

*STATE OF NEW MEXICO*  
*CLAYTON MUNICIPAL SCHOOLS*  
*AUDIT REPORT*  
*FOR THE YEAR ENDED JUNE 30, 2011*  
*(WITH AUDITOR'S REPORT THEREON)*

*RICE & ASSOCIATES*  
*CERTIFIED PUBLIC ACCOUNTANTS*

STATE OF NEW MEXICO

CLAYTON MUNICIPAL SCHOOLS

AUDIT REPORT

For The Year Ended June 30, 2011

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 TABLE OF CONTENTS  
 Year Ended June 30, 2011

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

Table of Contents (continued)

	<u>Page</u>
11 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Education Job Fund	13
12 Statement of Fiduciary Assets and Liabilities - Agency Funds	14
Notes to Financial Statements	15
Other Major Fund Budgets:	
13 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) House Bill 33	40
14 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Capital Improvements SB-9	41
15 Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis) Debt Service	42
Non-Major Special Revenue Funds:	
A-1 Combining Balance Sheet	43
A-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47
A-3 SEG Stimulus: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	51
A-4 21 <sup>st</sup> Century: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	52
A-5 Improving Teacher Quality: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	53
A-6 PL 94-142 Preschool: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	54
A-7 94-142 Preschool Stimulus: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	55

Table of Contents (continued)

	<u>Page</u>
A-8 PL 94-142 Reallocation: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	56
A-9 Safe & Drugg Free: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	57
A-10 Title I Stimulus: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	58
A-11 Medicaid: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	59
A-12 Summer Food Program: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	60
A-13 Distance Learning: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	61
A-14 REAP: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	62
A-15 Gates Foundation: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	63
A-16 Safety in Schools: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	64
A-17 Technology for Education: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	65
A-18 Incentives for School Improvements: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	66
A-19 Tutoring Program: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	67
A-20 Beginning Teacher Mentoring: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	68

Table of Contents (continued)

	<u>Page</u>
A-21 Dual Credit: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	69
A-22 AOL Foundation: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	70
A-23 GO Bond Student Library: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	71
A-24 School Health: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	72
A-25 After School Enrichment Program: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	73
A-26 Saturday School: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	74
A-27 Athletics: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	75
A-28 Cafeteria: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	76
General Fund:	
B-1 Combining Balance Sheet	77
B-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances	78
B-3 Operational Fund: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	79
B-4 Transportation Fund: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	80
B-5 Instructional Materials Fund: Statement of Revenues and Expenditures - Budget and Actual(Non-GAAP Budgetary Basis)	81

Table of Contents (continued)

	<u>Page</u>
Supplementary Information:	
Schedule of Cash Receipts and Disbursements - All Funds by School District Classification	82
Schedule of Budgetary Basis to GAAP Basis Reconciliations	83
Schedule of Expenditures of Federal Awards	87
Schedule of Findings and Questioned Costs	88
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	89
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over compliance in Accordance With OMB Circular A-133	91
Status of Comments	93
Exit Conference	94

STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
Official Roster  
Year Ended June 30, 2011

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Bill Birdwell	President
Ms. Andrea Naranjo	Vice President
Ms. Lynette Keeth	Secretary
Mr. Chad Deason	Member
Mr. Lorenzo Montoya	Member

School Officials

Mr. Jack Wiley	Superintendent
Mrs. Terri Trujillo	Business Manager



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

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

## INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Clayton Municipal Schools  
Clayton, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the General, Title I, PL 94-142 Entitlement, PL 94-142 Entitlement - Stimulus and Education Jobs Funds of Clayton Municipal Schools, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and the budgetary comparisons for the major capital project funds and debt service fund and all non-major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of Clayton Municipal Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Clayton Municipal Schools internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton Municipal Schools, as of June 30, 2011, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General,

Title I, PL 94-142 Entitlement, PL 94-142 Entitlement - Stimulus and Education Jobs Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of Clayton Municipal Schools, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparisons for the House Bill 33, Capital Improvements SB-9 and Debt Service Funds and the non-major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2011 on our consideration of Clayton Municipal Schools internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of Clayton Municipal Schools. The accompanying financial information listed as Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Schedule of Budgetary Basis to GAAP Basis Reconciliation and the Schedule of Cash Receipts and Disbursements are also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.



October 28, 2011

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Net Assets  
 June 30, 2011

Statement 1

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 2,708,815
Taxes receivable	55,992
Due from grantor	195,739
Inventory	<u>8,939</u>
Total current assets	<u>2,969,485</u>
Non-current assets	
Land (non-depreciable)	467,890
Capital assets (depreciable)	9,793,773
Less accumulated depreciation	<u>(4,602,146)</u>
Total non-current assets	<u>5,659,517</u>
<b>Total assets</b>	<u><u>8,629,002</u></u>
<b>LIABILITIES</b>	
Current liabilities	
Cash overdraft	32,635
Deferred revenue	<u>68,394</u>
Total current liabilities	<u>101,029</u>
Long-term obligations	
Compensated absences payable	<u>51,182</u>
Total long-term obligations	<u>51,182</u>
<b>Total liabilities</b>	<u>152,211</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	5,659,517
Restricted for	
Special revenue inventory	8,939
Capital projects	1,733,749
Unrestricted	<u>1,074,586</u>
<b>Total net assets</b>	<u><u>\$ 8,476,791</u></u>

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

STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
Statement of Activities  
Year Ended June 30, 2011

Statement 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>EXPENSES:</b>					
Governmental activities:					
Direct instruction	\$ 3,818,281	\$ 68,634	\$ 593,281	\$ 34,333	\$ (3,122,033)
Instructional support	2,997,622	-	922,295	-	(2,075,327)
Food services	244,108	53,311	202,261	-	11,464
Depreciation - unallocated	202,467	-	-	-	(202,467)
<b>Total</b>	<b>\$ 7,262,478</b>	<b>\$ 121,945</b>	<b>\$ 1,717,837</b>	<b>\$ 34,333</b>	<b>(5,388,363)</b>
General revenues:					
Taxes					
Property taxes, levied for general purposes					51,444
Property taxes, levied for capital projects					215,001
Property taxes, levied for HB-33					1,303
Oil and gas taxes, general purpose					15,975
Oil and gas taxes, capital projects					63,599
Oil and gas taxes, HB-33					24,908
Federal, State and Local aid not restricted to specific purpose					
General-SEG					5,007,232
Federal-SEG					69,447
Interest and investment earnings					23,504
Miscellaneous (Indirect Costs)					11,800
Sub-total, general revenues					5,484,213
Change in net assets					95,850
Net assets - beginning of year					8,380,941
<b>Net assets - end of year</b>					<b>\$ 8,476,791</b>

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

STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
Balance Sheet - All Governmental Funds  
June 30, 2011

Statement 3

	General	Title I	PL94-142 Entitlement	PL94-142 Entitlement - Stimulus	Education Jobs Fund	House Bill 33	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>ASSETS</b>										
Cash on deposit	\$ 808,573	\$ -	\$ 48,181	\$ -	\$ -	\$ 966,247	\$ 717,846	\$ 98,394	\$ 69,574	\$ 2,708,815
Accounts receivable	6,336	-	-	-	-	23,968	25,688	-	-	55,992
Inventory, at cost	-	-	-	-	-	-	-	-	8,939	8,939
Due from grantor	-	39,388	-	74,190	49,526	-	-	-	32,635	195,739
Due from other funds	163,104	-	-	-	-	-	-	-	-	163,104
<b>Total assets</b>	<b>\$ 978,013</b>	<b>\$ 39,388</b>	<b>\$ 48,181</b>	<b>\$ 74,190</b>	<b>\$ 49,526</b>	<b>\$ 990,215</b>	<b>\$ 743,534</b>	<b>\$ 98,394</b>	<b>\$ 111,148</b>	<b>\$ 3,132,589</b>
<b>LIABILITIES</b>										
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,635	\$ 32,635
Deferred revenues	-	-	48,181	-	-	-	-	-	20,213	68,394
Accounts payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	39,388	-	74,190	49,526	-	-	-	-	163,104
<b>Total liabilities</b>	<b>-</b>	<b>39,388</b>	<b>48,181</b>	<b>74,190</b>	<b>49,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,848</b>	<b>264,133</b>
<b>FUND BALANCE</b>										
Nonspendable	-	-	-	-	-	-	-	-	8,939	8,939
Restricted	14,238	-	-	-	-	990,215	743,534	98,394	49,361	1,895,742
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	963,775	-	-	-	-	-	-	-	-	963,775
<b>Total fund balance</b>	<b>978,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>990,215</b>	<b>743,534</b>	<b>98,394</b>	<b>58,300</b>	<b>2,868,456</b>
<b>Total liabilities and fund balance</b>	<b>\$ 978,013</b>	<b>\$ 39,388</b>	<b>\$ 48,181</b>	<b>\$ 74,190</b>	<b>\$ 49,526</b>	<b>\$ 990,215</b>	<b>\$ 743,534</b>	<b>\$ 98,394</b>	<b>\$ 111,148</b>	<b>\$ 3,132,589</b>

