000	\$ 2,400,000	\$ -
Total other financing sources (uses)	\$ -	\$ 2,400,000	\$ 2,400,000	\$ -
BUDGETED CASH BALANCE	\$ -	\$ -		

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)
Capital Improvements SB-9
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 61,306	\$ 61,306	\$ 79,655	\$ 18,349
Local sources	-	-	-	-
State sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 61,306</u>	<u>\$ 61,306</u>	<u>\$ 79,655</u>	<u>\$ 18,349</u>
EXPENDITURES				
Capital outlay	\$ 61,306	\$ 61,306	\$ 17,084	\$ 44,222
Total expenditures	<u>\$ 61,306</u>	<u>\$ 61,306</u>	<u>\$ 17,084</u>	<u>\$ 44,222</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

NON-MAJOR FUNDS

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Non-Major Governmental Funds
Combining Balance Sheet - By Fund Type
June 30, 2014

Statement A-1

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Total</u>
ASSETS			
Cash on deposit	\$ 10,288	\$ 238	\$ 10,526
Taxes receivable	-	-	-
Due from grantor	7,479	-	7,479
Inventory, at cost	<u>2,578</u>	<u>-</u>	<u>2,578</u>
Total assets	<u>\$ 20,345</u>	<u>\$ 238</u>	<u>\$ 20,583</u>
LIABILITIES			
Cash overdraft	<u>\$ 7,479</u>	<u>\$ -</u>	<u>\$ 7,479</u>
Total liabilities	<u>7,479</u>	<u>-</u>	<u>7,479</u>
FUND BALANCE			
Nonspendable	2,578	-	2,578
Restricted	10,288	238	10,526
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>12,866</u>	<u>238</u>	<u>13,104</u>
Total liabilities and fund balance	<u>\$ 20,345</u>	<u>\$ 238</u>	<u>\$ 20,583</u>

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, 2014

	Special Revenue Funds	Capital Project Funds	Total
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	15,613	-	15,613
Local sources	2,000	-	2,000
State sources	9,827	-	9,827
Federal sources	81,326	-	81,326
Earnings from investments	-	-	-
	<u>108,766</u>	<u>-</u>	<u>108,766</u>
Total revenues			
EXPENDITURES			
Current:			
Direct instruction	26,023	-	26,023
Instructional support	7,847	-	7,847
Food services	79,900	-	79,900
Capital outlay	-	-	-
	<u>113,770</u>	<u>-</u>	<u>113,770</u>
Total expenditures			
Net change in fund balance	(5,004)	-	(5,004)
Fund balance beginning of year	<u>17,870</u>	<u>238</u>	<u>18,108</u>
Fund balance end of year	<u>\$ 12,866</u>	<u>\$ 238</u>	<u>\$ 13,104</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 18,000	\$ 18,000	\$ 15,613	\$ (2,387)
Local sources	-	2,000	2,000	-
State sources	3,964	10,162	11,176	1,014
Federal sources	75,063	80,734	79,362	(1,372)
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 97,027</u>	<u>\$ 110,896</u>	<u>\$ 108,151</u>	<u>\$ (2,745)</u>
EXPENDITURES				
Direct instruction	\$ 22,285	\$ 29,089	\$ 26,023	\$ 3,066
Instructional support	4,879	10,550	7,847	2,703
Food services	83,010	80,025	79,706	319
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 110,174</u>	<u>\$ 119,664</u>	<u>\$ 113,576</u>	<u>\$ 6,088</u>
BUDGETED CASH BALANCE	<u>\$ 13,147</u>	<u>\$ 8,768</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, 2014

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

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

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

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.

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.

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.

READ2LEAD - To account for resources received to provide funds to support a reading K-3 Formative Assessment System providing regional and district reading coaches, supports for intervention, and professional administrators. Financing and authority is a special legislative appropriation, Laws of 2014, Chapter 63, Section 4, Item 1 (other Education), Early Reading Initiative.

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.

GO BOND INSTRUCTIONAL MATERIALS - To account for resources received from the State of New Mexico Public Education Department through a GO Bond specifically issued to help purchase books and instructional materials for schools which received a letter grade of "A" or those which are recognized as a "Top Growth" School.

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 Natural Helpers Program.

