

STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
AUDIT REPORT
For the Year Ended June 30, 2012
(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, 2012

(with Auditor's Report Thereon)

STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
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STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
Official Roster
Year Ended June 30, 2012

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.

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BOOKKEEPING
(505) 292-8275

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11805 Menaul NE
Albuquerque, NM 87112

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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 and 21st Century Funds of Clayton Municipal Schools, as of and for the year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and 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, 2012 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.

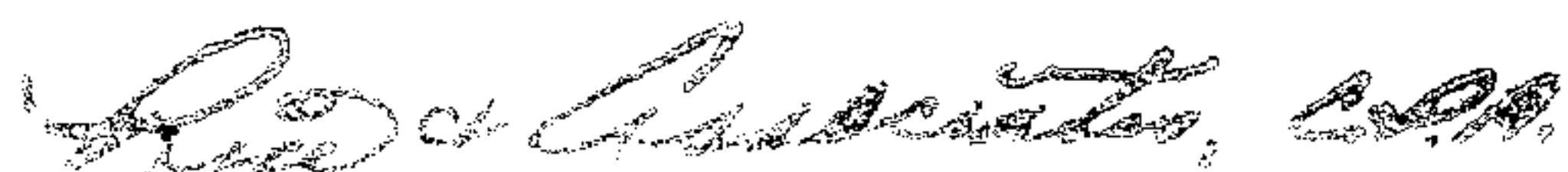
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton Municipal Schools, as of June 30, 2012, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the General, Title I, PL 94-142 Entitlement and 21st Century 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, 2012, 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 November 13, 2012 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.

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the combining and individual fund financial statements and the budgetary comparisons of 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* and the Schedule of Cash Receipts and Disbursements are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 13, 2012

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 Statement of Net Assets
 June 30, 2012

Statement 1

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 2,894,927
Taxes receivable	8,251
Due from grantor	269,881
Inventory	7,760
Total current assets	3,180,819
Non-current assets	
Land (non-depreciable)	467,890
Capital assets (depreciable)	9,853,993
Less accumulated depreciation	(4,832,501)
Total non-current assets	5,489,382
Total assets	8,670,201
LIABILITIES	
Current liabilities	
Cash overdraft	47,923
Deferred revenue	28,255
Total current liabilities	76,178
Long-term obligations	
Compensated absences payable	57,122
Total long-term obligations	57,122
Total liabilities	133,300
NET ASSETS	
Invested in capital assets, net of related debt	5,489,382
Restricted for	
Special revenue inventory	7,760
Capital projects	1,887,769
Unrestricted	1,151,990
Total net assets	\$ 8,536,901

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, 2012

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
EXPENSES:					
Governmental activities:					
Direct instruction	\$ 3,560,670	\$ 77,435	\$ 627,551	\$ 49,122	\$ (2,806,562)
Instructional support	3,138,380	-	857,986	-	(2,280,394)
Food services	252,981	41,958	214,755	-	3,732
Depreciation - unallocated	230,355	-	-	-	(230,355)
Total	\$ 7,182,386	\$ 119,393	\$ 1,700,292	\$ 49,122	(5,313,579)
General revenues:					
Taxes					
Property taxes, levied for general purposes					50,492
Property taxes, levied for capital projects					213,019
Property taxes, levied for HB-33					73
Property taxes, levied for Debt Service					2,671
Oil and gas taxes, general purpose					15,594
Oil and gas taxes, capital projects					62,535
Oil and gas taxes, HB-33					8,881
Federal, State and Local aid not restricted to specific purpose					4,983,922
General-SEG					21,859
Interest and investment earnings					14,644
Miscellaneous (Indirect Costs)					14,644
Sub-total, general revenues					5,373,690
Change in net assets					60,111
Net assets - beginning of year					8,476,790
Net assets - end of year					\$ 8,536,901

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, 2012

Statement 3

	General	Title I	PL94-142 Entitlement	21st Century	House Bill 33	Capital Improvements SB-9	Debt Service	Other Governmental	Total
ASSETS									
Cash on deposit	\$ 826,063	\$ -	\$ 17,875	\$ -	\$ 1,006,105	\$ 875,010	\$ 101,793	\$ 68,081	\$ 2,894,927
Accounts receivable	1,597	-	-	-	-	6,654	-	-	8,251
Inventory, at cost	-	-	-	-	-	-	-	7,760	7,760
Due from grantor	-	72,789	73,135	76,034	-	-	-	47,923	269,881
Due from other funds	221,958	-	-	-	-	-	-	-	221,958
Total assets	<u>\$ 1,049,618</u>	<u>\$ 72,789</u>	<u>\$ 91,010</u>	<u>\$ 76,034</u>	<u>\$ 1,006,105</u>	<u>\$ 881,664</u>	<u>\$ 101,793</u>	<u>\$ 123,764</u>	<u>\$ 3,402,777</u>
LIABILITIES									
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,923	\$ 47,923
Deferred revenues	-	-	17,875	-	-	-	-	10,380	28,255
Accounts payable	-	-	-	-	-	-	-	-	-
Due to other funds	-	72,789	73,135	76,034	-	-	-	-	221,958
Total liabilities	<u>-</u>	<u>72,789</u>	<u>91,010</u>	<u>76,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,303</u>	<u>298,136</u>
FUND BALANCE									
Nonspendable	-	-	-	-	-	-	-	7,760	7,760
Restricted	15,537	-	-	-	1,006,105	881,664	101,793	57,701	2,062,800
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	1,034,081	-	-	-	-	-	-	-	1,034,081
Total fund balance	<u>1,049,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,006,105</u>	<u>881,664</u>	<u>101,793</u>	<u>65,461</u>	<u>3,104,641</u>
Total liabilities and fund balance	<u>\$ 1,049,618</u>	<u>\$ 72,789</u>	<u>\$ 91,010</u>	<u>\$ 76,034</u>	<u>\$ 1,006,105</u>	<u>\$ 881,664</u>	<u>\$ 101,793</u>	<u>\$ 123,764</u>	<u>\$ 3,402,777</u>

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, 2012

Statement 4

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

Total fund balances - governmental funds		\$ 3,104,641
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	10,321,883	
Accumulated depreciation	<u>(4,832,501)</u>	
Net capital assets		5,489,382
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>(57,122)</u>
Total net assets - governmental funds		<u>\$ 8,536,901</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, 2012

