

State of New Mexico

# RESERVE INDEPENDENT SCHOOLS



FOR YEAR ENDED JUNE 30, 2015  
(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, 2015  
(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, 2015

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. Tim Kellar  
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 and PL94-142 Entitlement Funds of the Reserve Independent School District, as of and for the year ended June 30, 2015, 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 and Debt Service 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, 2015 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, 2015, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Title I and PL 94-142 Entitlement 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, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project and Debt Service 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.

Accounting principles generally accepted in the United States of America require the Schedules I and II and the notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *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 Schedule of Expenditures of Federal Awards as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Supporting Schedule III required by Section 2.2.2 NMAC 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 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 basic 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 fairly states, in all material respects, in relation to the basic financial statements as a whole.

Schedule IV, the Schedule of Vendor Information, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2015 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.

*Ray & Associates, LLP*

Albuquerque, New Mexico  
November 4, 2015

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Net Position  
June 30, 2015

Statement 1  
Page 1 of 2

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 2,928,564
Accounts receivable	3,512
Due from grantor	136,286
Inventory	2,211
Total current assets	3,070,573
Non-current assets	
Land (non-depreciable)	71,676
Capital assets (depreciable)	7,282,252
Less accumulated depreciation	(4,056,585)
Total non-current assets	2,497,343
Total assets	5,567,916
Deferred outflows of resources	
Change in proportion	
Employer contributions subsequent to the measurement date	216,363
Total deferred outflows of resources	216,363
Total assets and deferred outflows of resources	\$ 5,784,279

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Net Position  
June 30, 2015

Statement 1  
Page 2 of 2

**LIABILITIES**

<b>Current liabilities</b>	
Accounts payable	\$ -
Security deposit payable	1,250
Current portion of long-term liabilities	<u>155,000</u>
Total current liabilities	<u>156,250</u>
 <b>Long-term obligations:</b>	
Net pension liability	2,990,937
Compensated absences	43,902
Non-current portion of long-term liabilities	<u>2,245,000</u>
Total long-term liabilities	<u>5,279,839</u>
Total liabilities	<u>5,436,089</u>

**Deferred inflows of resources**

Actuarial experience	44,554
Investment experience	271,836
Change in proportion	<u>12,122</u>
Total deferred inflows of resources	<u>328,562</u>

**NET POSITION**

Net investment in capital assets	252,343
Restricted for:	
Cafeteria fund (inventory)	2,211
Capital outlay	2,147,320
Debt service	174,431
Special grants	74,051
Unrestricted	<u>(2,630,728)</u>
Total net position	<u>10,628</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,784,279</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Activities  
Year Ended June 30, 2015

Statement 2

<u>Functions/Programs</u>	<u>Program Revenues</u>				Net (Expenses) Revenue and Changes Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>EXPENSES:</b>					
<b>Governmental activities:</b>					
Direct instruction	\$1,608,161	\$ 7,768	\$ 368,583	\$ 621,914	\$ (609,896)
Instructional support	1,336,179	16,253	274,683	-	(1,045,243)
Food services	123,812	6,984	57,616	-	(59,212)
Depreciation - unallocated	227,600	-	-	-	(227,600)
Interest - unallocated	37,305	-	-	-	(37,305)
<b>Total governmental activities</b>	<u>3,333,057</u>	<u>31,005</u>	<u>700,882</u>	<u>621,914</u>	<u>(1,979,256)</u>
<b>General revenues:</b>					
<b>Taxes</b>					
Property taxes, levied for general purposes					20,608
Property taxes, levied for capital projects					84,741
Property taxes, levied for debt service					213,801
Federal and State aid not restricted to specific purpose					
General - SBG					2,491,710
Forest Reserve					485,591
Interest and investment earnings					1,985
<b>Sub-total, general revenues</b>					<u>3,298,436</u>
<b>Change in net position</b>					1,319,180
<b>Net position - beginning of year</b>					1,817,093
<b>Restatement</b>					(3,116,645)
<b>Net position - beginning of year - restated</b>					<u>(1,299,552)</u>
<b>Net position - end of year</b>					<u>\$ 19,628</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, 2015

Statement 3

	General	Title I	PL94-142 Entitlement	Bond Building	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>ASSETS</b>								
Cash on deposit	\$ 610,048	\$ -	\$ -	\$ 2,005,042	\$ 141,289	\$ 172,185	\$ -	\$ 2,928,564
Accounts receivable	277	-	-	-	989	2,246	-	1,512
Inventory, at cost	-	-	-	-	-	-	2,211	2,211
Due from grantor	-	87,477	20,811	-	-	-	27,998	136,286
Due from other funds	146,908	-	-	-	-	-	-	146,908
<b>Total assets</b>	<b>\$ 757,233</b>	<b>\$ 87,477</b>	<b>\$ 20,811</b>	<b>\$ 2,005,042</b>	<b>\$ 142,278</b>	<b>\$ 174,431</b>	<b>\$ 30,209</b>	<b>\$ 3,217,481</b>
<b>LIABILITIES</b>								
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rental deposits	1,250	-	-	-	-	-	-	1,250
Accounts payable	-	-	-	-	-	-	-	-
Due to other funds	-	87,477	20,811	-	-	-	38,620	146,908
<b>Total liabilities</b>	<b>1,250</b>	<b>87,477</b>	<b>20,811</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,620</b>	<b>148,158</b>
<b>FUND BALANCE</b>								
Nonspendable	-	-	-	-	-	-	2,211	2,211
Restricted	84,673	-	-	2,065,042	142,278	174,431	(10,622)	2,395,802
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	671,310	-	-	-	-	-	-	671,310
<b>Total fund balance</b>	<b>755,983</b>	<b>-</b>	<b>-</b>	<b>2,065,042</b>	<b>142,278</b>	<b>174,431</b>	<b>(8,411)</b>	<b>3,069,323</b>
<b>Total liabilities and fund balance</b>	<b>\$ 757,233</b>	<b>\$ 87,477</b>	<b>\$ 20,811</b>	<b>\$ 2,005,042</b>	<b>\$ 142,278</b>	<b>\$ 174,431</b>	<b>\$ 30,209</b>	<b>\$ 3,217,481</b>

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2015

Statement 4

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

Total fund balances - governmental funds	\$ 3,069,323
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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	7,353,928	
Accumulated depreciation	<u>(4,856,585)</u>	
		2,497,343

Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds

Deferred outflows of resources related to employer contributions subsequent to the measurement date	216,363
Deferred inflows of resources related to actuarial experience	(44,554)
Deferred inflows or resources related to investment experience	(271,886)
Deferred inflows of resources related to changes in proportion	(12,122)

Long-term and certain other liabilities, including bonds payable and net pension liability, 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:

Net pension liability	(2,990,937)
Bonds Payable	(2,400,000)
Compensated absences payable	<u>(43,902)</u>