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

STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
Reconciliation of the Balance Sheet - Government Funds  
to the Statement of Net Assets  
June 30, 2011

Statement 4

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

Total fund balances - governmental funds	\$ 2,868,456
--	--------------

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	10,261,663	
Accumulated depreciation	<u>(4,602,146)</u>	
Net capital assets		5,659,517

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

Compensated absences	<u>(51,182)</u>
----------------------	-----------------

Total net assets - governmental funds	<u>\$ 8,476,791</u>
---------------------------------------	---------------------

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balances - All Governmental Funds  
 Year Ended June 30, 2011

Statement 5

	General	Title I	PL 94-142 Entitlement	PL 94-142 Entitlement - Stimulus	Education Jobs Fund	House Bill 33	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>REVENUES</b>										
Taxes	\$ 67,419	\$ -	\$ -	\$ -	\$ -	\$ 26,211	\$ 278,600	\$ -	\$ -	\$ 372,230
Charges for services	34,396	-	-	-	-	-	-	-	87,549	121,945
Local sources	5,926	-	-	-	-	-	-	-	40,775	46,701
State sources	5,708,281	-	-	-	-	-	-	-	10,677	5,718,958
Federal sources	11,800	175,393	77,784	74,190	144,269	-	-	-	557,221	1,040,657
Earnings from investments	11,748	-	-	-	-	6,699	4,192	679	186	23,504
<b>Total revenues</b>	<b>5,839,570</b>	<b>175,393</b>	<b>77,784</b>	<b>74,190</b>	<b>144,269</b>	<b>32,910</b>	<b>282,792</b>	<b>679</b>	<b>696,408</b>	<b>7,323,995</b>
<b>EXPENDITURES</b>										
Current:										
Direct instruction	3,158,279	163,982	50,665	43,229	144,269	-	-	-	258,684	3,819,108
Instructional support	2,636,419	11,411	27,119	30,961	-	9,117	108,699	-	173,896	2,997,622
Food services	-	-	-	-	-	-	-	-	244,108	244,108
Capital outlay	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,794,698</b>	<b>175,393</b>	<b>77,784</b>	<b>74,190</b>	<b>144,269</b>	<b>9,117</b>	<b>108,699</b>	<b>-</b>	<b>676,688</b>	<b>7,060,838</b>
Excess (deficiency) revenue over expenditures	44,872	-	-	-	-	23,793	174,093	679	19,720	263,157
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer in	2,115	-	-	-	-	-	-	-	-	2,115
Transfer out	-	-	-	-	-	-	-	-	(2,115)	(2,115)
<b>Total other financing sources (uses)</b>	<b>2,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,115)</b>	<b>-</b>
Net change in fund balances	46,987	-	-	-	-	23,793	174,093	679	17,605	263,157
Fund balance beginning of year	931,026	-	-	-	-	966,422	569,441	97,715	40,695	2,605,299
<b>Fund balance end of year</b>	<b>\$ 978,013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 990,215</b>	<b>\$ 743,534</b>	<b>\$ 98,394</b>	<b>\$ 58,300</b>	<b>\$ 2,868,456</b>

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



STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL 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, 2011

Statement 6

Total net change in fund balances - governmental funds \$ 263,157

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

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

Depreciation expense	(202,467)	
Capital outlays	<u>34,333</u>	

Excess of depreciaton expense over capital outlays (168,134)

In the Statement of Activities, certain operating  
 expenses - compensated absences are  
 measured by the amount 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	<u>827</u>
----------------------	------------

Change in net assets of governmental activities	<u><u>\$ 95,850</u></u>
---	-------------------------

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 General Fund  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 63,663	\$ 63,663	\$ 62,878	\$ (785)
Charges for services	18,000	18,000	34,396	16,396
Local sources	-	-	5,926	5,926
State sources	5,884,949	5,706,948	5,708,281	1,333
Federal sources	2,500	2,500	11,800	9,300
Earnings from investments	10,300	10,300	11,748	1,448
<b>Total revenues</b>	<b><u>\$ 5,979,412</u></b>	<b><u>\$ 5,801,411</u></b>	<b><u>\$ 5,835,029</u></b>	<b><u>\$ 33,618</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 3,436,517	\$ 3,435,780	\$ 3,158,279	\$ 277,501
Instructional support	3,186,843	3,007,527	2,636,419	371,108
Food services	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 6,623,360</u></b>	<b><u>\$ 6,443,307</u></b>	<b><u>\$ 5,794,698</u></b>	<b><u>\$ 648,609</u></b>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	\$ -	\$ 2,115	\$ 2,115	\$ -
<b>Total other financing sources</b>	<b><u>\$ -</u></b>	<b><u>\$ 2,115</u></b>	<b><u>\$ 2,115</u></b>	<b><u>\$ -</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 643,948</u></b>	<b><u>\$ 641,896</u></b>		

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Title I  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 166,187	\$ 203,868	\$ 173,221	\$ (30,647)
Total revenues	<u>\$ 166,187</u>	<u>\$ 203,868</u>	<u>\$ 173,221</u>	<u>\$ (30,647)</u>
EXPENDITURES				
Direct instruction	\$ 153,464	\$ 191,102	\$ 163,982	\$ 27,120
Instructional support	<u>12,723</u>	<u>12,766</u>	<u>11,411</u>	<u>1,355</u>
Total expenditures	<u>\$ 166,187</u>	<u>\$ 203,868</u>	<u>\$ 175,393</u>	<u>\$ 28,475</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 PL 94-142 Entitlement  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 156,655	\$ 169,672	\$ 192,430	\$ 22,758
Total revenues	<u>\$ 156,655</u>	<u>\$ 169,672</u>	<u>\$ 192,430</u>	<u>\$ 22,758</u>
EXPENDITURES				
Direct instruction	\$ 96,106	\$ 109,026	\$ 50,665	\$ 58,361
Instructional support	60,549	60,646	27,119	33,527
Total expenditures	<u>\$ 156,655</u>	<u>\$ 169,672</u>	<u>\$ 77,784</u>	<u>\$ 91,888</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 PL 94-142 Entitlement - Stimulus  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 74,190	\$ 33,000	\$ (41,190)
Total revenues	<u>\$ -</u>	<u>\$ 74,190</u>	<u>\$ 33,000</u>	<u>\$ (41,190)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 43,229	\$ 43,229	\$ -
Instructional support	-	30,961	30,961	-
Total expenditures	<u>\$ -</u>	<u>\$ 74,190</u>	<u>\$ 74,190</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Education Job Fund  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 144,269	\$ 94,743	\$ (49,526)
Total revenues	<u>\$ -</u>	<u>\$ 144,269</u>	<u>\$ 94,743</u>	<u>\$ (49,526)</u>
EXPENDITURES				
Instructional support	\$ -	\$ 144,269	\$ 144,269	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 144,269</u>	<u>\$ 144,269</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	<u>\$ 120,588</u>
Total assets	<u><u>\$ 120,588</u></u>
LIABILITIES	
Deposits held for others	<u>\$ 120,588</u>
Total liabilities	<u><u>\$ 120,588</u></u>

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

STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
Notes to Financial Statements  
Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clayton Municipal 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 Clayton Municipal Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.



## Notes to Financial Statements (continued)

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

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

### B. Basis of Presentation

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

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

#### Governmental Funds

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

Notes to Financial Statements (continued)

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

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

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

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

Special Revenue Fund - PL 94-142 Entitlement - Stimulus - To account for resources received for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority for this program are the American Recovery and Reinvestment Act.

Special Revenue Fund - Education Jobs Fund - To account for resources received to assist local educational agencies in saving or creating education jobs during the 2010-2011 school year. Financing and authority for this program are the American Recovery and Reinvestment Act of 2009, Public Law 111-5 and 111-226.