ATHLETICS FUND - To account for the activities of the athletic functions of the district. (State Department of Education Regulations 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, 2014

	IDEA-B Preschool Fund	REAP Fund	Dual Credit Fund	GO Bond School Library Fund	Formative Assessments Fund	Read2 Lead
ASSETS						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	3,330	150	-	-	-	3,999
Inventory, at cost	-	-	-	-	-	-
Total assets	<u>\$ 3,330</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,999</u>
LIABILITIES						
Cash overdraft	\$ 3,330	\$ 150	\$ -	\$ -	\$ -	\$ 3,999
Total liabilities	<u>3,330</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,999</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,330</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,999</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, 2014

	Breakfast Program Fund	GOB Instructional Materials	Catron County Grant	Athletics	Student Cafeteria Account	Totals
ASSETS						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ 10,288	\$ 10,288
Due from grantor	-	-	-	-	-	7,479
Inventory, at cost	-	-	-	-	2,578	2,578
Total assets	\$ -	\$ -	\$ -	\$ -	\$ 12,866	\$ 20,345
LIABILITIES						
Cash overdraft	-	-	-	-	-	\$ 7,479
Total liabilities	-	-	-	-	-	7,479
FUND BALANCES						
Nonspendable	-	-	-	-	2,578	2,578
Restricted	-	-	-	-	10,288	10,288
Total fund balance	-	-	-	-	12,866	12,866
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ -	\$ 12,866	\$ 20,345

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, 2014

	IDEA-B Preschool Fund	REAP Fund	Dual Credit Fund	GO Bond School Library Fund	Formative Assessments Fund	Read2 Lead
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	423	423	-	-	3,999
Federal sources	7,847	5,226	-	-	-	-
Earnings from investments	-	-	-	-	-	-
Total revenues	<u>7,847</u>	<u>5,226</u>	<u>423</u>	<u>-</u>	<u>-</u>	<u>3,999</u>
EXPENDITURES						
Direct instruction	-	5,226	423	-	-	3,999
Instructional support	7,847	-	-	-	-	-
Food services	-	-	-	-	-	-
Total expenditures	<u>7,847</u>	<u>5,226</u>	<u>423</u>	<u>-</u>	<u>-</u>	<u>3,999</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>	<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, 2014

	Breakfast Program Fund	GOB Instructional Materials	Catron County Grant	Athletics	Cafeteria	Totals
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ 8,689	\$ 6,924	\$ 15,613
Local sources	-	-	2,000	-	-	2,000
State sources	1,467	3,938	-	-	-	9,827
Federal sources	-	-	-	-	68,253	81,326
Earnings from investments	-	-	-	-	-	-
Total revenues	1,467	3,938	2,000	8,689	75,177	108,766
EXPENDITURES						
Direct instruction	-	3,938	2,000	10,437	-	26,023
Instructional support	-	-	-	-	-	7,847
Food services	1,467	-	-	-	78,433	79,900
Total expenditures	1,467	3,938	2,000	10,437	78,433	113,770
Net change in fund balance	-	-	-	(1,748)	(3,256)	(5,004)
Fund balance beginning of year	-	-	-	1,748	16,122	17,870
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -	\$ 12,866	\$ 12,866

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 4,879	\$ 10,550	\$ 4,517	\$ (6,033)
Total revenues	<u>\$ 4,879</u>	<u>\$ 10,550</u>	<u>\$ 4,517</u>	<u>\$ (6,033)</u>
EXPENDITURES				
Instructional support	\$ 4,879	\$ 10,550	\$ 7,847	\$ 2,703
Total expenditures	<u>\$ 4,879</u>	<u>\$ 10,550</u>	<u>\$ 7,847</u>	<u>\$ 2,703</u>
REVENUES				
Budgetary basis			\$ 4,517	
Increases in Due from Grantor			<u>3,330</u>	
Modified accrual basis			<u>\$ 7,847</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 6,647	\$ 6,647	\$ 6,592	\$ (55)
Total revenues	<u>\$ 6,647</u>	<u>\$ 6,647</u>	<u>\$ 6,592</u>	<u>\$ (55)</u>
EXPENDITURES				
Direct instruction	\$ 6,647	\$ 6,647	\$ 5,226	\$ 1,421
Total expenditures	<u>\$ 6,647</u>	<u>\$ 6,647</u>	<u>\$ 5,226</u>	<u>\$ 1,421</u>
REVENUES				
Budgetary basis			\$ 6,592	
(Decrease) in due from grantor			<u>(1,366)</u>	
Modified accrual basis			<u>\$ 5,226</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 731	\$ 423	\$ (308)
Total revenues	<u>\$ -</u>	<u>\$ 731</u>	<u>\$ 423</u>	<u>\$ (308)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 731	\$ 423	\$ 308
Total expenditures	<u>\$ -</u>	<u>\$ 731</u>	<u>\$ 423</u>	<u>\$ 308</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 2,825	\$ 2,825
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,825</u>	<u>\$ 2,825</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 2,825	
(Decrease) in due from grantor			<u>(2,825)</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 - Formative Assessments
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 1,080	\$ 1,080
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,080</u>	<u>\$ 1,080</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 1,080	
(Decrease) in due from grantor			<u>(1,080)</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 - Read2Lead
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 4,000	\$ -	\$ (4,000)
Total revenues	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ (4,000)</u>
EXPENDITURES				
Food services	\$ -	\$ 4,000	\$ 3,999	\$ 1
Total expenditures	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ 3,999</u>	<u>\$ 1</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>3,999</u>	
Modified accrual basis			<u>\$ 3,999</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 1,467	\$ 2,910	\$ 1,443
Total revenues	<u>\$ -</u>	<u>\$ 1,467</u>	<u>\$ 2,910</u>	<u>\$ 1,443</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 1,467	\$ 1,467	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 1,467</u>	<u>\$ 1,467</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 2,910	
(Decrease) in due from grantor			<u>(1,443)</u>	
Modified accrual basis			<u>\$ 1,467</u>	