Statement 5

	General	Title I	PL 94-142 Entitlement	21st Century	House Bill 33	Capital Improvements SB-9	Debt Service	Other Governmental	Total
REVENUES									
Taxes	\$ 66,086	\$ -	\$ -	\$ -	\$ 8,954	\$ 275,554	\$ 2,671	\$ -	\$ 353,265
Charges for services	36,291	-	-	-	-	-	-	83,102	119,393
Local sources	22,781	-	-	-	-	-	-	5,805	28,586
State sources	5,677,594	-	-	-	-	49,122	-	7,501	5,734,217
Federal sources	14,644	171,040	234,752	208,397	-	-	-	356,344	985,177
Earnings from investments	8,675	-	-	-	6,936	5,279	729	240	21,859
Total revenues	5,826,071	171,040	234,752	208,397	15,890	329,955	3,400	452,992	7,242,497
EXPENDITURES									
Current:									
Direct instruction	2,912,425	159,874	179,502	191,203	-	-	-	111,726	3,554,730
Instructional support	2,842,042	11,166	55,250	17,194	-	131,605	-	81,123	3,138,380
Food services	-	-	-	-	-	-	-	252,981	252,981
Capital outlay	-	-	-	-	-	60,220	-	-	60,220
Total expenditures	5,754,467	171,040	234,752	208,397	-	191,825	-	445,830	7,006,311
Net change in fund balances	71,604	-	-	-	15,890	138,130	3,400	7,162	236,186
Fund balance beginning of year	978,014	-	-	-	990,215	743,534	98,393	58,299	2,868,455
Fund balance end of year	<u>\$ 1,049,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,105</u>	<u>\$ 881,664</u>	<u>\$ 101,793</u>	<u>\$ 65,461</u>	<u>\$ 3,104,641</u>

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, 2012

Statement 6

Total net change in fund balances - governmental funds \$ 236,186

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	(230,355)	
Capital outlays	<u>60,220</u>	

Excess of depreciaton expense over capital outlays (170,135)

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>(5,940)</u>
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Change in net assets of governmental activities \$ 60,111

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 60,491	\$ 60,491	\$ 70,824	\$ 10,333
Charges for services	18,000	18,000	36,291	18,291
Local sources	-	-	22,781	22,781
State sources	5,616,681	5,684,266	5,677,594	(6,672)
Federal sources	11,000	11,000	14,644	3,644
Earnings from investments	7,111	7,111	8,675	1,564
	<u>\$ 5,713,283</u>	<u>\$ 5,780,868</u>	<u>\$ 5,830,809</u>	<u>\$ 49,941</u>
EXPENDITURES				
Direct instruction	\$ 3,243,567	\$ 3,254,986	\$ 2,912,425	\$ 342,561
Instructional support	3,115,656	3,180,223	2,842,042	338,181
Food services	-	-	-	-
Capital outlay	-	-	-	-
	<u>\$ 6,359,223</u>	<u>\$ 6,435,209</u>	<u>\$ 5,754,467</u>	<u>\$ 680,742</u>
BUDGETED CASH BALANCE	<u>\$ 645,940</u>	<u>\$ 654,341</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)
 Title I
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 166,190	\$ 193,051	\$ 137,640	\$ (55,411)
Total revenues	<u>\$ 166,190</u>	<u>\$ 193,051</u>	<u>\$ 137,640</u>	<u>\$ (55,411)</u>
EXPENDITURES				
Direct instruction	\$ 159,813	\$ 181,858	\$ 159,874	\$ 21,984
Instructional support	<u>6,377</u>	<u>11,193</u>	<u>11,166</u>	<u>27</u>
Total expenditures	<u>\$ 166,190</u>	<u>\$ 193,051</u>	<u>\$ 171,040</u>	<u>\$ 22,011</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 146,456	\$ 245,354	\$ 131,312	\$ 114,042
Total revenues	<u>\$ 146,456</u>	<u>\$ 245,354</u>	<u>\$ 131,312</u>	<u>\$ 114,042</u>
EXPENDITURES				
Direct instruction	\$ 91,766	\$ 189,368	\$ 179,502	\$ 9,866
Instructional support	54,690	55,986	55,250	736
Total expenditures	<u>\$ 146,456</u>	<u>\$ 245,354</u>	<u>\$ 234,752</u>	<u>\$ 10,602</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)
 21st Century
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 104,400	\$ 209,789	\$ 151,327	\$ (58,462)
Total revenues	<u>\$ 104,400</u>	<u>\$ 209,789</u>	<u>\$ 151,327</u>	<u>\$ (58,462)</u>
EXPENDITURES				
Direct instruction	\$ 84,005	\$ 192,313	\$ 191,203	\$ 1,110
Instructional support	<u>20,395</u>	<u>17,476</u>	<u>17,194</u>	<u>282</u>
Total expenditures	<u>\$ 104,400</u>	<u>\$ 209,789</u>	<u>\$ 208,397</u>	<u>\$ 1,392</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, 2012

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	\$ 130,018
Total assets	<u>\$ 130,018</u>
LIABILITIES	
Deposits held for others	\$ 130,018
Total liabilities	<u>\$ 130,018</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, 2012

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 - 21 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.

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.

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

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

Fiduciary Funds

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

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

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

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.

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>\$ 1,597</u>	<u>\$ 6,654</u>	<u>\$ -</u>	<u>\$ 8,251</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	5-10 years
Vehicles	12-20 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 \$670,472 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 \$49,122 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 \$23,200 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	\$ 141,901
Farmers & Stockmens Bank	Checking	Operational	2,498,476
First National Bank	Checking	Activity	29,951
First National Bank	Certificate of Deposit		740,000
Farmers & Stockmens Bank	Certificate of Deposit	Activity	6,000
Farmers & Stockmens Bank	Checking	Junior High	<u>75,189</u>
			<u>\$3,491,517</u>
Total amount on deposit			\$3,491,517
Outstanding checks			(514,495)
Deposits in transit			<u>-</u>
Total per financial statements			<u>\$2,977,022</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2012, \$2,807,665 of the School's bank balance of \$3,491,517 was exposed to custodial credit risk as follows:

A.	Uninsured and uncollateralized	\$ 935,995
B.	Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name	<u>1,871,670</u>
	Total	<u>\$2,807,665</u>

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

Notes to Financial Statements (continued)

<u>Federal Home Loan Bank of Dallas, TX</u>	<u>Maturity Date</u>	Fair Market <u>Value</u>
FNMA CUSIP #3138AA655	4/01/26	\$ 1,027,335
FNMA CUSIP #3136FTJE0	10/28/15	403,210
FNMA CUSIP #3136FTAE9	10/11/17	<u>100,139</u>
		<u>\$ 1,530,684</u>
<u>Vining Sparks Bank of Dallas, TX</u>	<u>Maturity Date</u>	<u>Value</u>
FHLB Cusip #850395CJ1	6/15/16	\$ 138,250
FHLB Cusip #953769JE7	10/01/14	108,949
FHLB Cusip #418839CH7	8/01/17	<u>93,787</u>
		<u>\$ 340,986</u>