Capital Projects Fund - House Bill 33 - this fund is used to account for funds received from a 2 mill levy, restricted for erecting, remodeling, making additions to, providing equipment for, and furnishing school buildings, improving school grounds and maintenance of school buildings and grounds, exclusive of salary expenses. Authority for this fund is Section 22-26-1, NMSA 1978.

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.

## Notes to Financial Statements (continued)

### 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.

### C. Measurement Focus and Basis of Accounting

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

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

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

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

#### **Program Revenues**

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

### **Allocation of Indirect Expenses**

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

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

#### **Governmental Funds**

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

Notes to Financial Statements (continued)

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, Debt Service 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, Debts Service Fund 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.

Notes to Financial Statements (continued)

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

E. Encumbrances

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

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. **Accounts Receivable**

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

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	<u>\$ 6,336</u>	<u>\$ 49,656</u>	<u>\$ -</u>	<u>\$ 55,992</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	50 years
Buildings & building improvements	50 years
Furniture & equipment	10 years
Vehicles	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.

## Notes to Financial Statements (continued)

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

### 5. **Deferred Revenues**

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

### 6. **Compensated Absences**

During the June 30, 2006 fiscal year, the District's board elected to change the District's policy on compensated absences. In the past, District employees were not paid for unused sick leave upon their retirement. Beginning July 1, 2006 employees are eligible to receive payment upon their retirement of a portion of their unused sick leave. Employees with 1 to 10 years of employment can accumulate up to 45 days of sick leave. Employees with 11 to 20 years employment can accumulate up to 55 days and employees with 21 years or more of employment can accumulate up to 65 days of sick leave. Upon retirement an employee can collect \$50 per day for one half of their unused sick leave.

### 7. **Long-Term Liabilities**

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

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

### 8. **Fund Balance**

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



Notes to Financial Statements (continued)

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

## Notes to Financial Statements (continued)

the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board or a School District official delegated that authority by the School District Board or ordinance.

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

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

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

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

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

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

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

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

## G. REVENUES

### 1. Property Tax Levies

Clayton Municipal Schools receives property taxes from the Union 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

Notes to Financial Statements (continued)

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.

## Notes to Financial Statements (continued)

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

### 2. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi-cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$5,007,232 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.

Notes to Financial Statements (continued)

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 \$678,908 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.

Notes to Financial Statements (continued)

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

Notes to Financial Statements (continued)

fiscal year, instead of being reimbursed for purchases as was done in prior years. During the year ended June 30, the District received \$22,141 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.

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

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

First National Bank	Savings	Investment	\$ 137,328
Farmers & Stockmens Bank	Checking	Operational	2,324,275
First National Bank	Checking	Activity	38,860
First National Bank	Certificate of Deposit		740,000
Farmers & Stockmens Bank	Certificate of Deposit	Activity	6,000
Farmers & Stockmens Bank	Checking	Junior High	<u>58,189</u>
			<b><u>\$3,304,652</u></b>
Total amount on deposit			\$3,304,652
Outstanding checks			(507,884)
Deposits in transit			<u>-</u>
Total per financial statements			<b><u>\$2,796,768</u></b>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$2,622,464 of the School's bank balance of \$3,304,652 was exposed to custodial credit risk as follows:

A.	Uninsured and uncollateralized	\$ 989,874
B.	Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name	<u>1,632,590</u>
	Total	<b><u>\$2,622,464</u></b>

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



Notes to Financial Statements (continued)

<u>Federal Home Loan Bank of Dallas, TX</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FFCB CUSIP #3133IJ3F8	12/08/14	\$ 1,195,315
FHLMC CUSIP #3133F4WR8	7/15/17	<u>100,081</u>
		<b><u>\$ 1,295,396</u></b>
<u>Vining Sparks Bank of Dallas, TX</u>	<u>Maturity Date</u>	<u>Value</u>
FHLB Cusip #850395CJ1	6/15/16	\$ 134,544
FHLB Cusip #953769JE7	10/01/14	111,466
FHLB Cusip #418839CH7	9/17/10	<u>91,184</u>
		<b><u>\$ 337,194</u></b>

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

	<u>Farmers &amp; Stockmens Bank</u>	<u>First National Bank</u>
Cash on deposit at June 30	\$ 2,388,464	\$ 916,188
Less F.D.I.C.	<u>(256,000)</u>	<u>(426,188)</u>
Uninsured funds	2,132,464	490,000
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	1,066,232	245,000
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>1,295,396</u>	<u>337,194</u>
Excess of pledged collateral	<b><u>\$ 229,164</u></b>	<b><u>\$ 92,194</u></b>

3. 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.

4. CASH OVERDRAFTS

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

Notes to Financial Statements (continued)

5. DEFERRED REVENUE

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

6. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
Compensated Absences	<u>\$ 52,009</u>	<u>\$ 16,533</u>	<u>\$ (17,360)</u>	<u>\$ 51,182</u>

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

B. Operating Lease

Clayton Municipal Schools leases copiers on a monthly long-term contract. The lease provides for monthly lease payments until March 31, 2012. The property may be purchased at the fair market value upon expiration of the lease. The following yearly payments will be due:

Fiscal year 2010	\$ 26,073
Fiscal year 2011	26,073
Fiscal year 2012	<u>19,554</u>
	<u>\$ 71,700</u>

C. Short-Term Liabilities

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

Notes to Financial Statements (continued)

7. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2011 are as follows:

	Balance July 1, 2010	Additions	Adjustments	Deletions	Balance June 30, 2011
Governmental activities:					
Land	\$ 470,380	\$ -	\$ (2,490)	\$ -	\$ 467,890
Total capital assets not being depreciated	470,380	-	(2,490)	-	467,890
Buildings	7,523,174	34,333	(231,307)	-	7,326,200
Vehicles	-	-	993,123	(58,100)	935,023
Equipment	2,293,383	-	(1,096,594)	-	1,196,789
Land improvements	-	-	335,761	-	335,761
Total	9,816,557	34,333	983	(58,100)	9,793,773
Less Accumulated Depreciation					
Buildings	(2,751,483)	(138,042)	97,234	-	(2,792,291)
Vehicles	-	(55,349)	(578,433)	58,100	(575,682)
Equipment	(1,707,803)	(3,103)	579,002	-	(1,131,904)
Land improvements	-	(5,973)	(96,296)	-	(102,269)
Total	(4,459,286)	(202,467)	1,507	58,100	(4,602,146)
Governmental activities capital assets, net	<u>\$ 5,827,651</u>	<u>\$ (168,134)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,659,517</u>

The District has no infrastructure as of June 30, 2011.

The School District received \$34,333 in Capital Asset Improvements from an E-Rate allocation.

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 202,467</u>
Total depreciation expense	<u>\$ 202,467</u>

8. HIGH PLAINS REGIONAL EDUCATIONAL COOPERATIVE

The School District is a member of the High Plains Regional Educational Cooperative. The High Plains Regional Educational Cooperative 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 the High Plains Regional Educational Cooperative, 101 North 2<sup>nd</sup> Street, Raton, New Mexico 87740.

Notes to Financial Statements (continued)

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>	<u>PL 94-142 Entitlement</u>	<u>PL 94-142 Entitlement Stimulus</u>
Revenues per modified accrual basis	\$ 5,839,570	\$ 175,393	\$ 77,784	\$ 74,190
Receivables	(4,541)	-	-	-
Deferred revenues/Due from grantor	-	(2,172)	114,646	(41,190)
Revenues per budgetary basis	<u>\$ 5,835,029</u>	<u>\$ 173,221</u>	<u>\$ 192,430</u>	<u>\$ 33,000</u>
Expenditures per modified accrual basis	\$ 5,794,698	\$ 175,393	\$ 77,784	\$ 74,190
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 5,794,698</u>	<u>\$ 175,393</u>	<u>\$ 77,784</u>	<u>\$ 74,190</u>
	<u>Education Jobs Fund</u>	<u>House Bill 33</u>	<u>Capital Improvements SB-9</u>	<u>Debt Service</u>
Revenues per modified accrual basis	\$ 144,269	\$ 32,910	\$ 282,792	\$ 679
Receivables	-	(22,964)	(18,210)	-
Deferred revenues/Due from grantor	(49,526)	-	-	-
Revenues per budgetary basis	<u>\$ 94,743</u>	<u>\$ 9,946</u>	<u>\$ 264,582</u>	<u>\$ 679</u>
Expenditures per modified accrual basis	\$ 144,269	\$ 9,117	\$ 108,699	\$ -
Inventory changes	-	-	-	-
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 144,269</u>	<u>\$ 9,117</u>	<u>\$ 108,699</u>	<u>\$ -</u>
	<u>Non-Major Special Revenue</u>			
Revenues per modified accrual basis	\$ 696,408			
Receivables	-			
Deferred revenues/Due from grantor	46,489			
Revenues per budgetary basis	<u>\$ 742,897</u>			
Expenditures per modified accrual basis	\$ 676,688			
Inventory changes	1,548			
Accounts payable	-			
Expenditures per budgetary basis	<u>\$ 678,236</u>			

The reconciliation for each non-major fund can be found in the Supplementary information section of this report.

10. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and Workmens Compensation. For these risks of loss the School District belongs to a public entity risk pool currently operated as a common risk management and insurance program for 89 member school districts. (New Mexico Public School Insurance Authority). Amounts of settlement have not exceeded insurance coverage in the past three years.

11. RETIREMENT PLAN

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

*Funding Policy.* Plan members are required to contribute 7.825% of their gross salary. Clayton Municipal Schools is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Clayton Municipal Schools are established in State statute under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Clayton Municipal Schools contributions to ERA for the years ending June 30, 2011, 2010, and 2009 were \$413,010, \$432,702 and \$443,233 respectively, which equals the amount of the required contributions for each fiscal year.

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

*Plan Description.* Clayton Municipal 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

Notes to Financial Statements (continued)

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 Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and employees. During the fiscal year ending June 30, 2011 the statute requires each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute 8.333% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

Notes to Financial Statements (continued)

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 12	1.834%	.917%
FY 13	2.000%	1.000%

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

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

Clayton Municipal Schools contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$62,205, \$50,940 and \$49,460, respectively, which equal the required contributions for each year.

13. BUDGETED ACTIVITY FUNDS

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

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
<b>ASSETS</b>				
Cash and cash equivalent	\$ 126,352	\$ 242,862	\$ 248,626	\$ 120,588
Total assets	<u>\$ 126,352</u>	<u>\$ 242,862</u>	<u>\$ 248,626</u>	<u>\$ 120,588</u>
<b>LIABILITIES</b>				
Deposits held for others				
Junior High	\$ 56,952	\$ 34,431	\$ 35,046	\$ 56,337
High School	<u>69,400</u>	<u>208,431</u>	<u>213,580</u>	<u>64,251</u>
Total liabilities	<u>\$ 126,352</u>	<u>\$ 242,862</u>	<u>\$ 248,626</u>	<u>\$ 120,588</u>

Notes to Financial Statements (continued)

14. TRANSFERS

The composition of interfund transfers for Governmental Activities during the year ended June 30, 2011 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Total</u>
<u>\$ 2,115</u>	<u>\$ (2,115)</u>	<u>\$ -0-</u>

Transfer to the General Fund from the Distance Learning Fund, Gates Foundation, Safety in Schools, Tutoring Program, AOL Foundation and School Health Funds to eliminate those funds.

15. 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>House Bill 33</u>	<u>Capital Improvements SB-9</u>	<u>Debt Service</u>	<u>Non-Major Governmental Fund</u>	<u>Total</u>
Nonspendable:						
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	8,939	8,939
Total nonspendable	-	-	-	-	8,939	8,939
Restricted for:						
Transportation services	-	-	-	-	-	-
Instructional materials	14,238	-	-	-	-	14,238
Capital improvements	-	990,215	743,534	-	-	1,733,749
Debt service payments	-	-	-	98,394	-	98,394
Athletic services	-	-	-	-	16,671	16,671
Special grants	-	-	-	-	-	-
Cafeteria services	-	-	-	-	32,690	32,690
Total restricted	14,238	990,215	743,534	98,394	49,361	1,895,742
Committed to:						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
Unassigned:	963,775	-	-	-	-	963,775
Total Fund Balances	<u>\$ 978,013</u>	<u>\$ 990,215</u>	<u>\$ 743,534</u>	<u>\$ 98,394</u>	<u>\$ 58,300</u>	<u>\$ 2,868,456</u>



OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 House Bill 33  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ 3,247	\$ 3,247
Earnings from investments	10,000	10,000	6,699	(3,301)
Total revenues	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 9,946</u>	<u>\$ (54)</u>
EXPENDITURES				
Instructional support	\$ 977,832	\$ 977,832	\$ 9,117	\$ 968,715
Total expenditures	<u>\$ 977,832</u>	<u>\$ 977,832</u>	<u>\$ 9,117</u>	<u>\$ 968,715</u>
BUDGETED CASH BALANCE	<u>\$ 967,832</u>	<u>\$ 967,832</u>		

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Capital Improvements SB-9  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 263,427	\$ 263,427	\$ 260,390	\$ (3,037)
State sources	32,707	32,707	-	(32,707)
Earnings from investments	<u>5,000</u>	<u>5,000</u>	<u>4,192</u>	<u>(808)</u>
Total revenues	<u><b>\$ 301,134</b></u>	<u><b>\$ 301,134</b></u>	<u><b>\$ 264,582</b></u>	<u><b>\$ (36,552)</b></u>
<b>EXPENDITURES</b>				
Instructional support	\$ 792,176	\$ 792,176	\$ 108,699	\$ 683,477
Total expenditures	<u><b>\$ 792,176</b></u>	<u><b>\$ 792,176</b></u>	<u><b>\$ 108,699</b></u>	<u><b>\$ 683,477</b></u>
<b>BUDGETED CASH BALANCE</b>	<u><b>\$ 491,042</b></u>	<u><b>\$ 491,042</b></u>		

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Debt Service  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ -	\$ -	\$ 679	\$ 679
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679</u>	<u>\$ 679</u>
EXPENDITURES				
Bonds	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NON-MAJOR FUNDS

## NON-MAJOR SPECIAL REVENUE FUNDS

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

**SEG - STIMULUS** - To account for resources received to supplement State and Local funding normally received for the operation of the school District. Financing and authority for this program are the American Recovery and Reinvestment Act.

**21<sup>st</sup> CENTURY** - To account for resources received to enable the District to become a community learning center to keep children safe in the after school hours. Resources are provided by New Mexico Legislation and the Federal Title IV Act. Funding and Authority is provided by the Elementary and Secondary Education Act of 1965, as amended, Title IV, Part B.

**IMPROVING TEACHER QUALITY** - To account for resources received to enable the District to become a community learning center to keep children safe in the after school hours. Resources are provided by New Mexico Legislation and the Federal Title IV Act. Funding and Authority is provided by the Elementary and Secondary Education Act of 1965, as amended, Title IV, Part B.

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

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

**PL 94-142 REALLOCATION** - To account for resources received for supplies and materials to meet the special education needs of children with disabilities. Financing and authority is the Individual With Disabilities Act, Part B, Sec. 611 as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

**SAFE AND DRUG FREE SCHOOLS** - To offer a disciplined environment conducive to learning, by preventing violence in and around schools and strengthen programs that prevent the illegal use of alcohol, tobacco and drugs, involve parents, and coordinated with related Federal, State and community efforts and resources.

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

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

**MEDICAID** - To account for reimbursement of health-related services of medical eligible students receiving related services for administrative time study, and for a statement of service costs study. The fund is administered by the Lea Regional Cooperative Center #7. It is included in this report to identify the loan from operational to cover cost not yet reimbursed by the Cooperative Authorized by Public Law 92-222, Public Law 104-208.

**SUMMER FOOD PROGRAM** - To account for monies received to provide food to the extended day care program. Financing and authority is Public Law 105-336.

**DISTANCE LEARNING** - To encourage and improve the use of telemedicine, telecommunications, computer networks, and related advanced technologies to provide educational and medical benefits through distance learning and telemedicine projects to people living in rural areas and to improve rural opportunities. The authority for the creation of this fund is the Federal Agriculture Improvement and Reform Act of 1996, Title VII, Public law 104-127, 7 U.S.C. 950.

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

**GATES FOUNDATION** - To account for monies received used to purchase hardware and software for use in the classroom from the Institute of Computer Technology.

