

***STATE OF NEW MEXICO***  
***CLAYTON MUNICIPAL SCHOOLS***  
***AUDIT REPORT***  
***For the Year Ended June 30, 2013***  
***(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, 2013  
(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, 2013

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Chad Deason	President
Mr. Morton Anderson	Vice President
Ms. Lynette Keeth	Secretary
Ms. Rebecca Hatch	Member
Mr. Craig Reeves	Member

School Officials

Mr. Rich Anderson	Superintendent
Mrs. Anna Anderle	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

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Title I, IDEA-B Entitlement, Improving Teacher Quality, House Bill 33, Capital Improvements SB-9 and Debt Service Funds of the Clayton Municipal Schools, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Clayton Municipal Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Clayton Municipal Schools non-major governmental and fiduciary funds and the budgetary comparisons for the non-major Special Revenue funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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



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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Clayton Municipal Schools, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Title I, IDEA-B Entitlement, Improving Teacher Quality, House Bill 33, Capital Improvements SB-9 and Debt Service Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Clayton Municipal Schools, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

##### *Required Supplementary Information*

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

##### *Other Information*

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013 on our consideration of the Clayton Municipal Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clayton Municipal Schools internal control over financial reporting and compliance.

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

Albuquerque, New Mexico  
November 7, 2013

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Net Position  
 June 30, 2013

Statement 1

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 3,022,282
Taxes receivable	52,443
Due from grantor	137,880
Inventory	<u>3,441</u>
Total current assets	<u>3,216,046</u>
Non-current assets	
Land (non-depreciable)	467,890
Capital assets (depreciable)	10,118,750
Less accumulated depreciation	<u>(5,076,719)</u>
Total non-current assets	<u>5,509,921</u>
<b>Total assets</b>	<u><b>8,725,967</b></u>
<b>LIABILITIES</b>	
Current liabilities	
Cash overdraft	137,880
Deferred revenue	<u>17,027</u>
Total current liabilities	<u>154,907</u>
Long-term obligations	
Compensated absences payable	<u>43,843</u>
Total long-term obligations	<u>43,843</u>
<b>Total liabilities</b>	<u><b>198,750</b></u>
<b>NET POSITION</b>	
Net investment in capital assets	5,509,921
Restricted for:	
Cafeteria Fund (inventory)	3,441
Capital projects	1,787,669
Special grants	91,598
Unrestricted	<u>1,134,588</u>
<b>Total net position</b>	<u><b>\$ 8,527,217</b></u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Activities  
 Year Ended June 30, 2013

Statement 2

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>EXPENSES:</b>				
Governmental activities:				
Direct instruction	\$ 3,267,882	\$ 67,424	\$ 427,632	\$ (2,772,826)
Instructional support	3,193,211	-	820,864	(2,356,462)
Food services	247,124	45,591	188,630	(12,903)
Depreciation - unallocated	244,218	-	-	(244,218)
Total	<u>\$ 6,952,435</u>	<u>\$ 113,015</u>	<u>\$ 1,437,126</u>	<u>(5,386,409)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				60,551
Property taxes, levied for capital projects				255,000
Property taxes, levied for HB-33				-
Property taxes, levied for Debt Service				-
Oil and gas taxes, general purpose				12,840
Oil and gas taxes, capital projects				53,358
Oil and gas taxes, HB-33				-
Federal, State and Local aid not restricted to specific purpose				
General-SEG				4,980,648
Interest and investment earnings				14,329
Miscellaneous (Indirect Costs)				-
Sub-total, general revenues				<u>5,376,726</u>
Change in net position				(9,683)
Net assets - beginning of year				<u>8,536,900</u>
<b>Net assets - end of year</b>				<u><b>\$ 8,527,217</b></u>

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, 2013

	General	Title I	IDEA-B Entitlement	Improving Teacher Quality	House Bill 33	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>ASSETS</b>									
Cash on deposit	\$ 976,023	\$ -	\$ -	\$ -	\$ 714,895	\$ 1,030,024	\$ 102,279	\$ 61,181	\$ 2,884,402
Accounts receivable	9,693	-	-	-	-	42,750	-	-	52,443
Inventory, at cost	-	-	-	-	-	-	-	3,441	3,441
Due from grantor	-	60,520	53,280	14,319	-	-	-	9,761	137,880
Due from other funds	137,880	-	-	-	-	-	-	-	137,880
<b>Total assets</b>	<b>\$ 1,123,596</b>	<b>\$ 60,520</b>	<b>\$ 53,280</b>	<b>\$ 14,319</b>	<b>\$ 714,895</b>	<b>\$ 1,072,774</b>	<b>\$ 102,279</b>	<b>\$ 74,383</b>	<b>\$ 3,216,046</b>
<b>LIABILITIES</b>									
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenues	-	-	-	-	-	-	-	17,027	17,027
Accounts payable	-	-	-	-	-	-	-	-	-
Due to other funds	-	60,520	53,280	14,319	-	-	-	9,761	137,880
<b>Total liabilities</b>	<b>-</b>	<b>60,520</b>	<b>53,280</b>	<b>14,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,788</b>	<b>154,907</b>
<b>FUND BALANCE</b>									
Nonspendable	-	-	-	-	-	-	-	3,441	3,441
Restricted	47,444	-	-	-	714,895	1,072,774	102,279	44,154	1,981,546
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	1,076,152	-	-	-	-	-	-	-	1,076,152
<b>Total fund balance</b>	<b>1,123,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>714,895</b>	<b>1,072,774</b>	<b>102,279</b>	<b>47,595</b>	<b>3,061,139</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,123,596</b>	<b>\$ 60,520</b>	<b>\$ 53,280</b>	<b>\$ 14,319</b>	<b>\$ 714,895</b>	<b>\$ 1,072,774</b>	<b>\$ 102,279</b>	<b>\$ 74,383</b>	<b>\$ 3,216,046</b>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Reconciliation of the Balance Sheet - Government Funds  
 to the Statement of Net Position  
 June 30, 2013