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

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Non-Major Special Revenue Fund - GOB Instructional Materials
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 3,964	\$ 3,964	\$ 3,938	\$ (26)
Total revenues	<u>\$ 3,964</u>	<u>\$ 3,964</u>	<u>\$ 3,938</u>	<u>\$ (26)</u>
EXPENDITURES				
Direct instruction	\$ 3,964	\$ 3,964	\$ 3,938	\$ 26
Total expenditures	<u>\$ 3,964</u>	<u>\$ 3,964</u>	<u>\$ 3,938</u>	<u>\$ 26</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, 2014

	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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 8,689	\$ (1,311)
Total revenues	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 8,689</u>	<u>\$ (1,311)</u>
EXPENDITURES				
Direct instruction	\$ 11,674	\$ 11,747	\$ 10,437	\$ 1,310
Total expenditures	<u>\$ 11,674</u>	<u>\$ 11,747</u>	<u>\$ 10,437</u>	<u>\$ 1,310</u>
BUDGETED CASH BALANCE	<u>\$ 1,674</u>	<u>\$ 1,747</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Charges for services	\$ 8,000	\$ 8,000	\$ 6,924	\$ (1,076)
Federal sources	63,537	63,537	68,253	4,716
Earnings from investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 71,537</u>	<u>\$ 71,537</u>	<u>\$ 75,177</u>	<u>\$ 3,640</u>
EXPENDITURES				
Food services	<u>\$ 83,010</u>	<u>\$ 78,558</u>	<u>\$ 78,239</u>	<u>\$ 319</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 83,010</u>	<u>\$ 78,558</u>	<u>\$ 78,239</u>	<u>\$ 319</u>
BUDGETED CASH BALANCE	<u>\$ 11,473</u>	<u>\$ 7,021</u>		
EXPENDITURES				
Budgetary basis			\$ 78,239	
Decrease in inventory			<u>194</u>	
			<u> </u>	
Modified accrual basis			<u>\$ 78,433</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, 2014

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

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, 2014

	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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
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, 2014

	Operational	Teacherae	Transporation	Instructional Materials	Total
ASSETS					
Cash on deposit	\$ 120,320	\$ 54,360	\$ 19,713	\$ 2,965	\$ 197,358
Accounts receivable, collectible	459	-	-	-	459
Total assets	\$ 120,779	\$ 54,360	\$ 19,713	\$ 2,965	\$ 197,817
LIABILITIES					
Accounts payable	-	-	-	-	-
Rental deposits	-	1,250	-	-	1,250
Total liabilities	-	1,250	-	-	1,250
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	53,110	19,713	2,965	75,788
Unassigned	120,779	-	-	-	120,779
Total fund balance	120,779	53,110	19,713	2,965	196,567
Total liabilities and fund balance	\$ 120,779	\$ 54,360	\$ 19,713	\$ 2,965	\$ 197,817