**SAFETY IN SCHOOL** - To account for monies received to implement programs and activities, as well as strengthen infrastructure that will increase school safety. Financing and authority are provided by State Legislature.

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

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

**TUTORING PROGRAM** - To account for monies received to help the mid-school improve basic academic skills and to enhance opportunities for students to develop interests beyond what present curricular programs provide. Financing and authority are provided by the State Legislature.

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

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

**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.

**AOL FOUNDATION** - To account for funds received to enhance interactive education through innovative education programs and to take part in the interactive education innovators network. Financing and authority is provided by the Grant Agreement.

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

**SCHOOL HEALTH** - To account for a grant to provide support for Coordinated School Health (CHS) programs in the Health Services of the School District. This fund supports programs for prevention, health promotion and early intervention. Financing and authority is provided by the New Mexico Department of Health.

**AFTER SCHOOL ENRICHMENT PROGRAM** - To account for a private grant from the Geo Group, Inc. to help Clayton Junior High School address the "search for self" by providing opportunities for their students to become part of something bigger than themselves. Financing and authority is provided by the grant agreement.

**SATURDAY SCHOOL** - To account for a private grant used to provide Saturday tutoring services to students. The formation of this fund is provided by local city/county funding.

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

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



STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2011

Statement A-1  
 Page 1 of 4

	SEG Stimulus	21st Century	Improving Teacher Quality	PL 94-142 Preschool	PL 94-142 Preschool- Stimulus	PL 94-142 Rellocation	Safe & Drug Free
<b>ASSETS</b>							
Cash on deposit	\$ -	\$ -	\$ -	\$ 2,196	\$ -	\$ -	\$ -
Due from grantor	-	18,964	-	-	2,974	276	-
Inventory, at cost	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 18,964</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,196</u></b>	<b><u>\$ 2,974</u></b>	<b><u>\$ 276</u></b>	<b><u>\$ -</u></b>
<b>LIABILITIES</b>							
Cash overdraft	\$ -	\$ 18,964	\$ -	\$ -	\$ 2,974	\$ 276	\$ -
Deferred revenue	-	-	-	2,196	-	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>18,964</u></b>	<b><u>-</u></b>	<b><u>2,196</u></b>	<b><u>2,974</u></b>	<b><u>276</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ -</u></b>	<b><u>\$ 18,964</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,196</u></b>	<b><u>\$ 2,974</u></b>	<b><u>\$ 276</u></b>	<b><u>\$ -</u></b>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2011

Statement A-1  
 Page 2 of 4

	Title I Stimulus	Medicaid	Summer Food Program	Distance Learning	REAP	Gates Foundation	Safety in Schools
<b>ASSETS</b>							
Cash on deposit	\$ -	\$ 29	\$ 6,383	\$ -	\$ -	\$ -	\$ -
Due from grantor	9,708	-	-	-	-	-	-
Inventory, at cost	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 9,708</u></b>	<b><u>\$ 29</u></b>	<b><u>\$ 6,383</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>LIABILITIES</b>							
Cash overdraft	\$ 9,708	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	29	6,383	-	-	-	-
<b>Total liabilities</b>	<b><u>9,708</u></b>	<b><u>29</u></b>	<b><u>6,383</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 9,708</u></b>	<b><u>\$ 29</u></b>	<b><u>\$ 6,383</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2011

Statement A-1  
 Page 3 of 4

	Technology for Education	Incentives for School Improvements	Tutoring Program	Beginning Teacher Mentoring	Dual Credit	AOL Foundation	GO Bond Student Library
<b>ASSETS</b>							
Cash on deposit	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	-	-	-	-	-	-	713
Inventory, at cost	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 713</u></b>
<b>LIABILITIES</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 713
Deferred revenue	-	5	-	-	-	-	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>5</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>713</u></b>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ -</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 713</u></b>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2011

Statement A-1  
 Page 4 of 4

	School Health	After School Enrichment Program	Saturday School	Athletics	Student Cafeteria Account	Totals
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ 5,039	\$ 6,561	\$ 16,671	\$ 32,690	\$ 69,574
Due from grantor	-	-	-	-	-	32,635
Inventory, at cost	-	-	-	-	8,939	8,939
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 5,039</u></b>	<b><u>\$ 6,561</u></b>	<b><u>\$ 16,671</u></b>	<b><u>\$ 41,629</u></b>	<b><u>\$ 111,148</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,635
Deferred revenue	-	5,039	6,561	-	-	20,213
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>5,039</u></b>	<b><u>6,561</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>52,848</u></b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	8,939	8,939
Restricted	-	-	-	16,671	32,690	49,361
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>16,671</u></b>	<b><u>41,629</u></b>	<b><u>58,300</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ -</u></b>	<b><u>\$ 5,039</u></b>	<b><u>\$ 6,561</u></b>	<b><u>\$ 16,671</u></b>	<b><u>\$ 41,629</u></b>	<b><u>\$ 111,148</u></b>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2011

Statement A-2  
 Page 1 of 4

	SEG Stimulus	21st Century	Improving Teacher Quality	PL 94-142 Preschool	PL 94-142 Preschool Stimulus	PL 94-142 Reallocation	Safe & Drug Free
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	-	-
Federal sources	69,447	103,514	35,611	9,035	2,974	1,251	-
Earnings from investments	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>69,447</u>	<u>103,514</u>	<u>35,611</u>	<u>9,035</u>	<u>2,974</u>	<u>1,251</u>	<u>-</u>
<b>EXPENDITURES</b>							
Direct instruction	-	91,073	35,611	8,701	2,974	1,251	-
Instructional support	69,447	12,441	-	334	-	-	-
Food services	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>69,447</u>	<u>103,514</u>	<u>35,611</u>	<u>9,035</u>	<u>2,974</u>	<u>1,251</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	-	-	-	-	-	-	-
<b>OTHER FINANCING (USES)</b>							
Transfer out	-	-	-	-	-	-	-
<b>Total other financing (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2011

Statement A-2  
 Page 2 of 4

	Title I Stimulus	Medicaid	Summer Food Program	Distance Learning	REAP	Gates Foundation	Safety in School
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	17	36
Federal sources	28,139	86,772	10,047	273	17,955	-	-
Earnings from investments	-	-	-	-	-	-	-
Total revenues	<u>28,139</u>	<u>86,772</u>	<u>10,047</u>	<u>273</u>	<u>17,955</u>	<u>17</u>	<u>36</u>
<b>EXPENDITURES</b>							
Direct instruction	27,106	-	-	-	17,955	-	-
Instructional support	1,033	86,772	-	-	-	-	-
Food services	-	-	10,047	-	-	-	-
Total expenditures	<u>28,139</u>	<u>86,772</u>	<u>10,047</u>	<u>-</u>	<u>17,955</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	-	-	-	273	-	17	36
<b>OTHER FINANCING (USES)</b>							
Transfer out	-	-	-	(273)	-	(17)	(36)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(273)</u>	<u>-</u>	<u>(17)</u>	<u>(36)</u>
Net change in fund balance	-	-	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2011

Statement A-2  
 Page 3 of 4

	Technology for Education	Incentives for School Improvement	Tutoring Program	Beginning Teacher Mentoring	Dual Credit	AOL Foundation	GO Bond Student Library
<b>REVENUES</b>							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-	-
State sources	515	1,672	685	5,627	308	14	713
Federal sources	-	-	-	-	-	-	-
Earnings from investments	-	-	-	-	-	-	-
<b>Total revenues</b>	<u>515</u>	<u>1,672</u>	<u>685</u>	<u>5,627</u>	<u>308</u>	<u>14</u>	<u>713</u>
<b>EXPENDITURES</b>							
Direct instruction	515	1,672	-	5,627	308	-	-
Instructional support	-	-	-	-	-	-	713
Food services	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>515</u>	<u>1,672</u>	<u>-</u>	<u>5,627</u>	<u>308</u>	<u>-</u>	<u>713</u>
Excess (deficiency) of revenue over expenditures	-	-	685	-	-	14	-
<b>OTHER FINANCING (USES)</b>							
Transfer out	-	-	(685)	-	-	(14)	-
<b>Total other financing (uses)</b>	<u>-</u>	<u>-</u>	<u>(685)</u>	<u>-</u>	<u>-</u>	<u>(14)</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2011