Total net position - governmental funds	<u>\$ 19,628</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, 2015

Statement 5

	General	Title I	PL 94-142 Entitlement	Bond Building	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>REVENUES</b>								
Taxes	\$ 20,608	\$ -	\$ -	\$ -	\$ 84,741	\$ 213,801	\$ -	\$ 319,150
Charges for services	16,662	-	-	-	-	-	14,343	31,005
Local sources	106,294	-	-	-	-	-	2,000	108,294
State sources	2,717,293	-	-	-	-	-	85,493	2,802,786
Federal sources	485,591	136,358	52,947	-	-	-	92,207	767,103
Earnings from investments	247	-	-	1,613	88	51	6	1,985
<b>Total revenues</b>	<b>3,346,695</b>	<b>136,358</b>	<b>52,947</b>	<b>1,613</b>	<b>84,809</b>	<b>213,852</b>	<b>194,849</b>	<b>4,030,323</b>
<b>EXPENDITURES</b>								
<b>Current:</b>								
Direct instruction	1,345,872	101,136	39,295	-	-	-	121,479	1,607,782
Instructional support	1,269,229	35,222	13,652	-	6,417	2,116	9,543	1,336,179
Food services	39,270	-	-	-	-	-	84,542	123,812
Capital outlay	152,910	-	-	333,785	-	-	-	486,695
Debt service	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	37,305	-	37,305
<b>Total expenditures</b>	<b>2,787,281</b>	<b>136,358</b>	<b>52,947</b>	<b>333,785</b>	<b>6,417</b>	<b>39,421</b>	<b>215,564</b>	<b>3,571,773</b>
Net change in fund balances	559,414	-	-	(332,172)	78,392	174,431	(21,515)	458,550
Fund balance beginning of year	196,569	-	-	2,337,314	63,886	-	13,104	2,610,773
Fund balance end of year	\$ 755,983	\$ -	\$ -	\$ 2,005,042	\$ 142,278	\$ 174,431	\$ (8,411)	\$ 3,069,323

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, 2015

Statement 6

Total net change in fund balances - governmental funds 9 458,558

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  
capital outlays exceeds depreciation in the period

Capital outlays	1,098,608
Depreciation expense	<u>(227,608)</u>

Excess of depreciation expense over capital outlay 861,008

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>13,887</u>
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Governmental funds report School district pension  
contributions as expenditures. However in the Statement  
of Activities, the cost of pension benefits earned net of employee  
contributions is reported as pension expense

Pension contributions	216,363
Pension expense	<u>(202,854)</u>

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	_____
Repayment of long-term debt	<u>_____</u>

Change in net position of governmental activities \$ 1,319,180

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 20,571	\$ 20,571	\$ 20,790	\$ 219
Charges for services	10,600	10,600	16,662	6,062
Local sources	-	89,019	106,294	17,275
State sources	2,640,376	2,717,343	2,717,293	(50)
Federal sources	-	22,197	485,591	463,394
Earnings from investments	300	300	221	(79)
<b>Total revenues</b>	<b><u>\$ 2,671,847</u></b>	<b><u>\$ 2,860,030</u></b>	<b><u>\$ 3,346,851</u></b>	<b><u>\$ 486,821</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 1,414,397	\$ 1,385,032	\$ 1,345,872	\$ 39,160
Instructional support	1,298,985	1,486,906	1,286,454	200,452
Food services	33,980	40,980	39,270	1,710
Capital outlay	45,310	136,214	115,685	20,529
<b>Total expenditures</b>	<b><u>\$ 2,792,672</u></b>	<b><u>\$ 3,049,132</u></b>	<b><u>\$ 2,787,281</u></b>	<b><u>\$ 261,851</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 120,825</u></b>	<b><u>\$ 189,102</u></b>		

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP Budgetary Basis)  
Title I  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 134,041	\$ 180,102	\$ 125,486	\$ (54,616)
Total revenues	<u>\$ 134,041</u>	<u>\$ 180,102</u>	<u>\$ 125,486</u>	<u>\$ (54,616)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 94,147	\$ 140,208	\$ 101,136	\$ 39,072
Instructional Support	<u>39,894</u>	<u>39,894</u>	<u>35,222</u>	<u>4,672</u>
Total expenditures	<u>\$ 134,041</u>	<u>\$ 180,102</u>	<u>\$ 136,358</u>	<u>\$ 43,744</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 44,980	\$ 53,343	\$ 51,212	\$ 2,131
Total revenues	<u>\$ 44,980</u>	<u>\$ 53,343</u>	<u>\$ 51,212</u>	<u>\$ 2,131</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 22,515	\$ 39,333	\$ 39,295	\$ 38
Instructional support	<u>22,465</u>	<u>14,010</u>	<u>13,652</u>	<u>358</u>
Total expenditures	<u>\$ 44,980</u>	<u>\$ 53,343</u>	<u>\$ 52,947</u>	<u>\$ 396</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, 2015

	Agency Funds
<b>ASSETS</b>	
Cash	\$ 40,295
Total Assets	\$ 40,295
<b>LIABILITIES</b>	
Deposits held for others	\$ 40,295
Total Liabilities	\$ 40,295

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, 2015

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.

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.

Debt Service Fund - General Obligation Bonds - To account for resources received for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

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.

## Notes to Financial Statements (continued)

### 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*.

#### **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 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 Net Position or 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>\$ 277</u>	<u>\$ 3,235</u>	<u>\$ -</u>	<u>\$ 3,512</u>

**3. Inventories**

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

**4. Capital Assets**

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

**6. 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.

**7. 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 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.



**8. Restricted Net Assets**

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

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

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

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

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

**9. Deferred Inflows of Resource**

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The School District has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**10. Deferred Outflows of Resource**

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

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 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.

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 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.

## J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

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

First State Bank	Checking	Operational	\$3,386,904
First State Bank	Checking	Activities	<u>41,419</u>
			<u>\$3,428,323</u>
Total amount on deposit			\$3,428,323
Outstanding checks			(459,464)
Deposits in transit			<u>-</u>
Total per financial statements			<u>\$2,968,859</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, 2015, \$3,178,323 of the School's bank balance of \$3,428,323 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$1,378,545
B. Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name	<u>1,799,778</u>
Total	<u>\$3,178,323</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	\$ 3,428,323
Less F.D.I.C.	<u>(250,000)</u>
Uninsured funds	3,178,323
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	1,589,162
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>1,799,778</u>
Excess of pledged collateral	<u>\$ 210,616</u>

Notes to Financial Statements (continued)

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the cooperative for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

<u>First State Bank</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FPCB CUSIP #31331V2J4	08/01/19	\$ 1,202,497
FHLB CUSIP #3133XN4B2	12/01/22	180,098
FPCB CUSIP #3133KUDO	02/11/25	<u>417,183</u>
		<u>\$ 1,799,778</u>