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, 2014

	Operational	Teachage	Transportation	Instructional Materials	Total
REVENUES					
Property taxes	\$ 20,676	-	-	-	\$ 20,676
Charges for services	1,588	11,307	-	-	12,895
Local sources	120,481	-	-	-	120,481
State sources	1,823,762	-	202,607	10,368	2,036,737
Federal sources	509,719	-	-	-	509,719
Earnings from investments	706	-	-	-	706
Total revenues	<u>2,476,932</u>	<u>11,307</u>	<u>202,607</u>	<u>10,368</u>	<u>2,701,214</u>
EXPENDITURES					
Direct instruction	1,315,955	-	-	18,597	1,334,552
Instructional support	989,657	10,762	198,488	-	1,198,907
Food service	22,087	-	-	-	22,087
Capital outlay	58,931	-	33,252	-	92,183
Total expenditures	<u>2,386,630</u>	<u>10,762</u>	<u>231,740</u>	<u>18,597</u>	<u>2,647,729</u>
Net change in fund balance	90,302	545	(29,133)	(8,229)	53,485
Fund balance at beginning of year	30,477	52,565	48,846	11,194	143,082
Fund balance at end of year	<u>\$ 120,779</u>	<u>\$ 53,110</u>	<u>\$ 19,713</u>	<u>\$ 2,965</u>	<u>\$ 196,567</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 21,309	\$ 21,309	\$ 20,702	\$ (607)
Charges for services	-	-	1,588	1,588
Local sources	-	59,221	120,481	61,260
State sources	2,322,263	1,821,587	1,823,762	2,175
Federal sources	-	509,719	509,719	-
Earnings from investments	720	720	706	(14)
Total revenues	<u>\$ 2,344,292</u>	<u>\$ 2,412,556</u>	<u>\$ 2,476,958</u>	<u>\$ 64,402</u>
EXPENDITURES				
Direct instruction	\$ 1,351,441	\$ 1,343,768	\$ 1,315,955	\$ 27,813
Instructional support	981,986	1,018,011	989,657	28,354
Food services	20,000	22,812	22,087	725
Capital outlay	-	50,000	58,931	(8,931)
Total expenditures	<u>\$ 2,353,427</u>	<u>\$ 2,434,591</u>	<u>\$ 2,386,630</u>	<u>\$ 47,961</u>
BUDGETED CASH BALANCE	<u>\$ 9,135</u>	<u>\$ 22,035</u>		
REVENUES				
Budgetary basis			\$ 2,476,958	
(Decrease) in receivables			(26)	
Modified accrual basis			<u>\$ 2,476,932</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	9,000	9,000	11,307	2,307
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 11,307</u>	<u>\$ 2,307</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	60,656	61,564	10,762	50,802
Food services	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 60,656</u>	<u>\$ 61,564</u>	<u>\$ 10,762</u>	<u>\$ 50,802</u>
BUDGETED CASH BALANCE	<u>\$ 51,656</u>	<u>\$ 52,564</u>		

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	203,007	202,607	202,607	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 203,007</u>	<u>\$ 202,607</u>	<u>\$ 202,607</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	203,007	251,053	231,740	19,313
Food service	-	-	-	-
Total expenditures	<u>\$ 203,007</u>	<u>\$ 251,053</u>	<u>\$ 231,740</u>	<u>\$ 19,313</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 48,446</u>		

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

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
General Fund - Instructional Materials Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	8,198	8,198	10,368	2,170
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 8,198</u>	<u>\$ 8,198</u>	<u>\$ 10,368</u>	<u>\$ 2,170</u>
EXPENDITURES				
Direct instruction	\$ 8,198	\$ 19,392	\$ 18,597	\$ 795
Instructional support	-	-	-	-
Food services	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 8,198</u>	<u>\$ 19,392</u>	<u>\$ 18,597</u>	<u>\$ 795</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 11,194</u>		

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

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Schedule of Cash Receipts and
Disbursements - All Funds by
School District Classification
Year Ended June 30, 2014