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

	<u>Farmers & Stockmens Bank</u>	<u>First National Bank</u>
Cash on deposit at June 30	\$ 2,573,665	\$ 911,852
Less F.D.I.C.	<u>(256,000)</u>	<u>(421,852)</u>
Uninsured funds	2,317,665	490,000
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	1,158,832	245,000
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>1,530,684</u>	<u>340,986</u>
Excess of pledged collateral	<u>\$ 371,852</u>	<u>\$ 95,986</u>

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities:				
Land	\$ 467,890	\$ -	\$ -	\$ 467,890
Total capital assets not being depreciated	<u>467,890</u>	<u>-</u>	<u>-</u>	<u>467,890</u>
Buildings	7,326,200	53,012	-	7,379,212
Vehicles	935,023	-	-	935,023
Equipment	1,196,789	7,208	-	1,203,997
Land improvements	<u>335,761</u>	<u>-</u>	<u>-</u>	<u>335,761</u>
Total	<u>9,793,773</u>	<u>60,220</u>	<u>-</u>	<u>9,853,993</u>
Less Accumulated Depreciation				
Buildings	(2,792,291)	(140,361)	-	(2,932,652)
Vehicles	(575,682)	(61,149)	-	(636,831)
Equipment	(1,131,904)	(22,872)	-	(1,154,776)
Land improvements	<u>(102,269)</u>	<u>(5,973)</u>	<u>-</u>	<u>(108,242)</u>
Total	<u>(4,602,146)</u>	<u>(230,355)</u>	<u>-</u>	<u>(4,832,501)</u>
Governmental activities capital assets, net	<u>\$ 5,659,517</u>	<u>\$ (170,135)</u>	<u>\$ -</u>	<u>\$ 5,489,382</u>

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

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 230,355</u>
Total depreciation expense	<u>\$ 230,355</u>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

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

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
Compensated Absences	<u>\$ 51,182</u>	<u>\$ 18,210</u>	<u>\$ (12,270)</u>	<u>\$ 57,122</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, 2013. The property may be purchased at the fair market value upon expiration of the lease. The following yearly payments will be due:

Fiscal year 2013	<u>\$ 19,554</u>
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C. Short-Term Liabilities

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

5. DEFERRED REVENUE

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

6. DUE FROM GRANTOR

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

Notes to Financial Statements (continued)

7. CASH OVERDRAFTS

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

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 2nd Street, Raton, New Mexico 87740.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>	<u>PL 94-142 Entitlement</u>	<u>21st Century</u>
Revenues per modified accrual basis	\$ 5,826,071	\$ 171,040	\$ 234,752	\$ 208,397
Receivables	4,738	-	-	-
Deferred revenues/Due from grantor	-	(33,400)	(103,440)	(57,070)
Revenues per budgetary basis	<u>\$ 5,830,809</u>	<u>\$ 137,640</u>	<u>\$ 131,312</u>	<u>\$ 151,327</u>
Expenditures per modified accrual basis	\$ 5,754,467	\$ 171,040	\$ 234,752	\$ 208,397
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 5,754,467</u>	<u>\$ 171,040</u>	<u>\$ 234,752</u>	<u>\$ 208,397</u>
	<u>House Bill 33</u>	<u>Capital Improvements SB-9</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue</u>
Revenues per modified accrual basis	\$ 15,890	\$ 329,955	\$ 3,400	\$ 452,992
Receivables	23,968	19,034	-	-
Deferred revenues/Due from grantor	-	-	-	79,633
Revenues per budgetary basis	<u>\$ 39,858</u>	<u>\$ 348,989</u>	<u>\$ 3,400</u>	<u>\$ 532,625</u>
Expenditures per modified accrual basis	\$ -	\$ 191,825	\$ -	\$ 445,830
Inventory changes	-	-	-	(1,180)
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ -</u>	<u>\$ 191,825</u>	<u>\$ -</u>	<u>\$ 444,650</u>

10. RISK MANAGEMENT

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

11. RETIREMENT PLAN

Plan Description. Substantially all of the 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.

Funding Policy. Plan members earning \$20,000 or less annually are required by statute to contribute 7.9% of their gross salary. Plan members earning over \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. Clayton Municipal Schools has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012 Clayton Municipal Schools contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013 Clayton Municipal Schools will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and 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. Clayton Municipal Schools contributions to ERB for the fiscal years ending June 30, 2012, 2011 and 2010 were \$335,013, \$413,010 and \$432,702, respectively, which equal 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 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.

Notes to Financial Statements (continued)

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

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

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

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

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

Clayton Municipal Schools contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$66,224, \$62,205 and \$50,940, respectively, which equal the required contributions for each year.

13. BUDGETED ACTIVITY FUNDS

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

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
ASSETS				
Cash and cash equivalent	\$ 120,588	\$ 194,396	\$ 184,966	\$ 130,018
Total assets	<u>\$ 120,588</u>	<u>\$ 194,396</u>	<u>\$ 184,966</u>	<u>\$ 130,018</u>
LIABILITIES				
Deposits held for others				
Elementary School	\$ 18,767	\$ 31,367	\$ 35,824	\$ 14,310
Junior High	56,337	17,167	15,154	58,350
High School	<u>45,484</u>	<u>145,862</u>	<u>133,988</u>	<u>57,358</u>
Total liabilities	<u>\$ 120,588</u>	<u>\$ 194,396</u>	<u>\$ 184,966</u>	<u>\$ 130,018</u>

Notes to Financial Statements (continued)