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2015 are as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Governmental activities:				
Land	\$ <u>71,676</u>	\$ -	\$ -	<u>71,676</u>
Total capital assets not being depreciated	<u>71,676</u>	-	-	<u>71,676</u>
Land improvements	772,593	-	-	772,593
Buildings & building improvements	4,548,543	980,479	(20,000)	5,509,022
Vehicles	618,757	108,129	(74,745)	652,141
Equipment	<u>348,496</u>	-	-	<u>348,496</u>
Total	<u>6,288,389</u>	<u>1,088,608</u>	<u>(94,745)</u>	<u>7,282,252</u>
Less accumulated depreciation:				
Land improvements	(757,748)	(5,075)	-	(762,823)
Buildings & building improvements	(3,181,902)	(157,710)	20,000	(3,319,612)
Vehicles	(519,699)	(47,904)	74,745	(492,858)
Equipment	<u>(264,381)</u>	<u>(16,911)</u>	-	<u>(281,292)</u>
Total	<u>(4,723,730)</u>	<u>(227,600)</u>	<u>94,745</u>	<u>(4,856,585)</u>
Governmental activities Capital assets, net	<u>\$ 1,636,335</u>	<u>\$ 861,008</u>	<u>\$ -</u>	<u>\$ 2,497,343</u>

The District has no infrastructure as of June 30, 2015. Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 227,600</u>
Total depreciation expense	<u>\$ 227,600</u>



Notes to Financial Statements (continued)

The District received \$621,914 in Capital Asset Improvements from the Public School Finance Authority.

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

B. Compensated Absences

	Balance June 30, 2014	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2015
Compensated Absences	\$ 30,015	\$ 13,887	\$ -	\$ 43,902

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</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
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	200,000	100	200,100
	<u>\$2,400,000</u>	<u>\$ 317,502</u>	<u>\$2,717,502</u>

Notes to Financial Statements (continued)

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

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
2014 GOBonds	\$ 2,400,000	\$ -	\$ -	\$ 2,400,000	\$ 155,000

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>Bond Building</u>
Revenues per modified accrual basis	\$ 3,346,695	\$ 136,358	\$ 52,947	\$ 1,613
Receivables	156			
Deferred revenues/Due from grantor	-	(10,872)	(1,735)	-
Security deposits	-	-	-	-
Revenues per budgetary basis	<u>\$ 3,346,851</u>	<u>\$ 125,486</u>	<u>\$ 51,212</u>	<u>\$ 1,613</u>
Expenditures per modified accrual basis	\$ 2,787,281	\$ 136,358	\$ 52,947	\$ 333,785
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 2,787,281</u>	<u>\$ 136,358</u>	<u>\$ 52,947</u>	<u>\$ 333,785</u>
	<u>Capital Improvement 83-9</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>
Revenues per modified accrual basis	\$ 84,809	\$ 213,852	\$ 194,049	\$ -
Receivables	326	(2,246)	-	-
Deferred revenues/Due from grantor	-	-	(10,111)	-
Revenues per budgetary basis	<u>\$ 85,135</u>	<u>\$ 211,606</u>	<u>\$ 183,938</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ 6,417	\$ 39,421	\$ 215,326	\$ 238
Inventory changes	-	-	(367)	-
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 6,417</u>	<u>\$ 39,421</u>	<u>\$ 214,959</u>	<u>\$ 238</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. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD

**Plan description.** ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs.

The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates. ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).

**Benefits provided.** A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%.

Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

**Contributions.** The contribution requirements of defined benefit plan members and the school district are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the school district were \$216,363 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the school district reported a liability of \$2,990,937 for its proportionate share of the net pension liability. The

Notes to Financial Statements (continued)

school district's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the school district's proportion was 0.05268 percent, which was an increase of 0.00026 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the school district recognized pension expense of \$202,854. At June 30, 2015, the school district reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 44,554
Net difference between projected and actual earnings on pension plan investments	-	271,886
Changes in proportion and differences between the school district contributions and proportionate share of contributions	-	12,122
School district's contributions subsequent to the measurement date	<u>216,363</u>	<u>-</u>
Total	<u>\$ 216,363</u>	<u>\$ 328,562</u>

The \$216,363 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (65,712)
2017	(65,712)
2018	(65,712)
2019	(65,712)
2020	(65,714)
Thereafter	-

**Actuarial assumptions.** As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period to June 30, 2042	Amortized - closed 30 years from 2012
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates

## Notes to Financial Statements (continued)

Mortality 90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	<u>2014 Long-Term Expected Real Rate of Return</u>	<u>2013 Long-Term Expected Real Rate of Return</u>
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

**Discount rate:** A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future



contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

**Sensitivity of the school district's proportionate share of the net pension liability to changes in the discount rate.**

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
School district's proportionate share of the net pension liability	\$ 4,069,514	\$ 2,990,937	\$ 2,089,999

**Pension plan fiduciary net position.** Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

**Payables to the pension plan.** The School District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15<sup>th</sup> day of the month following the month for which contributions are withheld. At June 30, 2015 the School District owed the ERB \$77,439 for the contributions withheld in the month of June 2015.

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 participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, 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, 2015, 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, 2015, 2014, and 2013 were \$31,131, \$29,261 and \$28,632, 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, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS</b>				
Cash and cash equivalent	\$ 43,760	\$ 52,817	\$ 56,282	\$ 40,295
Total assets	<u>\$ 43,760</u>	<u>\$ 52,817</u>	<u>\$ 56,282</u>	<u>\$ 40,295</u>
<b>LIABILITIES</b>				
Deposits held for others				
Reserve Independent Schools	\$ 43,760	\$ 52,817	\$ 56,282	\$ 40,295
Total liabilities	<u>\$ 43,760</u>	<u>\$ 52,817</u>	<u>\$ 56,282</u>	<u>\$ 40,295</u>

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>Debt Service</u>	<u>Non-Major Governmental Fund</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 2,211	\$ 2,211
Total nonspendable	-	-	-	-	2,211	2,211
Restricted for:						
Transportation services	40,541	-	-	-	-	40,541
Instructional materials	7,484	-	-	-	-	7,484
Teacherage units	36,648	-	-	-	-	36,648
Capital improvements	-	2,005,042	142,278	-	-	2,147,320
Debt service payments	-	-	-	174,431	-	174,431
Athletic services	-	-	-	-	(1,341)	(1,341)
Special grants	-	-	-	-	-	-
Cafeteria services	-	-	-	-	(9,281)	(9,281)
State mandated cash reserves	2,533	-	-	-	-	2,533
Total restricted	87,206	2,005,042	142,278	174,431	(10,622)	2,398,335
Committed to:						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
Unassigned:	668,777	-	-	-	-	668,777
Total Fund Balances	\$ 755,983	\$ 2,005,042	\$ 142,278	\$ 174,431	\$ (8,411)	\$ 3,069,323

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. NET POSITION RESTATEMENT

The School District had a prior period adjustment of \$3,116,645 of which was required for the implementation of GASB Statement No. 68. The adjustment reflects a beginning net pension liability of \$3,306,644 and a beginning deferred outflow of resources - employer contributions subsequent to the measurement date of \$189,999.