Statement A-2  
 Page 4 of 4

	School Health	After School Enrichment Program	Saturday School	Athletics	Cafeteria	Totals
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ 34,238	\$ 53,311	\$ 87,549
Local sources	-	11	40,764	-	-	40,775
State sources	1,090	-	-	-	-	10,677
Federal sources	-	-	-	-	192,203	557,221
Earnings from investments	-	-	-	-	186	186
<b>Total revenues</b>	<u>1,090</u>	<u>11</u>	<u>40,764</u>	<u>34,238</u>	<u>245,700</u>	<u>696,408</u>
<b>EXPENDITURES</b>						
Direct instruction	-	-	37,608	28,283	-	258,684
Instructional support	-	-	3,156	-	-	173,896
Food services	-	11	-	-	234,050	244,108
<b>Total expenditures</b>	<u>-</u>	<u>11</u>	<u>40,764</u>	<u>28,283</u>	<u>234,050</u>	<u>676,688</u>
Excess (deficiency) of revenue over expenditures	1,090	-	-	5,955	11,650	19,720
<b>OTHER FINANCING (USES)</b>						
Transfer out	(1,090)	-	-	-	-	(2,115)
<b>Total other financing (uses)</b>	<u>(1,090)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,115)</u>
Net change in fund balance	-	-	-	5,955	11,650	17,605
Fund balance at beginning of year	-	-	-	10,716	29,979	40,695
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,671</u>	<u>\$ 41,629</u>	<u>\$ 58,300</u>

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



STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - SEG Stimulus  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 53,333	\$ 69,448	\$ 53,545	\$ (15,903)
Total revenues	<u>\$ 53,333</u>	<u>\$ 69,448</u>	<u>\$ 53,545</u>	<u>\$ (15,903)</u>
EXPENDITURES				
Instructional support	\$ 53,333	\$ 69,448	\$ 69,447	\$ 1
Total expenditures	<u>\$ 53,333</u>	<u>\$ 69,448</u>	<u>\$ 69,447</u>	<u>\$ 1</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - 21st Century  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 112,000	\$ 208,903	\$ 119,634	\$ (89,269)
Total revenues	<u>\$ 112,000</u>	<u>\$ 208,903</u>	<u>\$ 119,634</u>	<u>\$ (89,269)</u>
EXPENDITURES				
Direct instruction	\$ 95,532	\$ 189,123	\$ 91,073	\$ 98,050
Instructional support	16,468	19,780	12,441	7,339
Total expenditures	<u>\$ 112,000</u>	<u>\$ 208,903</u>	<u>\$ 103,514</u>	<u>\$ 105,389</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL 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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 43,124	\$ 67,821	\$ 79,201	\$ 11,380
Total revenues	<u>\$ 43,124</u>	<u>\$ 67,821</u>	<u>\$ 79,201</u>	<u>\$ 11,380</u>
EXPENDITURES				
Direct instruction	\$ 43,124	\$ 67,821	\$ 35,611	\$ 32,210
Total expenditures	<u>\$ 43,124</u>	<u>\$ 67,821</u>	<u>\$ 35,611</u>	<u>\$ 32,210</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - PL 94-142 Preschool  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 11,860	\$ 12,752	\$ 14,853	\$ 2,101
Total revenues	<u>\$ 11,860</u>	<u>\$ 12,752</u>	<u>\$ 14,853</u>	<u>\$ 2,101</u>
EXPENDITURES				
Direct instruction	\$ 11,470	\$ 12,362	\$ 8,701	\$ 3,661
Instructional support	390	390	334	56
Total expenditures	<u>\$ 11,860</u>	<u>\$ 12,752</u>	<u>\$ 9,035</u>	<u>\$ 3,717</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - 94-142 Preschool Stimulus  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 2,974	\$ 2,909	\$ (65)
Total revenues	<u>\$ -</u>	<u>\$ 2,974</u>	<u>\$ 2,909</u>	<u>\$ (65)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 2,974	\$ 2,974	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 2,974</u>	<u>\$ 2,974</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - PL 941-142 Reallocation  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 72	\$ 1,251	\$ 2,488	\$ 1,237
Total revenues	<u>\$ 72</u>	<u>\$ 1,251</u>	<u>\$ 2,488</u>	<u>\$ 1,237</u>
EXPENDITURES				
Direct instruction	\$ 72	\$ 1,251	\$ 1,251	\$ -
Total expenditures	<u>\$ 72</u>	<u>\$ 1,251</u>	<u>\$ 1,251</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Safe & Drug Free  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 5,976	\$ 5,976
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,976</u>	<u>\$ 5,976</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Title I Stimulus  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 28,000	\$ 28,139	\$ 50,255	\$ 22,116
Total revenues	<u>\$ 28,000</u>	<u>\$ 28,139</u>	<u>\$ 50,255</u>	<u>\$ 22,116</u>
EXPENDITURES				
Direct instruction	\$ 26,667	\$ 27,106	\$ 27,106	\$ -
Instructional support	1,333	1,033	1,033	-
Total expenditures	<u>\$ 28,000</u>	<u>\$ 28,139</u>	<u>\$ 28,139</u>	<u>\$ -</u>

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



STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Medicaid  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 90,198	\$ 90,198	\$ 86,772	\$ (3,426)
Total revenues	<u>\$ 90,198</u>	<u>\$ 90,198</u>	<u>\$ 86,772</u>	<u>\$ (3,426)</u>
EXPENDITURES				
Instructional support	\$ 90,198	\$ 90,198	\$ 86,772	\$ 3,426
Total expenditures	<u>\$ 90,198</u>	<u>\$ 90,198</u>	<u>\$ 86,772</u>	<u>\$ 3,426</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Summer Food Program  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 10,047	\$ 8,143	\$ (1,904)
Total revenues	<u>\$ -</u>	<u>\$ 10,047</u>	<u>\$ 8,143</u>	<u>\$ (1,904)</u>
EXPENDITURES				
Food services	\$ -	\$ 10,047	\$ 10,047	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 10,047</u>	<u>\$ 10,047</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Distance Learning  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

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

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - REAP  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 29,469	\$ 17,955	\$ (11,514)
Total revenues	<u>\$ -</u>	<u>\$ 29,469</u>	<u>\$ 17,955</u>	<u>\$ (11,514)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 29,469	\$ 17,955	\$ 11,514
Total expenditures	<u>\$ -</u>	<u>\$ 29,469</u>	<u>\$ 17,955</u>	<u>\$ 11,514</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Gates Foundation  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

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

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Safety in Schools  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

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

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Technology for Education  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 515	\$ -	\$ (515)
Total revenues	<u>\$ -</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ (515)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 515	\$ 515	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 515</u>	<u>\$ 515</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Incentives for School Improvements  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 1,677	\$ -	\$ (1,677)
Total revenues	<u>\$ -</u>	<u>\$ 1,677</u>	<u>\$ -</u>	<u>\$ (1,677)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 1,677	\$ 1,672	\$ 5
Total expenditures	<u>\$ -</u>	<u>\$ 1,677</u>	<u>\$ 1,672</u>	<u>\$ 5</u>

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



STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Tutoring Program  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

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

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Beginning Teacher Mentoring  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 5,627	\$ -	\$ (5,627)
Total revenues	<u>\$ -</u>	<u>\$ 5,627</u>	<u>\$ -</u>	<u>\$ (5,627)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 5,627	\$ 5,627	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 5,627</u>	<u>\$ 5,627</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Dual Credit  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

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

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - AOL Foundation  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

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

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - GO Bond Student Library  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 714	\$ 9,420	\$ 8,706
Total revenues	<u>\$ -</u>	<u>\$ 714</u>	<u>\$ 9,420</u>	<u>\$ 8,706</u>
EXPENDITURES				
Instructional support	\$ -	\$ 714	\$ 713	\$ 1
Total expenditures	<u>\$ -</u>	<u>\$ 714</u>	<u>\$ 713</u>	<u>\$ 1</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - School Health  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

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

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - After School Enrichment Program  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 2,083	\$ 5,049	\$ 2,500	\$ (2,549)
Total revenues	<u>\$ 2,083</u>	<u>\$ 5,049</u>	<u>\$ 2,500</u>	<u>\$ (2,549)</u>
EXPENDITURES				
Food services	\$ 2,083	\$ 5,049	\$ 11	\$ 5,038
Total expenditures	<u>\$ 2,083</u>	<u>\$ 5,049</u>	<u>\$ 11</u>	<u>\$ 5,038</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Saturday School  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 26,727	\$ 47,325	\$ 9,000	\$ (38,325)
Total revenues	<u>\$ 26,727</u>	<u>\$ 47,325</u>	<u>\$ 9,000</u>	<u>\$ (38,325)</u>
EXPENDITURES				
Direct instruction	\$ 26,727	\$ 44,168	\$ 37,608	\$ 6,560
Instructional support	-	3,157	3,156	1
Total expenditures	<u>\$ 26,727</u>	<u>\$ 47,325</u>	<u>\$ 40,764</u>	<u>\$ 6,561</u>