Statement 4

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

Total fund balances - governmental funds		\$ 3,061,139.
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	10,586,640	
Accumulated depreciation	<u>(5,076,719)</u>	
Net capital assets		5,509,921

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>(43,843)</u>
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Total net position - governmental funds		<u>\$ 8,527,217</u>
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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, 2013

	General	Title I	IDEA-B Entitlement	Improving Teacher Quality	House Bill 33	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>REVENUES</b>									
Taxes	\$ 73,391	\$ -	\$ -	\$ -	\$ -	\$ 308,358	\$ -	\$ -	\$ 381,749
Charges for services	27,488	-	-	-	-	-	-	85,527	113,015
Local sources	39,111	-	-	-	-	-	-	2,384	41,495
State sources	5,734,668	-	-	-	-	15,805	-	6,059	5,756,612
Federal sources	-	169,551	140,882	34,369	-	-	-	290,750	635,552
Earnings from investments	5,533	-	-	-	3,938	4,220	486	152	14,329
<b>Total revenues</b>	<b>5,880,191</b>	<b>169,551</b>	<b>140,882</b>	<b>34,369</b>	<b>3,938</b>	<b>328,463</b>	<b>486</b>	<b>384,872</b>	<b>6,942,752</b>
<b>EXPENDITURES</b>									
Current:									
Direct instruction	2,882,099	164,711	106,309	34,369	-	-	-	93,673	3,281,161
Instructional support	2,923,001	4,840	34,573	-	30,390	137,354	-	63,053	3,193,211
Food services	1,113	-	-	-	-	-	-	246,011	247,124
Capital outlay	-	-	-	-	264,757	-	-	-	264,757
<b>Total expenditures</b>	<b>5,806,213</b>	<b>169,551</b>	<b>140,882</b>	<b>34,369</b>	<b>295,147</b>	<b>137,354</b>	<b>-</b>	<b>402,737</b>	<b>6,986,253</b>
<b>Net change in fund balances</b>	<b>73,978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(291,209)</b>	<b>191,109</b>	<b>486</b>	<b>(17,865)</b>	<b>(43,501)</b>
<b>Fund balance beginning of year</b>	<b>1,049,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,006,104</b>	<b>881,665</b>	<b>101,793</b>	<b>65,460</b>	<b>3,104,640</b>
<b>Fund balance end of year</b>	<b>\$ 1,123,596</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 714,895</b>	<b>\$ 1,072,774</b>	<b>\$ 102,279</b>	<b>\$ 47,595</b>	<b>\$ 3,061,139</b>

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



STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2013

Statement 6

Total net change in fund balances - governmental funds \$ (43,501)

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

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

Capital outlays	264,757	
Depreciation expense	<u>(244,218)</u>	

Excess of depreciaton expense over capital outlays 20,539

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>13,279</u>
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Change in net position of governmental activities \$ (9,683)

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 63,585	\$ 63,585	\$ 65,294	\$ 1,709
Charges for services	25,000	25,000	27,488	2,488
Local sources	-	-	39,111	39,111
State sources	5,684,117	5,720,023	5,734,668	14,645
Federal sources	5,000	5,000	-	(5,000)
Earnings from investments	7,000	7,000	5,533	(1,467)
<b>Total revenues</b>	<b><u>\$ 5,784,702</u></b>	<b><u>\$ 5,820,608</u></b>	<b><u>\$ 5,872,094</u></b>	<b><u>\$ 51,486</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 3,369,611	\$ 3,368,058	\$ 2,882,099	\$ 485,959
Instructional support	3,239,971	3,483,921	2,923,001	560,920
Food services	-	1,113	1,113	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 6,609,582</u></b>	<b><u>\$ 6,853,092</u></b>	<b><u>\$ 5,806,213</u></b>	<b><u>\$ 1,046,879</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 824,880</u></b>	<b><u>\$ 1,032,484</u></b>		

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Title I  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 148,118	\$ 173,392	\$ 181,820	\$ 8,428
Total revenues	<u>\$ 148,118</u>	<u>\$ 173,392</u>	<u>\$ 181,820</u>	<u>\$ 8,428</u>
EXPENDITURES				
Direct instruction	\$ 143,242	\$ 168,516	\$ 164,711	\$ 3,805
Instructional support	<u>4,876</u>	<u>4,876</u>	<u>4,840</u>	<u>36</u>
Total expenditures	<u>\$ 148,118</u>	<u>\$ 173,392</u>	<u>\$ 169,551</u>	<u>\$ 3,841</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)  
 IDEA-B Entitlement  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 137,239	\$ 159,230	\$ 160,736	\$ 1,506
Total revenues	<u>\$ 137,239</u>	<u>\$ 159,230</u>	<u>\$ 160,736</u>	<u>\$ 1,506</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 103,115	\$ 122,440	\$ 106,309	\$ 16,131
Instructional support	34,124	36,790	34,573	2,217
Total expenditures	<u>\$ 137,239</u>	<u>\$ 159,230</u>	<u>\$ 140,882</u>	<u>\$ 18,348</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)  
 Improving Teacher Quality  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 32,959	\$ 58,442	\$ 44,954	\$ (13,488)
Total revenues	<u>\$ 32,959</u>	<u>\$ 58,442</u>	<u>\$ 44,954</u>	<u>\$ (13,488)</u>
EXPENDITURES				
Direct instruction	\$ 32,959	\$ 58,442	\$ 34,369	\$ 24,073
Total expenditures	<u>\$ 32,959</u>	<u>\$ 58,442</u>	<u>\$ 34,369</u>	<u>\$ 24,073</u>

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

STATE OF NEW MEXICO  
RESERVE INDEPENDENT SCHOOLS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2013

Statement 11

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	\$ <u>112,781</u>
Total assets	<u>\$ 112,781</u>
LIABILITIES	
Deposits held for others	\$ <u>112,781</u>
Total liabilities	<u>\$ 112,781</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, 2013

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

Special Revenue Fund - 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.