14. FUND BALANCES CLASSIFIED

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>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	-	-	-	-	7,760	7,760
Total nonspendable	-	-	-	-	7,760	7,760
Restricted for:						
Transportation services	3,456	-	-	-	-	3,456
Instructional materials	12,081	-	-	-	-	12,081
Capital improvements	-	1,006,105	881,664	-	-	1,887,769
Debt service payments	-	-	-	101,793	-	101,793
Athletic services	-	-	-	-	19,860	19,860
Special grants	-	-	-	-	-	-
Cafeteria services	-	-	-	-	37,841	37,841
Total restricted	15,537	1,006,105	881,664	101,793	57,701	2,062,800
Committed to:						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
Unassigned:						
	1,034,081	-	-	-	-	1,034,081
Total Fund Balances	<u>\$ 1,049,618</u>	<u>\$1,006,105</u>	<u>\$ 881,664</u>	<u>\$ 101,793</u>	<u>\$ 65,461</u>	<u>\$ 3,104,641</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ 32,922	\$ 32,922
Earnings from investments	4,000	4,000	6,936	2,936
Total revenues	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 39,858</u>	<u>\$ 35,858</u>
EXPENDITURES				
Instructional support	\$ 968,433	\$ 968,433	\$ -	\$ 968,433
Total expenditures	<u>\$ 968,433</u>	<u>\$ 968,433</u>	<u>\$ -</u>	<u>\$ 968,433</u>
BUDGETED CASH BALANCE	<u>\$ 964,433</u>	<u>\$ 964,433</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 250,930	\$ 250,930	\$ 294,588	\$ 43,658
State sources	49,122	49,122	49,122	-
Earnings from investments	2,500	2,500	5,279	2,779
Total revenues	<u>\$ 302,552</u>	<u>\$ 302,552</u>	<u>\$ 348,989</u>	<u>\$ 46,437</u>
EXPENDITURES				
Capital outlay	\$ 951,954	\$ 951,954	\$ 191,825	\$ 760,129
Total expenditures	<u>\$ 951,954</u>	<u>\$ 951,954</u>	<u>\$ 191,825</u>	<u>\$ 760,129</u>
BUDGETED CASH BALANCE	<u>\$ 649,402</u>	<u>\$ 649,402</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ 2,671	\$ 2,671
Earnings from investments	-	-	729	729
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,400</u>	<u>\$ 3,400</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.

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.

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.

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.

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.

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.

(Non-Major Special Revenue Funds - continued)

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.

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.

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

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

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.

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, 2012

Statement A-1
 Page 1 of 3

	Education Jobs Fund	Improving Teacher Quality	PL 94-142 Preschool	PL 94-142 Preschool- Stimulus	PL 94-142 Rellocation	PL 94-142 Entitlement Stimulus
ASSETS						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	-	24,904	6,455	-	440	-
Inventory, at cost	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 24,904</u>	<u>\$ 6,455</u>	<u>\$ -</u>	<u>\$ 440</u>	<u>\$ -</u>
LIABILITIES						
Cash overdraft	\$ -	\$ 24,904	\$ 6,455	\$ -	\$ 440	\$ -
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>24,904</u>	<u>6,455</u>	<u>-</u>	<u>440</u>	<u>-</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 24,904</u>	<u>\$ 6,455</u>	<u>\$ -</u>	<u>\$ 440</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 Balance Sheet
 June 30, 2012

Statement A-1
 Page 2 of 3

	Title I Stimulus	Medicaid	Summer Food Program	REAP	Incentives for School Improvements	Dual Credit	GO Bond Student Library
ASSETS							
Cash on deposit	\$ -	\$ -	\$ 1	\$ -	\$ 5	\$ -	\$ -
Due from grantor	-	16,073	-	-	-	-	51
Inventory, at cost	-	-	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 16,073</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 51</u>
LIABILITIES							
Cash overdraft	\$ -	\$ 16,073	\$ -	\$ -	\$ -	\$ -	\$ 51
Deferred revenue	-	-	1	-	5	-	-
Total liabilities	<u>-</u>	<u>16,073</u>	<u>1</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>51</u>
FUND BALANCES							
Nonspendable	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 16,073</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 51</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 Balance Sheet
 June 30, 2012

Statement A-1
 Page 3 of 3

	GO Bond Student Library	After School Enrichment Program	Saturday School	Athletics	Student Cafeteria Account	Totals
ASSETS						
Cash on deposit	\$ -	\$ 3,017	\$ 7,357	\$ 19,860	\$ 37,841	\$ 68,081
Due from grantor	-	-	-	-	-	47,923
Inventory, at cost	-	-	-	-	7,760	7,760
Total assets	<u>\$ -</u>	<u>\$ 3,017</u>	<u>\$ 7,357</u>	<u>\$ 19,860</u>	<u>\$ 45,601</u>	<u>\$ 123,764</u>
LIABILITIES						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,923
Deferred revenue	-	3,017	7,357	-	-	10,380
Total liabilities	<u>-</u>	<u>3,017</u>	<u>7,357</u>	<u>-</u>	<u>-</u>	<u>58,303</u>
FUND BALANCES						
Nonspendable	-	-	-	-	7,760	7,760
Restricted	-	-	-	19,860	37,841	57,701
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,860</u>	<u>45,601</u>	<u>65,461</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 3,017</u>	<u>\$ 7,357</u>	<u>\$ 19,860</u>	<u>\$ 45,601</u>	<u>\$ 123,764</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, 2012

Statement A-2
 Page 1 of 3

	Education Job Fund	Improving Teacher Quality	PL 94-142 Preschool	PL 94-142 Preschool Stimulus	PL 94-142 Reallocation	PL 94-142 Entitlement Stimulus
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	2,136	47,837	14,241	-	1,110	-
Earnings from investments	-	-	-	-	-	-
Total revenues	<u>2,136</u>	<u>47,837</u>	<u>14,241</u>	<u>-</u>	<u>1,110</u>	<u>-</u>
EXPENDITURES						
Direct instruction	2,136	47,837	13,809	-	1,110	-
Instructional support	-	-	432	-	-	-
Food services	-	-	-	-	-	-
Total expenditures	<u>2,136</u>	<u>47,837</u>	<u>14,241</u>	<u>-</u>	<u>1,110</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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, 2012

Statement A-2
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	Title I Stimulus	Medicaid	Summer Food Program	REAP	Incentives for School Improvement	Dual Credit	GO Bond School Library
REVENUES							
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-	-
State sources	-	-	-	-	-	1,489	6,012
Federal sources	-	73,324	12,568	4,962	-	-	-
Earnings from investments	-	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>73,324</u>	<u>12,568</u>	<u>4,962</u>	<u>-</u>	<u>1,489</u>	<u>6,012</u>
EXPENDITURES							
Direct instruction	-	-	-	4,962	-	1,489	-
Instructional support	-	73,324	-	-	-	-	6,012
Food services	-	-	12,568	-	-	-	-
Total expenditures	<u>-</u>	<u>73,324</u>	<u>12,568</u>	<u>4,962</u>	<u>-</u>	<u>1,489</u>	<u>6,012</u>
Net change in fund balance	-	-	-	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2012