**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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
State sources	-	-	-	-
Earnings from investments	-	-	1,613	1,613
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,613</b>	<b>\$ 1,613</b>
<b>EXPENDITURES</b>				
Capital outlay	\$ 1,897,901	\$ 2,337,214	\$ 333,785	\$ 2,003,429
<b>Total expenditures</b>	<b>\$ 1,897,901</b>	<b>\$ 2,337,214</b>	<b>\$ 333,785</b>	<b>\$ 2,003,429</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ 1,897,901</b>	<b>\$ 2,337,214</b>		

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Capital Improvements SB-9  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 86,590	\$ 86,590	\$ 85,067	\$ (1,523)
Local sources	-	-	-	-
State sources	-	-	-	-
Earnings from investments	-	-	68	68
	<u>\$ 86,590</u>	<u>\$ 86,590</u>	<u>\$ 85,135</u>	<u>\$ (1,455)</u>
Total revenues	<u>\$ 86,590</u>	<u>\$ 86,590</u>	<u>\$ 85,135</u>	<u>\$ (1,455)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>\$ 92,296</u>	<u>\$ 92,296</u>	<u>\$ 6,417</u>	<u>\$ 85,879</u>
Total expenditures	<u>\$ 92,296</u>	<u>\$ 92,296</u>	<u>\$ 6,417</u>	<u>\$ 85,879</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 5,706</u>	<u>\$ 5,706</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)  
Debt Service Fund  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ 166,662	\$ 211,555	\$ 44,893
Earnings from investments	-	-	51	51
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ 166,662</b>	<b>\$ 211,606</b>	<b>\$ 44,944</b>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ 2,116	\$ 2,116	\$ -
Bonds paid	-	-	-	-
Coupons Paid	-	37,305	37,305	-
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ 39,421</b>	<b>\$ 39,421</b>	<b>\$ -</b>

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, 2015

Statement A-1

	Special Revenue Funds	Capital Project Funds	Total
<b>ASSETS</b>			
Cash on deposit	\$ -	\$ -	\$ -
Taxes receivable	-	-	-
Due from grantor	27,998	-	27,998
Inventory, at cost	<u>2,211</u>	<u>-</u>	<u>2,211</u>
Total assets	<u>\$ 30,209</u>	<u>\$ -</u>	<u>\$ 30,209</u>
<b>LIABILITIES</b>			
Cash overdraft	<u>\$ 38,620</u>	<u>\$ -</u>	<u>\$ 38,620</u>
Total liabilities	<u>38,620</u>	<u>-</u>	<u>38,620</u>
<b>FUND BALANCE</b>			
Nonspendable	2,211	-	2,211
Restricted	(10,622)	-	(10,622)
Committed	-	-	-
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>(8,411)</u>	<u>-</u>	<u>(8,411)</u>
Total liabilities and fund balance	<u>\$ 30,209</u>	<u>\$ -</u>	<u>\$ 30,209</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, 2015

	Special Revenue Funds	Capital Project Funds	Total
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for services	14,343	-	14,343
Local sources	2,000	-	2,000
State sources	85,493	-	85,493
Federal sources	92,207	-	92,207
Earnings from investments	6	-	6
	<u>194,049</u>	<u>-</u>	<u>194,049</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
Direct instruction	121,479	-	121,479
Instructional support	9,305	238	9,543
Food services	84,542	-	84,542
Capital outlay	-	-	-
	<u>215,326</u>	<u>238</u>	<u>215,564</u>
Total expenditures			
Net change in fund balance	(21,277)	(238)	(21,515)
Fund balance beginning of year	<u>12,866</u>	<u>238</u>	<u>13,104</u>
Fund balance end of year	<u>\$ (8,411)</u>	<u>\$ -</u>	<u>\$ (8,411)</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 14,844	\$ 14,844	\$ 14,293	\$ (551)
Local sources	-	2,000	2,000	-
State sources	42,700	96,628	70,754	(25,874)
Federal sources	89,065	108,395	96,885	(11,510)
Earnings from investments	-	-	6	6
<b>Total revenues</b>	<b><u>\$ 146,609</u></b>	<b><u>\$ 221,867</u></b>	<b><u>\$ 183,938</u></b>	<b><u>\$ (37,929)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 56,099	\$ 114,339	\$ 112,660	\$ 1,679
Instructional support	17,316	30,625	18,124	12,501
Food services	81,462	87,191	84,175	3,016
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 154,877</u></b>	<b><u>\$ 232,155</u></b>	<b><u>\$ 214,959</u></b>	<b><u>\$ 17,196</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 8,268</u></b>	<b><u>\$ 10,288</u></b>		

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Earnings from investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ 238	\$ 238	\$ 238	\$ -
Total expenditures	<u>\$ 238</u>	<u>\$ 238</u>	<u>\$ 238</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 238</u>	<u>\$ 238</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.

**NM AUTISM PROJECT** - To account for resources received to improve the outcomes for Students with Autism Spectrum Disorders with professional development, curriculum materials, training and supplies related to the project.

**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.

**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.

**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 (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.

**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.

**PRE-K INITIATIVE FUND** - To account for resources received to provide preschool services to 10 four year old children in PreKindergarten. Financing and authority is provided by New Mexico State Legislature Laws of 2014, Chapter 63, Section 4, Item 1(e).

**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.

**FRESH FRUIT & VEGETABLES** - To account for resources to purchase New Mexico grown fresh fruits and vegetables for use in school nutrition programs. Authority is from the Public Education Department.

**(Non-Major Special Revenued Funds - Continued)**

**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, 2015

Statement B-1  
Page 1 of 2

	NM Autism Fund	IDBA-B Preschool Fund	Improving Teacher Quality Fund	REAP Fund	Dual Credit Fund	Read2 Lead
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	2,520	2,249	4,490	-	33	12,450
Inventory, at cost	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 2,520</u></b>	<b><u>\$ 2,249</u></b>	<b><u>\$ 4,490</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 33</u></b>	<b><u>\$ 12,450</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ 2,520	\$ 2,249	\$ 4,490	\$ -	\$ 33	\$ 12,450
<b>Total liabilities</b>	<b><u>2,520</u></b>	<b><u>2,249</u></b>	<b><u>4,490</u></b>	<b><u>-</u></b>	<b><u>33</u></b>	<b><u>12,450</u></b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,520</u></b>	<b><u>\$ 2,249</u></b>	<b><u>\$ 4,490</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 33</u></b>	<b><u>\$ 12,450</u></b>