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.

Notes to Financial Statements (continued)

Fiduciary Funds

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**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>\$ 9,693</u>	<u>\$ 42,750</u>	<u>\$ -</u>	<u>\$ 52,443</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 Position**

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

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

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

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

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

## G. REVENUES

### 1. Property Tax Levies

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 of the year in which the tax bill is prepared and April 10th

Notes to Financial Statements (continued)

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-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 \$4,980,648 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 \$718,398 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 \$15,885 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 \$35,622 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	\$ 144,774
Farmers & Stockmens Bank	Checking	Operational	2,541,753
First National Bank	Checking	Activity	39,737
First National Bank	Certificate of Deposit		740,000
Farmers & Stockmens Bank	Certificate of Deposit	Activity	6,000
Farmers & Stockmens Bank	Checking	Junior High	<u>43,015</u>
			<b><u>\$3,515,279</u></b>
Total amount on deposit			\$3,515,279
Outstanding checks			(518,096)
Deposits in transit			<u>-</u>
Total per financial statements			<b><u>\$2,997,183</u></b>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$2,830,768 of the School's bank balance of \$2,515,279 was exposed to custodial credit risk as follows:

A.	Uninsured and uncollateralized	\$1,282,652
B.	Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name	<u>1,548,116</u>
	Total	<b><u>\$2,830,768</u></b>

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

Notes to Financial Statements (continued)

<u>Federal Home Loan Bank of Dallas, TX</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FNMA CUSIP #3138AA6S5	4/01/26	\$ 715,979
FNMA CUSIP #3136FTJE0	10/28/15	401,407
Los Lunas School Bonds #545562QD5	7/15/17	<u>100,000</u>
		<b><u>\$ 1,530,684</u></b>
<u>Vining Sparks Bank of Dallas, TX</u>	<u>Maturity Date</u>	<u>Value</u>
FHLB Cusip #850395CJ1	6/15/16	\$ 134,347
FHLB Cusip #953769JE7	10/01/14	105,233
FHLB Cusip #418839CH7	8/01/17	<u>91,150</u>
		<b><u>\$ 330,730</u></b>

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

	<u>Farmers &amp; Stockmens Bank</u>	<u>First National Bank</u>
Cash on deposit at June 30	\$ 2,590,768	\$ 924,511
Less F.D.I.C.	<u>(250,000)</u>	<u>(434,511)</u>
Uninsured funds	2,340,768	490,000
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	1,170,384	245,000
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>1,217,386</u>	<u>330,730</u>
Excess of pledged collateral	<b><u>\$ 47,002</u></b>	<b><u>\$ 85,730</u></b>



Notes to Financial Statements (continued)

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Land	\$ 467,890	\$ -	\$ -	\$ 467,890
Total capital assets not being depreciated	<u>467,89</u>	<u>-</u>	<u>-</u>	<u>467,890</u>
Buildings	7,379,212	-	-	7,379,212
Vehicles	935,023	-	-	935,023
Equipment	1,203,997	-	-	1,203,997
Land improvements	<u>335,761</u>	<u>264,757</u>	<u>-</u>	<u>600,518</u>
Total	<u>9,853,993</u>	<u>264,757</u>	<u>-</u>	<u>10,118,750</u>
Less Accumulated Depreciation				
Buildings	(2,932,652)	(140,657)	-	(3,073,309)
Vehicles	(636,831)	(56,329)	-	(693,160)
Equipment	(1,154,776)	(14,784)	-	(1,169,560)
Land improvements	<u>(108,242)</u>	<u>(32,448)</u>	<u>-</u>	<u>(140,690)</u>
Total	<u>(5,076,719)</u>	<u>(244,218)</u>	<u>-</u>	<u>(5,076,719)</u>
Governmental activities capital assets, net	<u>\$ 5,489,382</u>	<u>\$ 20,539</u>	<u>\$ -</u>	<u>\$ 5,509,921</u>

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

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 244,218</u>
Total depreciation expense	<u>\$ 244,218</u>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

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

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Compensated Absences	<u>\$ 57,122</u>	<u>\$ -</u>	<u>\$ (13,729)</u>	<u>\$ 43,393</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>
------------------	------------------

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 2<sup>nd</sup> Street, Raton, New Mexico 87740.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>	<u>IDEA-B Entitlement</u>	<u>Improving Teacher Quality</u>
Revenues per modified accrual basis	\$ 5,880,191	\$ 169,551	\$ 140,882	\$ 34,369
Receivables	(8,097)	-	-	-
Deferred revenues/Due from grantor	-	12,269	19,854	10,585
Revenues per budgetary basis	<u>\$ 5,872,094</u>	<u>\$ 181,820</u>	<u>\$ 160,736</u>	<u>\$ 44,954</u>
Expenditures per modified accrual basis	\$ 5,806,213	\$ 169,551	\$ 140,882	\$ 34,369
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 5,806,213</u>	<u>\$ 169,551</u>	<u>\$ 140,882</u>	<u>\$ 34,369</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	\$ 3,938	\$ 328,463	\$ 486	\$ 384,872
Receivables	-	(36,096)	-	-
Deferred revenues/Due from grantor	-	-	-	95,940
Revenues per budgetary basis	<u>\$ 3,938</u>	<u>\$ 292,367</u>	<u>\$ 486</u>	<u>\$ 480,812</u>
Expenditures per modified accrual basis	\$ 295,147	\$ 137,354	\$ -	\$ 402,737
Inventory changes	-	-	-	(4,319)
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 295,147</u>	<u>\$ 137,354</u>	<u>\$ -</u>	<u>\$ 398,418</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 educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, PO Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