Statement A-2
 Page 3 of 3

	GO Bond Student Library	After School Enrichment Program	Saturday School	Athletics	Cafeteria	Totals
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ 41,144	\$ 41,958	\$ 83,102
Local sources	-	2,021	2,904	880	-	5,805
State sources	-	-	-	-	-	7,501
Federal sources	-	-	-	-	200,166	356,344
Earnings from investments	-	-	-	-	240	240
Total revenues	<u>-</u>	<u>2,021</u>	<u>2,904</u>	<u>42,024</u>	<u>242,364</u>	<u>452,992</u>
EXPENDITURES						
Direct instruction	-	-	1,549	38,834	-	111,726
Instructional support	-	-	1,355	-	-	81,123
Food services	-	2,021	-	-	238,392	252,981
Total expenditures	<u>-</u>	<u>2,021</u>	<u>2,904</u>	<u>38,834</u>	<u>238,392</u>	<u>445,830</u>
Net change in fund balance	-	-	-	3,190	3,972	7,162
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,670</u>	<u>41,629</u>	<u>58,299</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,860</u>	<u>\$ 45,601</u>	<u>\$ 65,461</u>

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

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 2,136	\$ 51,662	\$ 49,526
Total revenues	<u>\$ -</u>	<u>\$ 2,136</u>	<u>\$ 51,662</u>	<u>\$ 49,526</u>
EXPENDITURES				
Instructional support	\$ -	\$ 2,136	\$ 2,136	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 2,136</u>	<u>\$ 2,136</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 51,662	
Decrease in due from grantor			<u>(49,526)</u>	
Modified accrual basis			<u>\$ 2,136</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 36,694	\$ 70,391	\$ 22,933	\$ (47,458)
Total revenues	<u>\$ 36,694</u>	<u>\$ 70,391</u>	<u>\$ 22,933</u>	<u>\$ (47,458)</u>
EXPENDITURES				
Direct instruction	\$ 36,694	\$ 70,391	\$ 47,837	\$ 22,554
Total expenditures	<u>\$ 36,694</u>	<u>\$ 70,391</u>	<u>\$ 47,837</u>	<u>\$ 22,554</u>
REVENUES				
Budgetary basis			\$ 22,933	
Increase in due from grantor			<u>24,904</u>	
Modified accrual basis			<u>\$ 47,837</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 11,099	\$ 15,566	\$ 5,590	\$ (9,976)
Total revenues	<u>\$ 11,099</u>	<u>\$ 15,566</u>	<u>\$ 5,590</u>	<u>\$ (9,976)</u>
EXPENDITURES				
Direct instruction	\$ 10,602	\$ 15,069	\$ 13,809	\$ 1,260
Instructional support	497	497	432	65
Total expenditures	<u>\$ 11,099</u>	<u>\$ 15,566</u>	<u>\$ 14,241</u>	<u>\$ 1,325</u>
REVENUES				
Budgetary basis			\$ 5,590	
Decrease in deferred revenues			2,196	
Increase in due from grantor			<u>6,455</u>	
Modified accrual basis			<u>\$ 14,241</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 2,974	\$ 2,974
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,974</u>	<u>\$ 2,974</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 2,974	
Decrease in due from grantor			<u>(2,974)</u>	
Modified accrual basis			<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 94-142 Reallocation
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 1,111	\$ 947	\$ (164)
Total revenues	<u>\$ -</u>	<u>\$ 1,111</u>	<u>\$ 947</u>	<u>\$ (164)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 1,111	\$ 1,110	\$ 1
Total expenditures	<u>\$ -</u>	<u>\$ 1,111</u>	<u>\$ 1,110</u>	<u>\$ 1</u>
REVENUES				
Budgetary basis			\$ 947	
Increase in due from grantor			<u>163</u>	
Modified accrual basis			<u>\$ 1,110</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 Entitlement - Stimulus
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 74,190	\$ 74,190
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,190</u>	<u>\$ 74,190</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 74,190	
Decrease in due from grantor			<u>(74,190)</u>	
Modified accrual basis			<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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 9,708	\$ 9,708
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,708</u>	<u>\$ 9,708</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 9,708	
Decrease in due from grantor			<u>(9,708)</u>	
Modified accrual basis			<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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 100,000	\$ 100,000	\$ 57,222	\$ (42,778)
Total revenues	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 57,222</u>	<u>\$ (42,778)</u>
EXPENDITURES				
Instructional support	\$ 100,000	\$ 100,000	\$ 73,324	\$ 26,676
Total expenditures	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 73,324</u>	<u>\$ 26,676</u>
REVENUES				
Budgetary basis			\$ 57,222	
Increase in due from grantor			<u>16,102</u>	
Modified accrual basis			<u>\$ 73,324</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 73	\$ 12,641	\$ 6,186	\$ (6,455)
Total revenues	<u>\$ 73</u>	<u>\$ 12,641</u>	<u>\$ 6,186</u>	<u>\$ (6,455)</u>
EXPENDITURES				
Food services	\$ 73	\$ 12,641	\$ 12,568	\$ 73
Total expenditures	<u>\$ 73</u>	<u>\$ 12,641</u>	<u>\$ 12,568</u>	<u>\$ 73</u>
REVENUES				
Budgetary basis			\$ 6,186	
Decrease in deferred revenues			<u>6,382</u>	
Modified accrual basis			<u>\$ 12,568</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 12,828	\$ 28,375	\$ 4,962	\$ (23,413)
Total revenues	<u>\$ 12,828</u>	<u>\$ 28,375</u>	<u>\$ 4,962</u>	<u>\$ (23,413)</u>
EXPENDITURES				
Direct instruction	\$ 12,828	\$ 28,375	\$ 4,962	\$ 23,413
Total expenditures	<u>\$ 12,828</u>	<u>\$ 28,375</u>	<u>\$ 4,962</u>	<u>\$ 23,413</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, 2012