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



STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Athletics  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 35,000	\$ 35,000	\$ 34,238	\$ (762)
Local services	500	500	-	(500)
Total revenues	<u>\$ 35,500</u>	<u>\$ 35,500</u>	<u>\$ 34,238</u>	<u>\$ (1,262)</u>
EXPENDITURES				
Direct instruction	\$ 43,184	\$ 43,184	\$ 28,283	\$ 14,901
Total expenditures	<u>\$ 43,184</u>	<u>\$ 43,184</u>	<u>\$ 28,283</u>	<u>\$ 14,901</u>
BUDGETED CASH BALANCE	<u>\$ 7,684</u>	<u>\$ 7,684</u>		

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Cafeteria  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 48,200	\$ 48,200	\$ 53,311	\$ 5,111
Federal sources	177,500	177,500	192,203	14,703
Earnings from investments	50	50	186	136
Total revenues	<u>\$ 225,750</u>	<u>\$ 225,750</u>	<u>\$ 245,700</u>	<u>\$ 19,950</u>
EXPENDITURES				
Food services	\$ 236,379	\$ 248,339	\$ 235,598	\$ 12,741
Total expenditures	<u>\$ 236,379</u>	<u>\$ 248,339</u>	<u>\$ 235,598</u>	<u>\$ 12,741</u>
BUDGETED CASH BALANCE	<u>\$ 10,629</u>	<u>\$ 22,589</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.

**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  
 CLAYTON MUNICIPAL SCHOOLS  
 Combining Balance Sheet  
 General Fund  
 June 30, 2011

	<u>Operational</u>	<u>Transporation</u>	<u>Instructional Materials</u>	<u>Total</u>
<b>ASSETS</b>				
Cash on deposit	\$ 957,439	\$ -	\$ 14,238	\$ 971,677
Accounts receivable, collectible	<u>6,336</u>	<u>-</u>	<u>-</u>	<u>6,336</u>
Total assets	<u><b>\$ 963,775</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 14,238</b></u>	<u><b>\$ 978,013</b></u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	-	-	14,238	14,238
Unassigned	<u>963,775</u>	<u>-</u>	<u>-</u>	<u>963,775</u>
Total fund balance	<u>963,775</u>	<u>-</u>	<u>14,238</u>	<u>978,013</u>
Total liabilities and fund balances	<u><b>\$ 963,775</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 14,238</b></u>	<u><b>\$ 978,013</b></u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 General Fund  
 Year Ended June 30, 2011

Statement B-2

	Operational	Transportation	Instructional Materials	Total
REVENUES				
Taxes	\$ 67,419	\$ -	\$ -	\$ 67,419
Charges for services	34,396	-	-	34,396
Local sources	5,926	-	-	5,926
State sources	5,007,232	678,908	22,141	5,708,281
Federal sources	11,800	-	-	11,800
Earnings from investments	11,565	-	183	11,748
	<u>5,138,338</u>	<u>678,908</u>	<u>22,324</u>	<u>5,839,570</u>
EXPENDITURES				
Current:				
Direct instruction	3,086,258	-	72,021	3,158,279
Instructional support	1,957,450	678,969	-	2,636,419
Food services	-	-	-	-
Capital outlay	-	-	-	-
	<u>5,043,708</u>	<u>678,969</u>	<u>72,021</u>	<u>5,794,698</u>
Excess (deficiency) of revenues over expenditures	94,630	(61)	(49,697)	44,872
OTHER FINANCING SOURCES				
Transfer in	2,115	-	-	2,115
	<u>2,115</u>	<u>-</u>	<u>-</u>	<u>2,115</u>
Net change in fund balance	96,745	(61)	(49,697)	46,987
Fund balance at beginning of year	867,030	61	63,935	931,026
Fund balance at end of year	<u>\$ 963,775</u>	<u>\$ -</u>	<u>\$ 14,238</u>	<u>\$ 978,013</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 General Fund - Operational Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 63,663	\$ 63,663	\$ 62,878	\$ (785)
Charges for services	18,000	18,000	34,396	16,396
Local sources	-	-	5,926	5,926
State sources	5,150,841	5,005,964	5,007,232	1,268
Federal sources	2,500	2,500	11,800	9,300
Earnings from investments	10,000	10,000	11,565	1,565
Total revenues	<u>\$ 5,245,004</u>	<u>\$ 5,100,127</u>	<u>\$ 5,133,797</u>	<u>\$ 33,670</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 3,349,529	\$ 3,349,529	\$ 3,086,258	\$ 263,271
Instructional support	2,473,435	2,328,558	1,957,450	371,108
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 5,822,964</u>	<u>\$ 5,678,087</u>	<u>\$ 5,043,708</u>	<u>\$ 634,379</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	-	2,115	2,115	-
Total other financing sources	<u>\$ -</u>	<u>\$ 2,115</u>	<u>\$ 2,115</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ 577,960</u>	<u>\$ 577,960</u>		
<b>REVENUES</b>				
Budgetary basis			\$ 5,133,797	
Increase in receivables			4,541	
Modified accrual basis			<u>\$ 5,138,338</u>	
<b>EXPENDITURES</b>				
Budgetary basis			\$ 5,043,708	
Increase in payables			-	
Modified accrual basis			<u>\$ 5,043,708</u>	

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 General Fund - Transportation Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	713,408	678,969	678,908	(61)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 713,408</u></b>	<b><u>\$ 678,969</u></b>	<b><u>\$ 678,908</u></b>	<b><u>\$ (61)</u></b>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	713,408	678,969	678,969	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 713,408</u></b>	<b><u>\$ 678,969</u></b>	<b><u>\$ 678,969</u></b>	<b><u>\$ -</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 General Fund - Instructional Materials Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	20,700	22,015	22,141	126
Federal sources	-	-	-	-
Earnings from investments	300	300	183	(117)
Total revenues	<u>\$ 21,000</u>	<u>\$ 22,315</u>	<u>\$ 22,324</u>	<u>\$ 9</u>
EXPENDITURES				
Direct instruction	\$ 86,988	\$ 86,251	\$ 72,021	\$ 14,230
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 86,988</u>	<u>\$ 86,251</u>	<u>\$ 72,021</u>	<u>\$ 14,230</u>
BUDGETED CASH BALANCE	<u>\$ 65,988</u>	<u>\$ 63,936</u>		

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



**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Schedule of Cash Receipts and  
 Disbursements - All Funds by  
 School District Classification  
 Year Ended June 30, 2011

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Cafeteria</u>	<u>Athletics</u>
Cash balance, June 30, 2010	\$ 865,235	\$ 61	\$ 63,935	\$ 22,588	\$ 10,716
Cash Receipts, 2010-2011	5,133,797	678,908	22,324	245,700	34,238
Transfer in/(out)	2,115	-	-	-	-
Cash Disbursements, 2010-2011	<u>(5,043,708)</u>	<u>(678,969)</u>	<u>(72,021)</u>	<u>(235,598)</u>	<u>(28,283)</u>
Cash balance, June 30, 2011	<u>\$ 957,439</u>	<u>\$ -</u>	<u>\$ 14,238</u>	<u>\$ 32,690</u>	<u>\$ 16,671</u>

	<u>Federal Projects</u>	<u>Local/ State</u>	<u>House Bill 33</u>	<u>Capital Improvement SB-9</u>	<u>Debt Service</u>	<u>Agency</u>
Cash balance, June 30, 2010	\$ (228,046)	\$ 41,218	\$ 965,418	\$ 561,963	\$ 97,715	\$ 126,352
Cash Receipts, 2010-2011	935,125	21,228	9,946	264,582	679	242,862
Transfer in/(out)	(273)	(1,842)	-	-	-	-
Reversion	(8,662)	(102)	-	-	-	-
Cash Disbursements, 2010-2011	<u>(836,381)</u>	<u>(49,610)</u>	<u>(9,117)</u>	<u>(108,699)</u>	<u>-</u>	<u>(248,626)</u>
Cash balance, June 30, 2011	<u>\$ (138,237)</u>	<u>\$ 10,892</u>	<u>\$ 966,247</u>	<u>\$ 717,846</u>	<u>\$ 98,394</u>	<u>\$ 120,588</u>