	Operational	Teacherae	Transportation	Instructional Materials	Cafeteria	Athletics
Cash balance, June 30, 2013	\$ 29,992	\$ 53,815	\$ 48,846	\$ 11,194	\$ 13,350	\$ 1,748
Cash Receipts, 2013-2014	2,476,958	11,307	202,607	10,368	75,177	8,689
Cash Disbursements, 2013-2014	(2,386,630)	(10,762)	(231,740)	(18,597)	(78,239)	(10,437)
Cash balance, June 30, 2014	<u>\$ 120,320</u>	<u>\$ 54,360</u>	<u>\$ 19,713</u>	<u>\$ 2,965</u>	<u>\$ 10,288</u>	<u>\$ -</u>
	Local/ State	Federal Projects	Bond Building	Capital Improvement SB-9	Public Schools Capital Outlay	Agency
Cash balance, June 30, 2013	\$ (5,348)	\$ (106,179)	\$ -	\$ -	\$ 238	\$ 37,289
Cash Receipts, 2013-2014	13,176	222,479	2,400,000	79,655	-	56,488
Cash Disbursements, 2013-2014	(11,827)	(225,917)	(62,786)	(17,084)	-	(50,017)
Cash balance, June 30, 2014	<u>\$ (3,999)</u>	<u>\$ (109,617)</u>	<u>\$ 2,337,214</u>	<u>\$ 62,571</u>	<u>\$ 238</u>	<u>\$ 43,760</u>

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<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	\$ 5,226
Passed through State of NM			
Department of Education:			
*Impact Aid Title I (Chapter 1) Basic	84.010	24.101	142,026
IDEA-B Entitlement	84.027	24.106	54,089
IDEA-B Preschool	84.027	24.109	7,847
Improving Teacher Quality	84.367	24.154	<u>16,729</u>
Sub-total			<u>220,691</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
*National School Lunch Program	10.555	21.000	41,207
*School Breakfast Program	10.553	21.000	21,483
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	5,537
Passed through State of NM			
Department of Finance			
and Administration:			
Forest Reserve	10.665	N/A	<u>509,719</u>
Sub-total			<u>577,946</u>
Total Expenditures of Federal Awards			<u>\$ 803,863</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, 2014

Part 1 - Summary of Auditor Results

1. Type of Report - Unmodified
2. Significant Deficiency - NONE
3. Non-Compliance - Budget Overruns (2014-001)
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 - Title I CFDA #84.010, National School Lunch Program CFDA #10.555 and School Breakfast Program CFDA #10.553
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

Budget Overruns (2014-001)

Part 3 - Questioned Costs

NONE

Rice and Associates, C.P.A.

AUDITING
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(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, 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, Title I, PL 94-142 Entitlement and Improving Teacher Quality Funds of the Reserve Independent Schools, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Reserve Independent Schools basic financial statements, and the combining and individual funds and the related budgetary comparisons of the major Capital Project Funds and all non-major funds, presented as supplemental information, and have issued our report thereon dated October 20, 2014.

Internal Control Over Financial Reporting

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

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

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 Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs and the Status of Findings and Responses as Budget Overruns (2014-001).

Responses to the Findings

Reserve Independent Schools 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 not 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 Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Albuquerque, New Mexico
October 20, 2014

Rice and Associates, C.P.A.

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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 Schools 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 Schools major federal programs for the year ended June 30, 2014. Reserve Independent Schools 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 Schools 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 Schools 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 Schools compliance.

Opinion on Each Major Federal Program

In our opinion, Reserve Independent Schools, 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, 2014.

Report on Internal Control Over Compliance

Management of Reserve Independent Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Reserve Independent Schools internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal 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 Schools 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control

over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in dark ink, appearing to read "Richard A. ...", is located below the main text.

Albuquerque, New Mexico
October 20, 2014

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

1. Outstanding Balances (12-09) - Resolved
2. Cash Deficits (12-10) - Resolved
3. Receipts Out of Sequence (12-13) - Resolved
4. Contract Addendums Missing (12-16) - Resolved
5. Bus Contracts (13-01) - Resolved
6. Fixed Assets Software (13-02) - Resolved.

Current Year Audit Findings:

1. Budget Overruns (2014-001)

Budget Overruns - Other Matter

(2014-001)

CONDITION	The School District overspent the final approved budget of the IDEA-B Entitlement Fund by \$962 and the Operational fund in the amount of \$8,931.
CRITERIA	NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.
CAUSE	Management missed the deadline to submit a BAR to PED and obtain approval to transfer monies.
EFFECT	The School District had the adequate cash to pay the amount but not the required budget authority from PED.
RECOMMENDATION	Management should review their various funds periodically to ensure all budget adjustments are made before the deadline.
RESPONSE	Management will review expenditures regularly to prepare budget adjustments as needed.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2014 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 17, 2014, to discuss the current audit report. In attendance were Mr. Bill Green, Superintendent, Mr. Sam Nicolds, Board Vice-President, Ms. Odelia Delgado, Business Manager and Ms. Pamela A. Rice, CPA, Contract Auditor.