	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 - Dual Credit
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 3,252	\$ 1,489	\$ (1,763)
Total revenues	<u>\$ -</u>	<u>\$ 3,252</u>	<u>\$ 1,489</u>	<u>\$ (1,763)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 3,252	\$ 1,489	\$ 1,763
Total expenditures	<u>\$ -</u>	<u>\$ 3,252</u>	<u>\$ 1,489</u>	<u>\$ 1,763</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 School Library
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 8,485	\$ 8,485	\$ 5,961	\$ (2,524)
Total revenues	<u>\$ 8,485</u>	<u>\$ 8,485</u>	<u>\$ 5,961</u>	<u>\$ (2,524)</u>
EXPENDITURES				
Instructional support	\$ 8,485	\$ 8,485	\$ 6,012	\$ 2,473
Total expenditures	<u>\$ 8,485</u>	<u>\$ 8,485</u>	<u>\$ 6,012</u>	<u>\$ 2,473</u>
REVENUES				
Budgetary basis			\$ 5,961	
Increase in due from grantor			<u>51</u>	
Modified accrual basis			<u>\$ 6,012</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 713	\$ 713
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713</u>	<u>\$ 713</u>
EXPENDITURES				
Instructional support	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 713	
Decrease in due from grantor			<u>(713)</u>	
Modified accrual basis			<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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 2,539	\$ 5,039	\$ -	\$ (5,039)
Total revenues	<u>\$ 2,539</u>	<u>\$ 5,039</u>	<u>\$ -</u>	<u>\$ (5,039)</u>
EXPENDITURES				
Instructional support	\$ -	\$ 160	\$ -	\$ 160
Food services	<u>2,539</u>	<u>4,879</u>	<u>2,021</u>	<u>2,858</u>
Total expenditures	<u>\$ 2,539</u>	<u>\$ 5,039</u>	<u>\$ 2,021</u>	<u>\$ 3,018</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>2,021</u>	
Modified accrual basis			<u>\$ 2,021</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 6,251	\$ 9,951	\$ 3,700	\$ (6,251)
Total revenues	<u>\$ 6,251</u>	<u>\$ 9,951</u>	<u>\$ 3,700</u>	<u>\$ (6,251)</u>
EXPENDITURES				
Direct instruction	\$ 6,251	\$ 8,593	\$ 1,549	\$ 7,044
Instructional support	-	1,358	1,355	3
Total expenditures	<u>\$ 6,251</u>	<u>\$ 9,951</u>	<u>\$ 2,904</u>	<u>\$ 7,047</u>
REVENUES				
Budgetary basis			\$ 3,700	
Decrease in deferred revenue			(796)	
Modified accrual basis			<u>\$ 2,904</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 30,000	\$ 30,000	\$ 41,144	\$ 11,144
Local services	-	-	880	880
Total revenues	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 42,024</u>	<u>\$ 12,024</u>
EXPENDITURES				
Direct instruction	\$ 48,187	\$ 48,187	\$ 38,834	\$ 9,353
Total expenditures	<u>\$ 48,187</u>	<u>\$ 48,187</u>	<u>\$ 38,834</u>	<u>\$ 9,353</u>
BUDGETED CASH BALANCE	<u>\$ 18,187</u>	<u>\$ 18,187</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 47,800	\$ 47,800	\$ 41,958	\$ (5,842)
Federal sources	188,151	188,151	200,166	12,015
Earnings from investments	50	50	240	190
	<u>50</u>	<u>50</u>	<u>240</u>	<u>190</u>
Total revenues	<u>\$ 236,001</u>	<u>\$ 236,001</u>	<u>\$ 242,364</u>	<u>\$ 6,363</u>
EXPENDITURES				
Food services	\$ 259,921	\$ 259,921	\$ 237,212	\$ 22,709
	<u>259,921</u>	<u>259,921</u>	<u>237,212</u>	<u>22,709</u>
Total expenditures	<u>\$ 259,921</u>	<u>\$ 259,921</u>	<u>\$ 237,212</u>	<u>\$ 22,709</u>
BUDGETED CASH BALANCE				
	<u>\$ 23,920</u>	<u>\$ 23,920</u>		
EXPENDITURES				
Budgetary basis			\$ 237,212	
Decrease in inventory			<u>1,180</u>	
			<u>238,392</u>	
Modified accrual basis			<u>\$ 238,392</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, 2012

	<u>Operational</u>	<u>Transporation</u>	<u>Instructional Materials</u>	<u>Total</u>
ASSETS				
Cash on deposit	\$ 1,032,484	\$ 3,456	\$ 12,081	\$ 1,048,021
Accounts receivable, collectible	<u>1,597</u>	<u>-</u>	<u>-</u>	<u>1,597</u>
Total assets	<u>\$ 1,034,081</u>	<u>\$ 3,456</u>	<u>\$ 12,081</u>	<u>\$ 1,049,618</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	3,456	12,081	15,537
Unassigned	<u>1,034,081</u>	<u>-</u>	<u>-</u>	<u>1,034,081</u>
Total fund balance	<u>1,034,081</u>	<u>3,456</u>	<u>12,081</u>	<u>1,049,618</u>
Total liabilities and fund balances	<u>\$ 1,034,081</u>	<u>\$ 3,456</u>	<u>\$ 12,081</u>	<u>\$ 1,049,618</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, 2012

Statement B-2

	Operational	Transportation	Instructional Materials	Total
REVENUES				
Taxes	\$ 66,086	\$ -	\$ -	\$ 66,086
Charges for services	36,291	-	-	36,291
Local sources	22,703	-	78	22,781
State sources	4,983,922	670,472	23,200	5,677,594
Federal sources	14,644	-	-	14,644
Earnings from investments	8,607	-	68	8,675
Total revenues	<u>5,132,253</u>	<u>670,472</u>	<u>23,346</u>	<u>5,826,071</u>
EXPENDITURES				
Current:				
Direct instruction	2,886,921	-	25,504	2,912,425
Instructional support	2,175,026	667,016	-	2,842,042
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>5,061,947</u>	<u>667,016</u>	<u>25,504</u>	<u>5,754,467</u>
Net change in fund balance	70,306	3,456	(2,158)	71,604
Fund balance at beginning of year	<u>963,775</u>	<u>-</u>	<u>14,239</u>	<u>978,014</u>
Fund balance at end of year	<u>\$ 1,034,081</u>	<u>\$ 3,456</u>	<u>\$ 12,081</u>	<u>\$ 1,049,618</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 60,491	\$ 60,491	\$ 70,824	\$ 10,333
Charges for services	18,000	18,000	36,291	18,291
Local sources	-	-	22,703	22,703
State sources	4,973,064	4,991,117	4,983,922	(7,195)
Federal sources	11,000	11,000	14,644	3,644
Earnings from investments	7,000	7,000	8,607	1,607
Total revenues	<u>\$ 5,069,555</u>	<u>\$ 5,087,608</u>	<u>\$ 5,136,991</u>	<u>\$ 49,383</u>
EXPENDITURES				
Direct instruction	\$ 3,217,960	\$ 3,217,960	\$ 2,886,921	\$ 331,039
Instructional support	2,491,698	2,509,751	2,175,026	334,725
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 5,709,658</u>	<u>\$ 5,727,711</u>	<u>\$ 5,061,947</u>	<u>\$ 665,764</u>
BUDGETED CASH BALANCE	<u>\$ 640,103</u>	<u>\$ 640,103</u>		
REVENUES				
Budgetary basis			\$ 5,136,991	
Increase in receivables			(4,738)	
Modified accrual basis			<u>\$ 5,132,253</u>	
EXPENDITURES				
Budgetary basis			\$ 5,061,947	
Increase in payables			-	
Modified accrual basis			<u>\$ 5,061,947</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	623,958	670,472	670,472	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 623,958</u>	<u>\$ 670,472</u>	<u>\$ 670,472</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	623,958	670,472	667,016	3,456
Food services	-	-	-	-
Capital outlay	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 623,958</u>	<u>\$ 670,472</u>	<u>\$ 667,016</u>	<u>\$ 3,456</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	78	78
State sources	19,659	22,677	23,200	523
Federal sources	-	-	-	-
Earnings from investments	111	111	68	(43)
Total revenues	<u>\$ 19,770</u>	<u>\$ 22,788</u>	<u>\$ 23,346</u>	<u>\$ 558</u>
EXPENDITURES				
Direct instruction	\$ 25,607	\$ 37,026	\$ 25,504	\$ 11,522
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 25,607</u>	<u>\$ 37,026</u>	<u>\$ 25,504</u>	<u>\$ 11,522</u>
BUDGETED CASH BALANCE	<u>\$ 5,837</u>	<u>\$ 14,238</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, 2012