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



STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2015

Statement B-1  
Page 2 of 2

	Pre-K Fund	Breakfast Program Fund	Fresh Fruits & Vegetables Fund	Catron County Grant	Athletics	Student Cafeteria Account	Totals
<b>ASSETS</b>							
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	5,692	564	-	-	-	-	27,998
Inventory, at cost	-	-	-	-	-	2,211	2,211
<b>Total assets</b>	<b>\$ 5,692</b>	<b>\$ 564</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,211</b>	<b>\$ 30,209</b>
<b>LIABILITIES</b>							
Cash overdraft	\$ 5,692	\$ 564	\$ -	\$ -	1,341	9,281	38,620
<b>Total liabilities</b>	<b>5,692</b>	<b>564</b>	<b>-</b>	<b>-</b>	<b>1,341</b>	<b>9,281</b>	<b>38,620</b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	2,211	2,211
Restricted	-	-	-	-	(1,341)	(9,281)	(10,622)
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,341)</b>	<b>(7,070)</b>	<b>(8,411)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,692</b>	<b>\$ 564</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,211</b>	<b>\$ 30,209</b>

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

STATE OF NEW MEXICO  
 RESERVE INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2015

Statement B-2  
 Page 1 of 2

	NM Autism Fund	IDEA-B Preschool Fund	Improving Teacher Quality Fund	REAP Fund	Dual Credit Fund	Read2 Lead
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	-	-	219	50,000
Federal sources	8,819	6,402	17,509	4,232	-	-
Earnings from investments	-	-	-	-	-	-
<b>Total revenues</b>	<u>8,819</u>	<u>6,402</u>	<u>17,509</u>	<u>4,232</u>	<u>219</u>	<u>50,000</u>
<b>EXPENDITURES</b>						
Direct instruction	8,819	-	17,509	4,232	219	50,000
Instructional support	-	6,402	-	-	-	-
Food services	-	-	-	-	-	-
<b>Total expenditures</b>	<u>8,819</u>	<u>6,402</u>	<u>17,509</u>	<u>4,232</u>	<u>219</u>	<u>50,000</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, 2015

Statement B-2  
Page 2 of 2

	Pre-K Fund	Breakfast Program Fund	Fresh Fruits & Vegetables Fund	Catron County Grant	Athletics	Student Cafeteria Account	Totals
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 7,359	\$ 6,984	\$ 14,343
Local sources	-	-	-	2,000	-	-	2,000
State sources	32,903	2,311	60	-	-	-	85,493
Federal sources	-	-	-	-	-	55,245	92,207
Earnings from investments	-	-	-	-	-	6	6
<b>Total revenues</b>	<u>32,903</u>	<u>2,311</u>	<u>60</u>	<u>2,000</u>	<u>7,359</u>	<u>62,235</u>	<u>194,049</u>
<b>EXPENDITURES</b>							
Direct instruction	30,000	-	-	2,000	8,700	-	121,479
Instructional support	2,903	-	-	-	-	-	9,305
Food services	-	2,311	60	-	-	82,171	84,542
<b>Total expenditures</b>	<u>32,903</u>	<u>2,311</u>	<u>60</u>	<u>2,000</u>	<u>8,700</u>	<u>82,171</u>	<u>215,326</u>
Net change in fund balance	-	-	-	-	(1,341)	(19,936)	(21,277)
Fund balance beginning of year	-	-	-	-	-	12,866	12,866
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,341)</u>	<u>\$ (7,070)</u>	<u>\$ (8,411)</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - NMAutism  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ -	\$ 10,093	\$ 6,299	\$ (3,794)
Total revenues	<u>\$ -</u>	<u>\$ 10,093</u>	<u>\$ 6,299</u>	<u>\$ (3,794)</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ 10,093	\$ 8,819	\$ 1,274
Total expenditures	<u>\$ -</u>	<u>\$ 10,093</u>	<u>\$ 8,819</u>	<u>\$ 1,274</u>
<b>REVENUES</b>				
Budgetary basis			\$ 6,299	
Increase in Due from Grantor			<u>2,520</u>	
Modified accrual basis			<u>\$ 8,819</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - IDEA-B Preschool  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Federal sources	\$ 4,616	\$ 7,832	\$ 7,484	\$ (348)
Total revenues	<u>\$ 4,616</u>	<u>\$ 7,832</u>	<u>\$ 7,484</u>	<u>\$ (348)</u>
<b>EXPENDITURES</b>				
Instructional support	\$ 4,616	\$ 7,832	\$ 6,402	\$ 1,430
Total expenditures	<u>\$ 4,616</u>	<u>\$ 7,832</u>	<u>\$ 6,402</u>	<u>\$ 1,430</u>
<b>REVENUES</b>				
Budgetary basis			\$ 7,484	
(Decrease) in due from grantor			<u>(1,082)</u>	
Modified accrual basis			<u>\$ 6,402</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Improving Teacher Quality  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 12,934	\$ 18,955	\$ 23,475	\$ 4,520
Total revenues	<u>\$ 12,934</u>	<u>\$ 18,955</u>	<u>\$ 23,475</u>	<u>\$ 4,520</u>
EXPENDITURES				
Direct instruction	\$ 12,934	\$ 18,955	\$ 17,509	\$ 1,446
Total expenditures	<u>\$ 12,934</u>	<u>\$ 18,955</u>	<u>\$ 17,509</u>	<u>\$ 1,446</u>
REVENUES				
Budgetary basis			\$ 23,475	
(Decrease) in due from grantor			<u>(5,966)</u>	
Modified accrual basis			<u>\$ 17,509</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 4,465	\$ 4,465	\$ 4,382	\$ (83)
Total revenues	<u>\$ 4,465</u>	<u>\$ 4,465</u>	<u>\$ 4,382</u>	<u>\$ (83)</u>
EXPENDITURES				
Direct instruction	\$ 4,465	\$ 4,465	\$ 4,382	\$ 83
Total expenditures	<u>\$ 4,465</u>	<u>\$ 4,465</u>	<u>\$ 4,382</u>	<u>\$ 83</u>
REVENUES				
Budgetary basis			\$ 4,382	
(Decrease) in due from grantor			<u>(150)</u>	
Modified accrual basis			<u>\$ 4,232</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Dual Credit  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 219	\$ 186	\$ (33)
Total revenues	<u>\$ -</u>	<u>\$ 219</u>	<u>\$ 186</u>	<u>\$ (33)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 219	\$ 219	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 219</u>	<u>\$ 219</u>	<u>\$ -</u>
<b>REVENUES</b>				
Budgetary basis			\$ 186	
Increase in due from grantor			<u>33</u>	
Modified accrual basis			<u>\$ 219</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 50,000	\$ 41,550	\$ (8,450)
Total revenues	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 41,550</u>	<u>\$ (8,450)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 50,000	\$ 50,000	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
<b>REVENUES</b>				
Budgetary basis			\$ 41,550	
Increase in due from grantor			<u>8,450</u>	
Modified accrual basis			<u>\$ 50,000</u>	