*Funding Policy*

Member Contributions

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

Employer Contributions

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

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

The contribution requirements of plan members and the Clayton Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Clayton Municipal Schools contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$366,186, \$335,013 and \$413,010, 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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees

Notes to Financial Statements (continued)

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

Clayton Municipal Schools contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$66,843, \$66,224 and \$62,205, 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</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>ASSETS</b>				
Cash and cash equivalent	\$ 130,018	\$ 170,866	\$ 188,103	\$ 112,781
Total assets	<u>\$ 130,018</u>	<u>\$ 170,866</u>	<u>\$ 188,103</u>	<u>\$ 112,781</u>
<b>LIABILITIES</b>				
Deposits held for others				
Elementary School	\$ 14,309	\$ 20,530	\$ 29,274	\$ 5,565
Junior High	58,351	8,631	32,135	34,847
High School	57,358	141,705	126,694	72,369
Total liabilities	<u>\$ 130,018</u>	<u>\$ 170,866</u>	<u>\$ 188,103</u>	<u>\$ 112,781</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.

	General Fund	House Bill 33	Capital Improvements SB-9	Debt Service	Non-Major Governmental Fund	Totals
<u>Fund Balance</u>						
Nonspendable:						
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	3,441	3,441
Total nonspendable	-	-	-	-	3,441	3,441
Restricted for:						
Transportation services	20,950	-	-	-	-	20,950
Instructional materials	26,491	-	-	-	-	26,491
Capital improvements	-	714,895	1,072,774	-	-	1,787,669
Debt service payments	-	-	-	-	-	-
Athletic services	-	-	-	-	13,633	13,633
Special grants	-	-	-	-	-	-
Cafeteria services	-	-	-	-	30,521	30,521
Total restricted	47,444	714,895	1,072,774	-	44,154	1,879,267
Committed to:						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
Unassigned:						
	1,076,152	-	-	102,279	-	1,178,431
Total Fund Balances	\$ 1,123,596	\$ 714,895	\$ 1,072,774	\$ 102,279	\$ 47,595	\$ 3,061,139

**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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 3,000	\$ 3,000	\$ 3,938	\$ 938
Total revenues	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 3,938</u>	<u>\$ 938</u>
EXPENDITURES				
Capital outlay	\$ 901,806	\$ 1,009,105	\$ 295,147	\$ 713,958
Total expenditures	<u>\$ 901,806</u>	<u>\$ 1,009,105</u>	<u>\$ 295,147</u>	<u>\$ 713,958</u>
BUDGETED CASH BALANCE	<u>\$ 898,806</u>	<u>\$ 1,006,105</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 265,509	\$ 265,509	\$ 272,262	\$ 6,753
State sources	15,885	31,152	15,885	(15,267)
Earnings from investments	2,500	2,500	4,220	1,720
<b>Total revenues</b>	<b><u>\$ 283,894</u></b>	<b><u>\$ 299,161</u></b>	<b><u>\$ 292,367</u></b>	<b><u>\$ (6,794)</u></b>
<b>EXPENDITURES</b>				
Capital outlay	\$ 1,124,117	\$ 1,174,171	\$ 137,354	\$ 1,036,817
<b>Total expenditures</b>	<b><u>\$ 1,124,117</u></b>	<b><u>\$ 1,174,171</u></b>	<b><u>\$ 137,354</u></b>	<b><u>\$ 1,036,817</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 840,223</u></b>	<b><u>\$ 875,010</u></b>		

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Debt Service  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 500	\$ 500	\$ 486	\$ (14)
Total revenues	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 486</u>	<u>\$ (14)</u>
EXPENDITURES				
Bonds	\$ -	\$ -	\$ -	\$ -
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**NON-MAJOR FUNDS**

## NON-MAJOR SPECIAL REVENUE FUNDS

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

**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.

**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.

**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.

**RURAL LOW-INCOME GRANT** - Created to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. (Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.)

**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.

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

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

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

(Non-Major Special Revenue Funds - continued)

**FORMATIVE ASSESSMENTS** - To account for monies received for the purchase of formative assessments approved by the Public Education Department. The approved formative assessments are for English language arts and math in grades 4 through 10. Fund is authorized by a special State appropriation.

**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.

**CHILD & ADULT FOOD PROGRAM** - To account for grant funds to provide meals and snacks to children enrolled in day care. This program is in accordance with the federal regulation 7 CFR part 226.6(h) and is monitored by the New Mexico Children, Youth and Families Department.

**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, 2013

Statement A-1  
 Page 1 of 3

	IDEA-B Reallocation	21st Century	IDEA-B Preschool	Rural Low Income	Medicaid	Summer Food Program
<b>ASSETS</b>						
Cash on deposit	\$ -	-	\$ -	-	\$ 29	1
Due from grantor	-	-	192	3,985	-	-
Inventory, at cost	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 192</b>	<b>\$ 3,985</b>	<b>\$ 29</b>	<b>1</b>
<b>LIABILITIES</b>						
Cash overdraft	\$ -	-	\$ 192	3,985	\$ -	-
Deferred revenue	-	-	-	-	29	1
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>192</b>	<b>3,985</b>	<b>29</b>	<b>1</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 192</b>	<b>\$ 3,985</b>	<b>\$ 29</b>	<b>1</b>