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Cafeteria</u>	<u>Athletics</u>
Cash balance, June 30, 2011	\$ 957,440	\$ -	\$ 14,239	\$ 32,689	\$ 16,670
Cash Receipts, 2011-2012	5,136,991	670,472	23,346	242,364	42,024
Cash Disbursements, 2011-2012	<u>(5,061,947)</u>	<u>(667,016)</u>	<u>(25,504)</u>	<u>(237,212)</u>	<u>(38,834)</u>
Cash balance, June 30, 2012	<u>\$ 1,032,484</u>	<u>\$ 3,456</u>	<u>\$ 12,081</u>	<u>\$ 37,841</u>	<u>\$ 19,860</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, 2011	\$ (138,240)	\$ 10,891	\$ 966,247	\$ 717,846	\$ 98,394	\$ 120,588
Cash Receipts, 2011-2012	651,691	11,863	39,858	348,989	3,400	194,396
Cash Disbursements, 2011-2012	<u>(765,405)</u>	<u>(12,426)</u>	<u>-</u>	<u>(191,825)</u>	<u>-</u>	<u>(184,966)</u>
Cash balance, June 30, 2012	<u>\$ (251,954)</u>	<u>\$ 10,328</u>	<u>\$ 1,006,105</u>	<u>\$ 875,010</u>	<u>\$ 101,794</u>	<u>\$ 130,018</u>

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

<u>Source and Program</u>	<u>Federal Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
REAP	84.358	25.233	\$ 4,962
Education Jobs Fund-Stimulus-ARRA	84.410	25.255	2,136
Passed through State of NM			
Department of Education:			
Impact Aid Title I (Chapter 1) Basic	84.010	24.101	171,040
PL 94-142 Preschool	84.027	24.109	14,241
* PL 94-142 Entitlement	84.027	24.106	234,752
21 st Century	84.287	24.119	208,397
Improving Teacher Quality	84.367	24.154	47,837
Title I - Stimulus-ARRA	84.010	24.201	-
PL 94-142 Reallocation	84.027	24.120	1,110
PL 94-142 Entitlement-Stimulus-ARRA	84.391	24.206	-
PL 94-142 Preschool-Stimulus-ARRA	84.392	24.209	-
			<hr/>
Sub-total			684,475
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
National School Lunch Program	10.555	21.000	128,030
School Breakfast Program	10.553	21.000	56,062
Summer Food Program	10.558	25.171	12,568
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	16,074
			<hr/>
Sub-total			212,734
			<hr/>
Total Expenditures of Federal Awards			<u>\$ 897,209</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, 2012

Part 1 - Summary of Auditor Results

1. Type of Report - Unqualified
2. Significant Deficiency - NONE
3. Non-Compliance - Agreement to Forgive Debt (12-08)
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unqualified
6. A-133 Audit Findings - NONE
7. Major Programs - PL 94-142 Entitlement CFDA #84.027
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

Classification of Revenue (12-01), Current Approved Contract Needed (12-02), Approval of Track Construction (12-03), Stipends to Employees (12-04), Missing Contract Addendum (12-05), Contract Addendums Inadequate (12-06), Contract Additions (12-07) and Agreement to Forgive Debt (12-08)

Part 3 - Questioned Costs

NONE

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

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Albuquerque, NM 87112

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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 and 21st Century Funds of Clayton Municipal Schools, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 13, 2012. We also have audited the financial statements of each of the Schools' non-major governmental and fiduciary funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Clayton Municipal Schools is responsible for establishing and maintaining effective 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, as defined above.

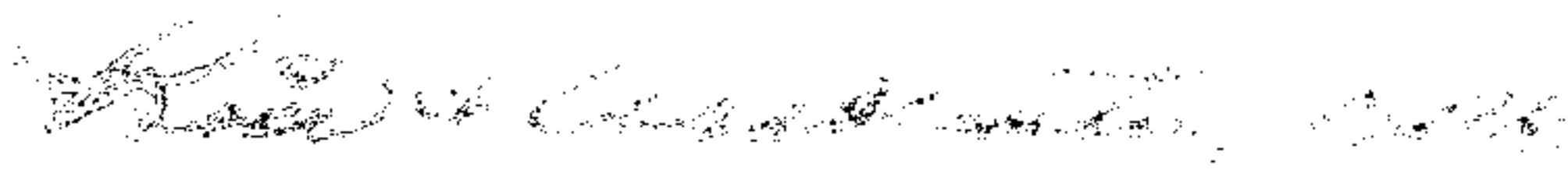
Compliance and Other Matters

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 instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. They are included in the Status of Findings and Responses and Schedule of Findings and Questioned Costs as Classification of Revenues (12-01), Current Approved Contract Needed (12-02), Approval of Track Construction (12-03), Stipends to Employees (12-04) and Agreement to Forgive Debt (12-08).

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying Status of Findings and Responses and Schedule of Findings and Questioned Costs as findings Stipends to Employees (12-04), Missing Contract Addendum (12-05), Contract Addendums Inadequate (12-06) and Contract Additions (12-07).

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

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



November 13, 2012

Rice and Associates, C.P.A.