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Non-Major Special Revenue Fund - Pre-K Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 42,700	\$ 42,700	\$ 27,211	\$ (15,489)
Total revenues	<u>\$ 42,700</u>	<u>\$ 42,700</u>	<u>\$ 27,211</u>	<u>\$ (15,489)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Instructional support	<u>12,700</u>	<u>12,700</u>	<u>2,903</u>	<u>9,797</u>
Total expenditures	<u>\$ 42,700</u>	<u>\$ 42,700</u>	<u>\$ 32,903</u>	<u>\$ 9,797</u>
<b>REVENUES</b>				
Budgetary basis			\$ 27,211	
Increase in due from grantor			<u>5,692</u>	
Modified accrual basis			<u>\$ 32,903</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 2,311	\$ 1,747	\$ (564)
Total revenues	<u>\$ -</u>	<u>\$ 2,311</u>	<u>\$ 1,747</u>	<u>\$ (564)</u>
EXPENDITURES				
Food services	\$ -	\$ 2,311	\$ 2,311	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 2,311</u>	<u>\$ 2,311</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 1,747	
Increase in due from grantor			<u>564</u>	
Modified accrual basis			<u>\$ 2,311</u>	

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

STATE OF NEW MEXICO  
 RESERVE INDEPENDENT SCHOOLS  
 Non-Major Special Revenue Fund - Fresh Fruits & Vegetables Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 1,398	\$ 60	\$ (1,338)
Total revenues	<u>\$ -</u>	<u>\$ 1,398</u>	<u>\$ 60</u>	<u>\$ (1,338)</u>
EXPENDITURES				
Food services	\$ -	\$ 1,398	\$ 60	\$ 1,338
Total expenditures	<u>\$ -</u>	<u>\$ 1,398</u>	<u>\$ 60</u>	<u>\$ 1,338</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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 8,700	\$ 8,700	\$ 7,309	\$ (1,391)
Total revenues	<u>\$ 8,700</u>	<u>\$ 8,700</u>	<u>\$ 7,309</u>	<u>\$ (1,391)</u>
EXPENDITURES				
Direct instruction	\$ 8,700	\$ 8,700	\$ 8,700	\$ -
Total expenditures	<u>\$ 8,700</u>	<u>\$ 8,700</u>	<u>\$ 8,700</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<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 Fund - Cafeteria  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for services	\$ 6,144	\$ 6,144	\$ 6,984	\$ 840
Federal sources	67,050	67,050	55,245	(11,805)
Earnings from investments	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Total revenues	<u>\$ 73,194</u>	<u>\$ 73,194</u>	<u>\$ 62,235</u>	<u>\$ (10,959)</u>
<b>EXPENDITURES</b>				
Food service	\$ 81,462	\$ 83,482	\$ 81,804	\$ 1,678
Total expenditures	<u>\$ 81,462</u>	<u>\$ 83,482</u>	<u>\$ 81,804</u>	<u>\$ 1,678</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 8,268</u>	<u>\$ 10,288</u>		
<b>EXPENDITURES</b>				
Budgetary basis			\$ 81,804	
Decrease in inventory			<u>367</u>	
Modified accrual basis			<u>\$ 82,171</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, 2015

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

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, 2015

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

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Earnings from investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Capital outlay	\$ 238	\$ 238	\$ 238	\$ -
Total expenditures	<u>\$ 238</u>	<u>\$ 238</u>	<u>\$ 238</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<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, 2015

Statement D-1

	<u>Operational</u>	<u>Teacherage</u>	<u>Transporation</u>	<u>Instructional Materials</u>	<u>Total</u>
<b>ASSETS</b>					
Cash on deposit	\$ 671,033	\$ 37,898	\$ 40,541	\$ 7,484	\$ 756,956
Accounts receivable, collectible	277	-	-	-	277
Total assets	<u>\$ 671,310</u>	<u>\$ 37,898</u>	<u>\$ 40,541</u>	<u>\$ 7,484</u>	<u>\$ 757,233</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Rental deposits	-	1,250	-	-	1,250
Total liabilities	-	1,250	-	-	1,250
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	36,648	40,541	7,484	84,673
Unassigned	671,310	-	-	-	671,310
Total fund balance	671,310	36,648	40,541	7,484	755,983
Total liabilities and fund balance	<u>\$ 671,310</u>	<u>\$ 37,898</u>	<u>\$ 40,541</u>	<u>\$ 7,484</u>	<u>\$ 757,233</u>

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, 2015

	Operational	Teacherage	Transportation	Instructional Materials	Total
<b>REVENUES</b>					
Property taxes	\$ 20,608	\$ -	\$ -	\$ -	\$ 20,608
Charges for services	409	16,253	-	-	16,662
Local sources	106,294	-	-	-	106,294
State sources	2,491,710	-	216,504	9,079	2,717,293
Federal sources	485,591	-	-	-	485,591
Earnings from investments	221	26	-	-	247
<b>Total revenues</b>	<u>3,104,833</u>	<u>16,279</u>	<u>216,504</u>	<u>9,079</u>	<u>3,246,695</u>
<b>EXPENDITURES</b>					
Direct instruction	1,341,311	-	-	4,561	1,345,872
Instructional support	1,082,818	7,959	178,452	-	1,269,229
Food service	39,270	-	-	-	39,270
Capital outlay	90,904	24,781	17,225	-	132,910
<b>Total expenditures</b>	<u>2,554,303</u>	<u>32,740</u>	<u>195,677</u>	<u>4,561</u>	<u>2,787,281</u>
<b>Net change in fund balance</b>	550,530	(16,461)	20,827	4,518	559,414
<b>Fund balance at beginning of year</b>	<u>120,780</u>	<u>53,109</u>	<u>19,714</u>	<u>2,966</u>	<u>196,569</u>
<b>Fund balance at end of year</b>	<u>\$ 671,310</u>	<u>\$ 36,648</u>	<u>\$ 40,541</u>	<u>\$ 7,484</u>	<u>\$ 755,983</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 20,571	\$ 20,571	\$ 20,790	\$ 219
Charges for services	-	-	409	409
Local sources	-	89,019	106,294	17,275
State sources	2,437,000	2,492,088	2,491,710	(378)
Federal sources	-	22,197	485,591	463,394
Earnings from investments	300	300	221	(79)
<b>Total revenues</b>	<b><u>\$ 2,457,871</u></b>	<b><u>\$ 2,624,175</u></b>	<b><u>\$ 3,105,015</u></b>	<b><u>\$ 480,840</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 1,407,072	\$ 1,373,316	\$ 1,341,311	\$ 32,005
Instructional support	1,081,684	1,239,295	1,082,818	156,477
Food services	33,980	40,980	39,270	1,710
Capital outlay	-	90,904	90,904	-
<b>Total expenditures</b>	<b><u>\$ 2,522,736</u></b>	<b><u>\$ 2,744,495</u></b>	<b><u>\$ 2,554,303</u></b>	<b><u>\$ 190,192</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 64,865</u></b>	<b><u>\$ 120,320</u></b>		
<b>REVENUES</b>				
Budgetary basis			\$ 3,105,015	
(Decrease) in receivables			(182)	
Modified accrual basis			<b><u>\$ 3,104,833</u></b>	