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

STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2013

	REAP	Dual Credit	GO Bond Student Library	Informative Assessments	Incentives for School Improvements	Child & Adult Food Program
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 6,645
Due from grantor	-	-	2,454	3,130	-	-
Inventory, at cost	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,454</b>	<b>\$ 3,130</b>	<b>\$ 5</b>	<b>\$ 6,645</b>
<b>LIABILITIES</b>						
Cash overdraft	\$ -	\$ -	\$ 2,454	\$ 3,130	\$ -	\$ -
Deferred revenue	-	-	-	-	5	6,645
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>2,454</b>	<b>3,130</b>	<b>5</b>	<b>6,645</b>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,454</b>	<b>\$ 3,130</b>	<b>\$ 5</b>	<b>\$ 6,645</b>

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



STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2013

Statement A-1  
 Page 3 of 3

	After School Enrichment Program	Saturday School	Athletics	Student Cafeteria Account	Totals
<b>ASSETS</b>					
Cash on deposit	\$ 3,017	\$ 7,330	\$ 13,633	\$ 30,521	\$ 61,181
Due from grantor	-	-	-	-	9,761
Inventory, at cost	-	-	-	3,441	3,441
<b>Total assets</b>	<b>\$ 3,017</b>	<b>\$ 7,330</b>	<b>\$ 13,633</b>	<b>\$ 33,962</b>	<b>\$ 74,383</b>
<b>LIABILITIES</b>					
Cash overdraft	-	-	-	-	\$ 9,761
Deferred revenue	3,017	7,330	-	-	17,027
<b>Total liabilities</b>	<b>3,017</b>	<b>7,330</b>	<b>-</b>	<b>-</b>	<b>26,788</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	3,441	3,441
Restricted	-	-	13,633	30,521	44,154
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>13,633</b>	<b>33,962</b>	<b>47,595</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,017</b>	<b>\$ 7,330</b>	<b>\$ 13,633</b>	<b>\$ 33,962</b>	<b>\$ 74,383</b>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2013

	IDEA-B Reallocation	21st Century	IDEA-B Preschool	Rural Low Income	Medicaid	Summer Food Program
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	-	-	-	-
Federal sources	-	-	10,378	9,645	60,599	-
Earnings from investments	-	-	-	-	-	-
<b>Total revenues</b>	-	-	10,378	9,645	60,599	-
<b>EXPENDITURES</b>						
Direct instruction	-	-	10,378	9,645	-	-
Instructional support	-	-	-	-	60,599	-
Food services	-	-	-	-	-	-
<b>Total expenditures</b>	-	-	10,378	9,645	60,599	-
<b>Net change in fund balance</b>	-	-	-	-	-	-
<b>Fund balance at beginning of year</b>	-	-	-	-	-	-
<b>Fund balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Funds  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 Year Ended June 30, 2013

Statement A-2  
 Page 2 of 3

	REAP	Dual Credit	GO Bond Student Library	Informative Assessments	Incentives for School Improvements	Child and Adult Food Program
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	305	2,454	3,130	-	170
Federal sources	21,668	-	-	-	-	-
Earnings from investments	-	-	-	-	-	-
<b>Total revenues</b>	<u>21,668</u>	<u>305</u>	<u>2,454</u>	<u>3,130</u>	<u>-</u>	<u>170</u>
<b>EXPENDITURES</b>						
Direct instruction	21,668	305	-	3,130	-	-
Instructional support	-	-	2,454	-	-	-
Food services	-	-	-	-	-	170
<b>Total expenditures</b>	<u>21,668</u>	<u>305</u>	<u>2,454</u>	<u>3,130</u>	<u>-</u>	<u>170</u>
Net change in fund balance	-	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-	-
<b>Fund balance at end of year</b>	<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, 2013

Statement A-2  
 Page 3 of 3

	After School Enrichment Program	Saturday School	Athletics	Cafeteria	Totals
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ 39,936	\$ 45,591	\$ 85,527
Local sources	-	26	2,358	-	2,384
State sources	-	-	-	-	6,059
Federal sources	-	-	-	188,460	290,750
Earnings from investments	-	-	-	152	152
<b>Total revenues</b>	<b>-</b>	<b>26</b>	<b>42,294</b>	<b>234,203</b>	<b>384,872</b>
<b>EXPENDITURES</b>					
Direct instruction	-	26	48,521	-	93,673
Instructional support	-	-	-	-	63,053
Food services	-	-	-	245,841	246,011
<b>Total expenditures</b>	<b>-</b>	<b>26</b>	<b>48,521</b>	<b>245,841</b>	<b>402,737</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>(6,227)</b>	<b>(11,638)</b>	<b>(17,865)</b>
<b>Fund balance at beginning of year</b>	<b>-</b>	<b>-</b>	<b>19,860</b>	<b>45,600</b>	<b>65,460</b>
<b>Fund balance at end of year</b>	<b>-</b>	<b>-</b>	<b>\$ 13,633</b>	<b>\$ 33,962</b>	<b>\$ 47,595</b>

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

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ -	\$ -	\$ 440	\$ 440
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 440</u>	<u>\$ 440</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>REVENUES</b>				
Budgetary basis			\$ 440	
Decrease in due from grantor			<u>(440)</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 - 21st Century  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ -	\$ 76,034	\$ 76,034
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,034</u>	<u>\$ 76,034</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 76,034	
Decrease in due from grantor			(76,034)	
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 - IDEA-B Preschool  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 10,664	\$ 13,164	\$ 16,641	\$ 3,477
Total revenues	<u>\$ 10,664</u>	<u>\$ 13,164</u>	<u>\$ 16,641</u>	<u>\$ 3,477</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 10,324	\$ 12,824	\$ 10,378	\$ 2,446
Instructional support	<u>340</u>	<u>340</u>	<u>-</u>	<u>340</u>
Total expenditures	<u>\$ 10,664</u>	<u>\$ 13,164</u>	<u>\$ 10,378</u>	<u>\$ 2,786</u>
<b>REVENUES</b>				
Budgetary basis			\$ 16,641	
Decrease in due from grantor			<u>(6,263)</u>	
Modified accrual basis			<u>\$ 10,378</u>	