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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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to

federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

David A. [Signature]

November 13, 2012

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

NONE

Current Year Audit Findings:

1. Classification of Revenues (12-01)
2. Current Approved Contract Needed (12-02)
3. Approval of Track Construction (12-03)
4. Stipends to Employees (12-04)
5. Missing Contract Addendum (12-05)
6. Contract Addendums Inadequate (12-06)
7. Contract Additions (12-07)
8. Agreement to Forgive Debt (12-08)

Classification of Revenues
(12-01)

CONDITION	Management is posting certain revenues received as decreases in expenditures. The total amount posted to expenditures was \$2,774.
CRITERIA	All revenues received should be posted to a particular revenue code designated by the Public Education Department.
CAUSE	Management was not aware of this requirement.
EFFECT	The financial statements could have been understated by \$2,774.
RECOMMENDATION	Employees posting receipts to the books of record should ensure all monies received are posted to revenues according to the correct codes designated by the Public Education Department.
RESPONSE	Employees will now ensure all receipts are posted as revenue codes and not in the expenditure lines.

Current Approved Contract Needed
(12-02)

CONDITION The School District has a contract with the Union County General Hospital that has not been updated since 2003. The Hospital increased their rates from \$50 per hour to \$62 per hour for 2012 however; this increase was not agreed to by the School District. The School District did pay the invoices from the Hospital with the \$62 rate.

CRITERIA The School District should obtain a new, approved and signed contract agreeing to any increases in charges by all vendors/contractors each year.

CAUSE Management did not ensure a new contract was obtained at the beginning of the school year or when the rates set by the Hospital increased.

EFFECT The School District is not ensuring that what is paid to the Hospital is correct and that the School District agreed to the increase.

RECOMMENDATION Management should obtain a new contract with the Hospital as soon as possible.

RESPONSE The School District is currently working with the Hospital to update and renew the contract. At this time, the Hospital is retro-actively going back to the \$50.00 rate.

Approval of Track Construction
(12-03)

CONDITION The Board approved to repair the track in the July 11, 2012 meeting with a particular vendor. That vendor was fired and another hired. There is no Board approval firing or letting go of the original contractor. Also, there was no Board approval in the minutes approving the new contractor, the amount the new contractor would charge or what the new contractor's specifications of rebuilding the track would be.

CRITERIA The Board minutes need to reflect all decisions made by the Board.

CAUSE The Board and Management did not ensure that this information was included in the Board minutes.

EFFECT Payments could be made for services not approved by the Board.

RECOMMENDATION All approvals made by the Board need to be included in the Board minutes. This includes all approvals to change vendors or discontinue services with vendors.

RESPONSE Board and Management will be more diligent in ensuring firing and hiring will be made in public forum.

Stipends to Employees
(12-04)

CONDITION	A stipend was paid to a coach during the year in the amount of \$1,500 without the required income taxes being withheld.
CRITERIA	All employees of the School District should be paid on a W-2 basis and have the required income taxes withheld. These employees are not sub-contractors.
CAUSE	Management did not ensure that this individual was paid as an employee.
EFFECT	The School District is now responsible for both the employee and employers share of the federal income taxes.
RECOMMENDATION	Management should ensure that all employees are paid correctly according to Internal Revenue Service regulations.
RESPONSE	All employees are being paid through payroll and all coaches are now considered employees.

Missing Contract Addendum
(12-05)

CONDITION An approved contract addendum for one particular employee in the amount of \$2,040 was not available for review.

CRITERIA All approved contracts and addendums should be kept in the employees file.

CAUSE Management did not ensure that all necessary information was filed in each employees employment file.

EFFECT Salary payments could not be verified by the available documentation.

RECOMMENDATION To ensure that all payments made to employees are correct the appropriate approved contract and all addendums should be kept in the employees file.

RESPONSE Management is working to update all employee records and will strive to maintain current records from now on.

Contract Addendums Inadequate
(12-06)

CONDITION

The contract addendums used by the client are not adequate. They do not include:

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

CRITERIA

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

CAUSE

Management was aware of this situation in the prior fiscal year but did not ensure it was changed so that a comment did not appear this year.

EFFECT

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

RECOMMENDATION

Management should change all contracts to ensure all required information is included, as soon as possible.

RESPONSE

Management will go through and update all current contracts and will ensure future contracts have all required information.

Contract Additions
(12-07)

CONDITION	An employee had an additional pay of \$2,000 plus an extension approved by the Board, however there is no documentation specifying what the \$2,000 increase is for or how long the extension is. This addition was made on the original contract and not on a contract addendum.
CRITERIA	All changes to contracts should be added as an addendum which specifies additional duties, pay, extensions of time, etc.
CAUSE	Management does not have procedures to ensure that all contract changes are approved and detailed on a contract addendum.
EFFECT	Payments could be made for services that have not been rendered since it is not specified on a contract addendum what those services are.
RECOMMENDATION	All additions to original contract should be specified and approved on a contract addendum.
RESPONSE	Contract addendums will be added for all changes to base salary contracts. Each contract addendum will contain the required information specifying what services are required.

Agreement to Forgive Debt
(12-08)

CONDITION Each Board Member and the Superintendent signed an agreement to forgive the debt of an Owner/Operator Bus Driver in the amount of \$40,775. This agreement violates State Statute 22-8-27F.

CRITERIA State Statute 22-8-27F states "If the School District fails to take action to collect money owed to it when a school bus contract is terminated or not renewed, the department may deduct the amount from the School District's transportation distribution."

CAUSE The Board and Superintendent did not obtain sound legal advice from their attorney before signing the agreement.

EFFECT The School District violated State Statute 22-8-27. Also, they may lose \$40,775 from their transportation allocation from PED that cannot be collected from the Owner/Operator Bus Driver. The School District does not have an ample surplus of funds to cover this deficit in the Operational Fund.

RECOMMENDATION The Board and Superintendent should seek legal advice on how to resolve this issue so as not to lose \$40,775 due them.

RESPONSE Currently under review by the New Mexico Public Education Department of Transportation to determine what options are available.

FINANCIAL STATEMENT PREPARATION

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

EXIT CONFERENCE

An exit conference was held at the School District on November 13, 2012, to discuss the current audit report. In attendance were Mr. Rich Anderson, Superintendent, Ms. April Geary, Parent/Community Member and Audit Committee President, Ms. Andrea Naranjo, School Board Vice-President, Ms. Becka Arrington, Parent/Community Member and Audit Committee Secretary, Ms. Sondra Miera, Accounts Payable/Payroll, Ms. Anna M. Anderle, Business Manager and Ms. Pamela A. Rice, CPA, Contract Auditor.