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	10,600	10,600	16,253	5,653
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	-	-	26	26
<b>Total revenues</b>	<b><u>\$ 10,600</u></b>	<b><u>\$ 10,600</u></b>	<b><u>\$ 16,279</u></b>	<b><u>\$ 5,679</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	21,250	21,250	7,959	13,291
Food services	-	-	-	-
Capital outlay	<u>45,310</u>	<u>45,310</u>	<u>24,781</u>	<u>20,529</u>
<b>Total expenditures</b>	<b><u>\$ 66,560</u></b>	<b><u>\$ 66,560</u></b>	<b><u>\$ 32,740</u></b>	<b><u>\$ 33,820</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 55,960</u></b>	<b><u>\$ 55,960</u></b>		

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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	196,051	216,504	216,504	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 196,051</u>	<u>\$ 216,504</u>	<u>\$ 216,504</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	196,051	226,361	195,677	30,684
Food service	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 196,051</u>	<u>\$ 226,361</u>	<u>\$ 195,677</u>	<u>\$ 30,684</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ -</u>	<u>\$ 9,857</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, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	7,325	8,751	9,079	328
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>\$ 7,325</u>	<u>\$ 8,751</u>	<u>\$ 9,079</u>	<u>\$ 328</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 7,325	\$ 11,716	\$ 4,561	\$ 7,155
Instructional support	-	-	-	-
Food services	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>\$ 7,325</u>	<u>\$ 11,716</u>	<u>\$ 4,561</u>	<u>\$ 7,155</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ -</u>	<u>\$ 2,965</u>		

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Schedule of Proportionate Share of the Net Pension Liability  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

	<u>2014</u>
Reserve Independent School District's proportion of net pension liability (asset)	0.05242%
Reserve Independent School District's proportionate share of the net pension liability (asset)	\$ 2,990,937
Reserve Independent School District's covered-employee payroll	\$ 1,444,863
Reserve Independent School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207%
Plan fiduciary net position as a percentate of the total pension liability	66.54%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Reserve Independent School District will present information for those years for which information is available.

See Independent Auditor's Report  
See notes to required supplementary information

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Schedule of Contributions  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

	2015
Contractually required contributions	\$ 216,363
Contributions in relation to the contractually required Contribution	216,363
Contribution deficiency (excess)	\$ -
Reserve Independent School District's covered-employee payroll	\$ 1,556,566
Contribution as a percentage of covered-employee payroll	13.90%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Reserve Independent School District will present information for those years for which information is available.

See Independent Auditor's Report  
See notes to required supplementary information

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Notes to Required Supplementary Information  
Year Ended June 30, 2015

*Changes in benefit terms.*

The COLA and retirement eligibility benefit changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure Pension Plan - Educational Retirement Board, General Information on the Pension Plan.

*Changes of assumptions.*

Per the ERB FY14 annual audit Management Discussion and Analysis, ERB conducts an actuarial experience study every two years. The actuarial experience study, presented to the Board of Trustees on April 26, 2013, compiled data for the six year period ending June 30, 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
  - a. Lower wage inflation from 4.75% to 4.25%
  - b. Lower payroll growth from 3.75% to 3.5%
  - c. Minor changes to demographic assumptions
  - d. Population growth per year from 0.75% to 0.50%
2. Assumptions that were not changed:
  - a. Investment return will remain at 7.75%
  - b. Inflation will remain at 3.00%

See also the Actuarial Assumptions subsection of the financial statement note disclosure Pension Plan - Educational Retirement Board, General Information on the Pension Plan

**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, 2015

Schedule III

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Cafeteria</u>	<u>Athletics</u>
Cash balance, June 30, 2014	\$ 120,321	\$ 54,359	\$ 19,714	\$ 2,966	\$ 13,350	\$ 1,740
Cash Receipts, 2014-2015	3,105,015	16,279	216,504	9,079	75,177	8,689
Cash Disbursements, 2014-2015	<u>(2,554,303)</u>	<u>(32,740)</u>	<u>(195,677)</u>	<u>(4,561)</u>	<u>(78,239)</u>	<u>(10,437)</u>
Cash balance, June 30, 2015	<u>\$ 671,033</u>	<u>\$ 37,898</u>	<u>\$ 40,541</u>	<u>\$ 7,484</u>	<u>\$ 10,280</u>	<u>\$ -</u>

	<u>Local/ State</u>	<u>Federal Projects</u>	<u>Bond Building</u>	<u>Capital Improvement SB-9</u>	<u>Public Schools Capital Outlay</u>	<u>Agency</u>
Cash balance, June 30, 2014	\$ (4,000)	\$ (109,618)	\$ 2,337,214	\$ 62,571	\$ 238	\$ 43,760
Cash Receipts, 2014-2015	72,754	218,338	1,613	85,135	-	52,817
Cash Disbursements, 2014-2015	<u>(87,493)</u>	<u>(226,267)</u>	<u>(333,785)</u>	<u>(6,417)</u>	<u>(238)</u>	<u>(56,282)</u>
Cash balance, June 30, 2015	<u>\$ (18,739)</u>	<u>\$ (117,547)</u>	<u>\$ 2,005,042</u>	<u>\$ 141,289</u>	<u>\$ -</u>	<u>\$ 40,295</u>

	<u>Debt Service</u>
Cash balance, June 30, 2014	\$ -
Cash Receipts, 2014-2015	211,606
Cash Disbursements, 2014-2015	<u>(39,421)</u>
Cash balance, June 30, 2015	<u>\$ 172,185</u>



Revised Independent School District  
 SCHEDULE OF VENDOR INFORMATION  
 (For Purchases Exceeding \$60,000 excluding GWT)  
 For the Year Ended June 30, 2015