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Schedule of Budgetary Basis  
 To GAAP Basis Reconciliation  
 Non-Major Funds  
 Year Ended June 30, 2011

	SEG- Stimulus	21st Century	Improving Teacher Quality	PL 94-142 Preschool	PL 94-142 Preschool Stimulus	PL 94-142 Reallocation	Safe & Drug Free
Revenues per modified accrual basis	\$ 69,447	\$ 103,514	\$ 35,611	\$ 9,035	\$ 2,974	\$ 1,251	\$ -
Deferred revenue/Due from grantor	<u>(15,902)</u>	<u>16,120</u>	<u>43,590</u>	<u>5,818</u>	<u>(65)</u>	<u>1,237</u>	<u>5,976</u>
Revenues per budgetary basis	<u>\$ 53,545</u>	<u>\$ 119,634</u>	<u>\$ 79,201</u>	<u>\$ 14,853</u>	<u>\$ 2,909</u>	<u>\$ 2,488</u>	<u>\$ 5,976</u>
Expenditures per modified accrual basis	\$ 69,447	\$ 103,514	\$ 35,611	\$ 9,035	\$ 2,974	\$ 1,251	\$ -
Inventory changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$ 69,447</u>	<u>\$ 103,514</u>	<u>\$ 35,611</u>	<u>\$ 9,035</u>	<u>\$ 2,974</u>	<u>\$ 1,251</u>	<u>\$ -</u>

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Schedule of Budgetary Basis  
 To GAAP Basis Reconciliation  
 Non-Major Funds  
 Year Ended June 30, 2011

	Title I Stimulus	Medicaid	Summer Food Program	Distance Learning	REAP	Gates Foundation	Safety in School
Revenues per modified accrual basis	\$ 28,139	\$ 86,772	\$ 10,047	\$ 273	\$ 17,955	\$ 17	\$ 36
Deferred revenue/Due from grantor	<u>22,116</u>	<u>-</u>	<u>(1,904)</u>	<u>(273)</u>	<u>-</u>	<u>(17)</u>	<u>(36)</u>
Revenues per budgetary basis	<u><b>\$ 50,255</b></u>	<u><b>\$ 86,772</b></u>	<u><b>\$ 8,143</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 17,955</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
Expenditures per modified accrual basis	\$ 28,139	\$ 86,772	\$ 10,047	\$ -	\$ 17,955	\$ -	\$ -
Inventory changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u><b>\$ 28,139</b></u>	<u><b>\$ 86,772</b></u>	<u><b>\$ 10,047</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 17,955</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Schedule of Budgetary Basis  
 To GAAP Basis Reconciliation  
 Non-Major Funds  
 Year Ended June 30, 2011

	Technology for Education	Incentives for School Improvements	Tutoring Program	Beginning Teacher Mentoring	Dual Credit	AOL Foundation	Go Bond Student Library
Revenues per modified accrual basis	\$ 515	\$ 1,672	\$ 685	\$ 5,627	\$ 308	\$ 14	\$ 713
Deferred revenue/Due from grantor	<u>(515)</u>	<u>(1,672)</u>	<u>(685)</u>	<u>(5,627)</u>	<u>-</u>	<u>(14)</u>	<u>8,707</u>
Revenues per budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308</u>	<u>\$ -</u>	<u>\$ 9,420</u>
Expenditures per modified accrual basis	\$ 515	\$ 1,672	\$ -	\$ 5,627	\$ 308	\$ -	\$ 713
Inventory changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$ 515</u>	<u>\$ 1,672</u>	<u>\$ -</u>	<u>\$ 5,627</u>	<u>\$ 308</u>	<u>\$ -</u>	<u>\$ 713</u>

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Schedule of Budgetary Basis  
 To GAAP Basis Reconciliation  
 Non-Major Funds  
 Year Ended June 30, 2011

	School Health	After School Enrichment Program	Saturday School	Athletics	Cafeteria	Total Special Revenue
Revenues per modified						
accrual basis	\$ 1,090	\$ 11	\$ 40,764	\$ 34,238	\$ 245,700	\$ 696,408
Deferred revenue/Due from grantor	<u>(1,090)</u>	<u>2,489</u>	<u>(31,764)</u>	<u>-</u>	<u>-</u>	<u>46,489</u>
Revenues per budgetary basis	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 9,000</u>	<u>\$ 34,238</u>	<u>\$ 245,700</u>	<u>\$ 742,897</u>
Expenditures per modified						
accrual basis	\$ -	\$ 11	\$ 40,764	\$ 28,283	\$ 234,050	\$ 676,688
Inventory changes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,548</u>	<u>1,548</u>
Expenditures per budgetary basis	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 40,764</u>	<u>\$ 28,283</u>	<u>\$ 235,598</u>	<u>\$ 678,236</u>

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2011

<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	\$ 17,955
SEG-Stimulus	84.394	25.250	69,447
* Education Jobs Fund-Stimulus	84.410	25.255	144,269
Passed through State of NM			
Department of Education:			
Impact Aid Title I (Chapter 1) Basic	84.010	24.101	175,393
PL 94-142 Preschool	84.027	24.109	9,035
PL 94-142 Entitlement	84.027	24.106	77,784
21 <sup>st</sup> Century	84.287	24.119	103,514
Improving Teacher Quality	84.367	24.154	35,611
Safe & Drug Free	84.186	24.157	-
Title I - Stimulus	84.010	24.201	28,139
PL 94-142 Reallocation	84.027	24.120	1,251
PL 94-142 Entitlement-Stimulus	84.391	24.206	74,190
PL 94-142 Preschool-Stimulus	84.392	24.209	<u>2,974</u>
Sub-total			<u>739,562</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
* National School Lunch Program	10.555	21.000	124,425
* School Breakfast Program	10.553	21.000	53,625
Summer Food Program	10.558	25.171	10,047
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	<u>14,153</u>
Sub-total			<u>202,250</u>
Total Expenditures of Federal Awards			<u>\$ 941,812</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 Clayton Municipal Schools and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Non-Cash Assistance

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

3. Subrecipients

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

\*Treated as a Major Program

STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

Part 1 - Summary of Auditor Results

1. Type of Report - Unqualified
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 - Unqualified
6. Audit Findings - NONE
7. Major Programs - National School Lunch CFDA #10.555, School Breakfast CFDA #10.553 and Education Jobs Fund CFDA #84.410
8. Dollar Threshold Used to Distinguish Type A and Type B Programs - \$300,000
9. Clayton Municipal Schools did qualify as a low-risk auditee

Part 2 - Findings

NONE

Part 3 - Questioned Costs

NONE



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

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

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

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Clayton Municipal Schools  
Clayton, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I, PL 94-142 Entitlement, PL 94-142 Entitlement - Stimulus and Education Jobs Funds of Clayton Municipal Schools, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Clayton Municipal 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 Clayton Municipal Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control over financial reporting.

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

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

deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, a significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clayton Municipal 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 no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

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

*Red Associates, LLP*

October 28, 2011

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

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

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

Mr. Hector H. Balderas  
New Mexico State Auditor  
and  
Board of Education  
Clayton Municipal Schools  
Clayton, New Mexico

Compliance

We have audited the compliance of Clayton Municipal Schools (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that

could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Rice & Associates, LLP*

October 28, 2011

## STATUS OF COMMENTS

### Prior Year Audit Findings:

1. Purchase Order Dated After the Invoice (09-01)-Resolved.
2. Capital Asset/Depreciation Listing (10-01) - Resolved.
3. Outstanding Cash Balances (10-02) - Resolved.

### Current Year Audit Findings:

NONE

#### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2011 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

#### EXIT CONFERENCE

An exit conference was held at the School District on October 26, 2011, to discuss the current audit report. In attendance were Mr. Jack Wiley, Superintendent, Ms. April Geary, Parent/Community Member, Ms. Andrea Naranjo, School Board Vice-President, Ms. Becka Arrington, Parent/Community Member, Mr. Lorenzo Montoya, School Board Member, Ms. Terri Trujillo, Business Manager and Ms. Pamela A. Rice, CPA, Contract Auditor.