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - Rural Low Income  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 9,135	\$ 10,603	\$ 5,660	\$ (4,943)
Total revenues	<u>\$ 9,135</u>	<u>\$ 10,603</u>	<u>\$ 5,660</u>	<u>\$ (4,943)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 9,135	\$ 10,603	\$ 9,645	\$ 958
Total expenditures	<u>\$ 9,135</u>	<u>\$ 10,603</u>	<u>\$ 9,645</u>	<u>\$ 958</u>
<b>REVENUES</b>				
Budgetary basis			\$ 5,660	
Increase in due from grantor			<u>3,985</u>	
Modified accrual basis			<u>\$ 9,645</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 90,000	\$ 90,000	\$ 76,701	\$ (13,299)
Total revenues	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 76,701</u>	<u>\$ (13,299)</u>
EXPENDITURES				
Instructional support	\$ 90,000	\$ 90,000	\$ 60,599	\$ 29,401
Total expenditures	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 60,599</u>	<u>\$ 29,401</u>
REVENUES				
Budgetary basis			\$ 76,701	
Decrease in due from grantor			<u>(16,102)</u>	
Modified accrual basis			<u>\$ 60,599</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, 2013

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

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

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 23,413	\$ 21,668	\$ (1,745)
Total revenues	<u>\$ -</u>	<u>\$ 23,413</u>	<u>\$ 21,668</u>	<u>\$ (1,745)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 23,413	\$ 21,668	\$ 1,745
Total expenditures	<u>\$ -</u>	<u>\$ 23,413</u>	<u>\$ 21,668</u>	<u>\$ 1,745</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 305	\$ 305	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 305</u>	<u>\$ 305</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 305	\$ 305	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 305</u>	<u>\$ 305</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Non-Major Special Revenue Fund - GO Bond Student Library  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 2,473	\$ 2,473	\$ 51	\$ (2,422)
Total revenues	<u>\$ 2,473</u>	<u>\$ 2,473</u>	<u>\$ 51</u>	<u>\$ (2,422)</u>
EXPENDITURES				
Instructional support	\$ 2,473	\$ 2,473	\$ 2,454	\$ 19
Total expenditures	<u>\$ 2,473</u>	<u>\$ 2,473</u>	<u>\$ 2,454</u>	<u>\$ 19</u>
REVENUES				
Budgetary basis			\$ 51	
Increase in due from grantor			<u>2,403</u>	
Modified accrual basis			<u>\$ 2,454</u>	

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

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 3,974	\$ -	\$ (3,974)
Total revenues	<u>\$ -</u>	<u>\$ 3,974</u>	<u>\$ -</u>	<u>\$ (3,974)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 3,974	\$ 3,130	\$ 844
Total expenditures	<u>\$ -</u>	<u>\$ 3,974</u>	<u>\$ 3,130</u>	<u>\$ 844</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>3,130</u>	
Modified accrual basis			<u>\$ 3,130</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ -	\$ -	\$ -
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 - Child and Adult Food Program  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 10,992	\$ 6,815	\$ (4,177)
Total revenues	<u>\$ -</u>	<u>\$ 10,992</u>	<u>\$ 6,815</u>	<u>\$ (4,177)</u>
EXPENDITURES				
Food services	\$ -	\$ 10,992	\$ 170	\$ 10,822
Total expenditures	<u>\$ -</u>	<u>\$ 10,992</u>	<u>\$ 170</u>	<u>\$ 10,822</u>
REVENUES				
Budgetary basis			\$ 6,815	
Increase in deferred revenue			<u>(6,645)</u>	
Modified accrual basis			<u>\$ 170</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Food services	\$ 3,018	\$ 3,018	\$ -	\$ 3,018
Total expenditures	<u>\$ 3,018</u>	<u>\$ 3,018</u>	<u>\$ -</u>	<u>\$ 3,018</u>
BUDGETED CASH BALANCE	<u>\$ 3,018</u>	<u>\$ 3,018</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ 6,233	\$ 6,233	\$ 26	\$ 6,207
Instructional support	116	116	-	116
Total expenditures	<u>\$ 6,349</u>	<u>\$ 6,349</u>	<u>\$ 26</u>	<u>\$ 6,323</u>
BUDGETED CASH BALANCE	<u>\$ 6,349</u>	<u>\$ 6,349</u>		
REVENUES				
Budgetary basis			\$ -	
Decrease in deferred income			<u>26</u>	
Modified accrual basis			<u>\$ 26</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 38,500	\$ 38,500	\$ 39,936	\$ 1,436
Local services	<u>          -</u>	<u>          -</u>	2,358	<u>2,358</u>
Total revenues	<u>\$ 38,500</u>	<u>\$ 38,500</u>	<u>\$ 42,294</u>	<u>\$ 3,794</u>
EXPENDITURES				
Direct instruction	\$ 57,585	\$ 57,585	\$ 48,521	\$ 9,064
Total expenditures	<u>\$ 57,585</u>	<u>\$ 57,585</u>	<u>\$ 48,521</u>	<u>\$ 9,064</u>
BUDGETED CASH BALANCE	<u>\$ 19,085</u>	<u>\$ 19,085</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 47,500	\$ 47,500	\$ 45,591	\$ (1,909)
Federal sources	181,275	181,275	188,460	7,185
Earnings from investments	50	50	152	102
Total revenues	<b>\$ 228,825</b>	<b>\$ 228,825</b>	<b>\$ 234,203</b>	<b>\$ 5,378</b>
<b>EXPENDITURES</b>				
Food services	\$ 258,805	\$ 266,666	\$ 241,522	\$ 25,144
Total expenditures	<b>\$ 258,805</b>	<b>\$ 266,666</b>	<b>\$ 241,522</b>	<b>\$ 25,144</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ 29,980</b>	<b>\$ 37,841</b>		
<b>EXPENDITURES</b>				
Budgetary basis			\$ 241,522	
Decrease in inventory			4,319	
Modified accrual basis			<b>\$ 245,841</b>	