Prepared by (Agency Staff Name): Odellia Delgado

Title: Business Manager

Date: November 4, 2015

<u>RFEB/RFEI</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Name and Physical Address of All Respondents</u>	<u>In-State/Out-of-State Vendor</u>	<u>Veteran's Preference N/A for Federal Funds</u>	<u>Scope of Work</u>
N/A	Service	CREC	\$ 70,000	\$ 66,531	CREC 5323 Menaul Blvd NE Albuquerque, NM 87110  Williams Design Group, 1014 S Main Suite A Las Cruces, NM 88005  Steve Newby Architects 1042 S Main Street Las Cruces, NM 88005  WCA Architects 1306 Rio Grande Blvd NW Albuquerque, NM 87104  Mahiman Studio Architecture 206 Broadway Blvd SE Albuquerque, NM 87116  EAF Architects One Park Square 6501 Americas Exwy NE Suite 300 Albuquerque, NM 87110  The Hartman & Majewski Design Group 120 Vassar Dr SE Ste 100 Albuquerque, NM 87106  ASA Architects PO Box 146 Las Cruces, NM 88011  Greer Stafford/SJCF Architecture, Inc. 1717 Louisiana Blvd NE Suite 205 Albuquerque, NM 87110	In-State	N	Speech/Language Pathologist
N/A	Service	Greer Stafford/SJCF Architecture, Inc.	\$ 8,588,000	\$ 8,588,000	Albuquerque, NM 87110	In-State	N	Architectural Services
N/A	Purchase	CES	\$ 108,129	\$ 108,129	CES PO Box 92221 Albuquerque, NM 87119	In-State	N	2 Chevy Suburbans, 1 Chevy Sonic

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

<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	\$ 4,232
Passed through State of NM			
Department of Education:			
Impact Aid Title I (Chapter 1) Basic	84.010	24.101	136,358
IDBA-B Entitlement	84.027	24.106	52,947
IDBA-B Preschool	84.027	24.109	6,402
Improving Teacher Quality	84.367	24.154	17,509
NMAutism Project	84.027	24.108	<u>8,819</u>
Sub-total			<u>222,035</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
National School Lunch Program	10.555	21.000	33,665
School Breakfast Program	10.553	21.000	19,218
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	5,490
Passed through State of NM			
Department of Finance and Administration:			
*Forest Reserve	10.665	N/A	<u>495,591</u>
Sub-total			<u>543,964</u>
Total Expenditures of Federal Awards			<u>\$ 770,231</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

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

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller  
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 and PL 94-142 Entitlement Funds of the Reserve Independent Schools, as of and for the year ended June 30, 2015 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 and Debt Service Funds and all non-major funds, presented as supplemental information, and have issued our report thereon dated November 4, 2015.

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 instances of non-compliance or other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs and the Status of Findings and Responses as Contract Addendums Missing (2015-001), U.S.D.A. Student Nutrition Requests for Reimbursement not Complete (2015-002), Daily Attendance Information Used for U.S.D.A. Reimbursements not Correct (2015-003) and Funds with Deficit Fund Balances (2015-004).

#### 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.

*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. Tim Keller  
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, 2015. 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, 2015.

#### **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 "S. J. ...", is located below the main text.

Albuquerque, New Mexico  
November 4, 2015

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Part 1 - Summary of Auditor Results

1. Type of Report - Unmodified
2. Significant Deficiency - NONE
3. Non-Compliance - NONE
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unmodified
6. A-133 Audit Findings - NONE
7. Major Programs - Forest Reserve CFDA #10.665
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. Reserve Independent Schools did qualify as a low-risk auditee

Part 2 - Findings

Contract Addendums Missing (2015-001), U.S.D.A Student Nutrition Requests for Reimbursement Not Complete (2015-002), Daily Attendance Information used for U.S.D.A Reimbursements not Correct (2015-003) and Funds with Deficit Fund Balances (2015-004).

Part 3 - Questioned Costs

NONE



## **STATUS OF FINDINGS AND RESPONSES**

### **Prior Year Audit Findings:**

1. Budget Overruns (2014-001) - Resolved.

### **Current Year Audit Findings:**

1. Contract Addendums Missing (2015-001)
2. U.S.D.A Student Nutrition Requests for Reimbursement Not Complete (2015-002)
3. Daily Attendance Information used for U.S.D.A Reimbursements not correct (2015-003)
4. Funds with Deficit Fund Balances (2015-004)

Financial Statement Finding

Contract Addendums Missing - Other Matter  
(2015-001)

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

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

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

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

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

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

RESPONSE The Superintendent will ensure that appropriate contracts are prepared and kept on file to show salary payments made in excess of an employee's regular contract (by the end of this fiscal year).

Financial Statement Finding

USDA Student Nutrition Requests for Reimbursement  
Not Complete - Other Matter  
(2015-002)

CONDITION	The reimbursement request form for April, 2015 submitted to the USDA did not include all the information. This caused the school district to receive only \$2,208 of which they should have received \$5,335.
CRITERIA	Reimbursement requests should be filled out with all necessary information and reviewed before submission to the New Mexico Department of Education.
CAUSE	Management did not have an employee responsible for reviewing these requests for completeness before submission to the New Mexico Department of Education.
EFFECT	The School District did not receive \$3,128 in revenue resources it was entitled to.
RECOMMENDATION	Management should ensure that an employee is designated with the responsibility of reviewing these reimbursement requests before they are submitted.
RESPONSE	The Superintendent will review each USDA Student Nutrition Reimbursement Request and certify its accuracy throughout the fiscal year.

Financial Statement Finding

Daily Attendance Information Used  
for USDA Reimbursements Incorrect - Other Matter  
(2015-003)

CONDITION	The attendance records used to prepare USDA reimbursement requests shows on average of 51 children lower than the previous year. However, enrollment records show a decrease of only 13 children.
CRITERIA	Underlying support records used to prepare reimbursement requests need to be complete and accurate so reimbursement requests are correct.
CAUSE	It is unclear at this time as to why this difference occurred.
EFFECT	The School District received \$9,833 less than the previous year in Lunch and Breakfast reimbursement from the USDA.
RECOMMENDATION	Management should ensure that an employee is designated with the responsibility of reviewing these reimbursement requests before they are submitted.
RESPONSE	The Superintendent will review each USDA Student Nutrition Reimbursement Request and certify its accuracy throughout the fiscal year.

Financial Statement Finding

Funds with Deficit Fund Balances - Other Matter  
(2015-004)

CONDITION	The Cafeteria and Athletic funds ended with a negative fund balance at the end of the year. Cafeteria by \$9,281 and Athletics by \$1,341.
CRITERIA	All funds administered by the School District need to be monitored to ensure a deficit fund balance is not created.
CAUSE	The funds did not receive enough in revenues to cover all of the expenses for the year.
EFFECT	The Operational Fund will now have to absorb these deficits which are not budgeted for in the 2016 fiscal year.
RECOMMENDATION	Management should review these funds to ensure deficits are not created. If these funds cannot provide enough resources to cover the expenses then they need to be expended from the Operational Fund. Also, budget adjustments need to be approved so the expenditures can be spent from the Operational Fund.
RESPONSE	The Superintendent will ensure these two funds will not be in a deficit at the end of the fiscal year.

### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2015 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 November 4, 2015, to discuss the current audit report. In attendance were Mr. Bill Green, Superintendent, Ms. Odelia Delgado, Business Manager, Mr. Antonio Lucero, Contract Auditor and Ms. Pamela A. Rice, CPA, Contract Auditor.