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, 2013

	Operational	Transporation	Instructional Materials	Total
<b>ASSETS</b>				
Cash on deposit	\$ 1,066,459	\$ 20,950	\$ 26,494	\$ 1,113,903
Accounts receivable, collectible	9,693	-	-	9,693
Total assets	<u>\$ 1,076,152</u>	<u>\$ 20,950</u>	<u>\$ 26,494</u>	<u>\$ 1,123,596</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	-	-
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Restricted	-	20,950	26,494	47,444
Unassigned	1,076,152	-	-	1,076,152
Total fund balance	<u>1,076,152</u>	<u>20,950</u>	<u>26,494</u>	<u>1,123,596</u>
Total liabilities and fund balances	<u>\$ 1,076,152</u>	<u>\$ 20,950</u>	<u>\$ 26,494</u>	<u>\$ 1,123,596</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, 2013

	Operational	Transportation	Instructional Materials	Total
<b>REVENUES</b>				
Taxes	\$ 73,391	-	-	\$ 73,391
Charges for services	27,488	-	-	27,488
Local sources	39,111	-	-	39,111
State sources	4,980,648	718,398	35,622	5,734,668
Federal sources	-	-	-	-
Earnings from investments	<u>5,414</u>	<u>-</u>	<u>119</u>	<u>5,533</u>
Total revenues	<u>5,126,052</u>	<u>718,398</u>	<u>35,741</u>	<u>5,880,191</u>
<b>EXPENDITURES</b>				
Current:				
Direct instruction	2,860,771	-	21,328	2,882,099
Instructional support	2,222,097	700,904	-	2,923,001
Food services	1,113	-	-	1,113
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,083,981</u>	<u>700,904</u>	<u>21,328</u>	<u>5,806,213</u>
Net change in fund balance	42,071	17,494	14,413	73,978
Fund balance at beginning of year	<u>1,034,081</u>	<u>3,456</u>	<u>12,081</u>	<u>1,049,618</u>
Fund balance at end of year	<u>\$ 1,076,152</u>	<u>\$ 20,950</u>	<u>\$ 26,494</u>	<u>\$ 1,123,596</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 63,585	\$ 63,585	\$ 65,294	\$ 1,709
Charges for services	25,000	25,000	27,488	2,488
Local sources	-	-	39,111	39,111
State sources	4,942,806	4,950,090	4,980,648	30,558
Federal sources	5,000	5,000	-	(5,000)
Earnings from investments	7,000	7,000	5,414	(1,586)
	<u>\$ 5,043,391</u>	<u>\$ 5,050,675</u>	<u>\$ 5,117,955</u>	<u>\$ 67,280</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 3,333,989	\$ 3,332,436	\$ 2,960,771	\$ 471,665
Instructional support	2,534,282	2,749,610	2,222,097	527,513
Food services	-	1,113	1,113	-
Capital outlay	-	-	-	-
	<u>\$ 5,868,271</u>	<u>\$ 6,083,159</u>	<u>\$ 5,083,981</u>	<u>\$ 999,178</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 824,880</u>	<u>\$ 1,032,484</u>		
<b>REVENUES</b>				
Budgetary basis			\$ 5,117,955	
Increase in receivables			5,126,052	
			<u>\$ 8,097</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	705,689	734,311	718,398	(15,913)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 705,689</u></b>	<b><u>\$ 734,311</u></b>	<b><u>\$ 718,398</u></b>	<b><u>\$ (15,913)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	705,689	734,311	700,904	33,407
Food services	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 705,689</u></b>	<b><u>\$ 734,311</u></b>	<b><u>\$ 700,904</u></b>	<b><u>\$ 33,407</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 General Fund - Instructional Materials Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	35,622	35,622	35,622	-
Federal sources	-	-	-	-
Earnings from investments	-	-	119	119
<b>Total revenues</b>	<b><u>\$ 35,622</u></b>	<b><u>\$ 35,622</u></b>	<b><u>\$ 35,741</u></b>	<b><u>\$ 119</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 35,622	\$ 35,622	\$ 21,328	\$ 14,294
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 35,622</u></b>	<b><u>\$ 35,622</u></b>	<b><u>\$ 21,328</u></b>	<b><u>\$ 14,294</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 Schedule of Cash Receipts and  
 Disbursements - All Funds by  
 School District Classification  
 Year Ended June 30, 2013

	Operational	Transportation	Instructional Materials	Cafeteria	Athletics
Cash balance, June 30, 2012	\$ 1,032,485	\$ 3,456	\$ 12,081	\$ 37,840	\$ 19,860
Cash Receipts, 2012-2013	5,100,080	718,398	35,741	234,203	42,294
Cash Disbursements, 2012-2013	(5,083,981)	(700,904)	(21,328)	(241,522)	(48,521)
Cash balance, June 30, 2013	<u>\$ 1,048,584</u>	<u>\$ 20,950</u>	<u>\$ 26,494</u>	<u>\$ 30,521</u>	<u>\$ 13,633</u>
			Capital Improvement SB-9	Debt Service	Agency
Cash balance, June 30, 2012	\$ 10,327	\$ 1,006,104	\$ 875,011	\$ 101,793	\$ 130,018
Cash Receipts, 2012-2013	7,171	3,938	292,367	486	170,866
Cash Disbursements, 2012-2013	(6,085)	(295,147)	(137,354)	-	(188,103)
Cash balance, June 30, 2013	<u>\$ 11,413</u>	<u>\$ 714,895</u>	<u>\$ 1,030,024</u>	<u>\$ 102,279</u>	<u>\$ 112,781</u>

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

<u>Source and Program</u>	<u>Federal Number</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Programs:			
REAP	84.358	25.233	\$ 21,668
Passed through State of NM			
Department of Education:			
Impact Aid Title I (Chapter 1) Basic	84.010	24.101	169,551
PL 94-142 Preschool	84.027	24.109	10,378
PL 94-142 Entitlement	84.027	24.106	140,882
21 <sup>st</sup> Century	84.287	24.119	-
Improving Teacher Quality	84.367	24.154	34,369
PL 94-142 Reallocation	84.027	24.120	-
Rural Low Income	84.358	24.160	<u>9,645</u>
Sub-total			<u>364,825</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of NM			
Department of Education:			
* National School Lunch Program	10.555	21.000	125,795
* School Breakfast Program	10.553	21.000	49,232
Summer Food Program	10.558	25.171	-
Passed through State of NM			
Health and Human Services:			
U.S.D.A. Commodities	10.550	N/A	<u>13,433</u>
Sub-total			<u>188,460</u>
Total Expenditures of Federal Awards			<u><u>\$ 574,953</u></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, 2013

Part 1 - Summary of Auditor Results

1. Type of Report - Unmodified
2. Significant Deficiency - Contract Signed Before Bids Obtained (13-03), Vendor Overpaid (13-04) and Bus Contracts Overpaid (13-06)
3. Non-Compliance - Bus Contracts (13-01), Procurement Violations (13-02)
4. Reportable Conditions Over Major Programs - NONE
5. Type of Report Issued on Compliance with the Major Program - Unmodified
6. A-133 Audit Findings - NONE
7. Major Programs - National School Lunch CFDA #10.555, School Breakfast CFDA #10.553
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

Missing Contract Addendum (12-05), Bus Contracts (13-01), Procurement Violations (13-02), Contract Signed Before Bids Obtained (13-03), Vendor Overpaid (13-04), Contract Signed/Approved Without Any Cap (Limit) Included (13-05), Bus Contracts Overpaid (13-06), Incomplete Employee Files (13-07) and Contracts For Employees Missing (13-08)

Part 3 - Questioned Costs

NONE

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I, IDEA-B Entitlement, Improving Teacher Quality, House Bill 33, Capital Improvements SB-9 and Debt Service Funds of the Clayton Independent School District, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Clayton Municipal Schools basic financial statements, and the combining and individual funds and the related budgetary comparison of the non-major funds, presented as supplemental information, and have issued our report thereon dated November 7, 2013.

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 Clayton Municipal Schools internal control over financial reporting.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Status of Findings and Responses and the Schedule of Findings and Questioned Costs to be significant deficiencies: Contract Signed Before Bids Obtained (13-03), Vendor Overpaid (13-04) and Bus Contracts Overpaid (13-06).

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 noncompliance or other matters that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs and the Status of Findings and Responses as Missing Contract Addendum (12-05), Bus Contracts (13-01), Procurement Violations (13-02), Contract Signed/Approved Without Any Cap (Limit) Included (13-05), Incomplete Employee Files (13-07) and Contracts for Employees Missing (13-08).

#### Responses to the Findings

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

#### Purpose of this Report

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



Albuquerque, New Mexico  
November 7, 2013



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

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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

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

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Clayton Municipal Schools major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those Standards and OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clayton Municipal Schools compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clayton Municipal Schools compliance.

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

In our opinion, Clayton Municipal Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

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

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

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

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

compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Rice & Associates, Co. PA.*

Albuquerque, New Mexico  
November 7, 2013

## STATUS OF FINDINGS AND RESPONSES

### Prior Year Audit Findings:

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

### Current Year Audit Findings:

1. Bus Contracts (13-01)
2. Procurement Violations (13-02)
3. Contract Signed Before Bids Obtained (13-03)
4. Vendor Overpaid (13-04)
5. Contract Signed/Approved Without Any Cap (Limit) Included (13-05)
6. Bus Contracts Overpaid (13-06)
7. Incomplete Employee Files (13-07)
8. Contracts For Employees Missing (13-08)

Missing Contract Addendum - Other Matter  
(12-05)

CONDITION	An approved contract addendum for all bus contractors was not available for review.
CRITERIA	All approved contracts and addendums should be kept in the business office files.
CAUSE	Management did not ensure that all necessary information was filed in the business office.
EFFECT	Payments could not be verified by the available documentation.
RECOMMENDATION	To ensure that all payments made to contractors are correct the appropriate approved contract and all addendums should be kept in the business office.
RESPONSE	The current administration will ensure that all bus contract addendums are executed and verified through proper documentation. Contracts and addendums amounts will be reconciled with the Visions Accounting Program and kept in the business office.

Bus Contracts - Other Matter  
(13-01)

CONDITION                    The School District entered into 2 Fleet Contracts with 2 Owner/Operators. These contracts were entered into during August, 2012. These contracts were not prepared correctly because:

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

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

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

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

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

RESPONSE                    The District was advised by the New Mexico School Transportation Department to consider the contractor/owner as a fleet operator even though the contractor/owner had one bus. The District complied with this advice. However, the auditor indicated that th District was not in compliance with the State Statute NMSA 22-16-3 that stipulates that owners of one bus are not fleet operators, and as such, the owner/operators are entitled to: fuel costs, employee salary and benefit costs. Since the District's contract is based on the New Mexico School Transportation Department's advice, the District did not allocate money for owner/operator expenses. Therefore, the District will consider its options during the next contract negotiations with these contractors.

Procurement Violations - Other Matter  
(13-02)

CONDITION	The School District purchased \$36,250 worth of computers without obtaining three quotes to ensure the lowest price was obtained. Thus, not complying with procurement procedures.
CRITERIA	The School District is to obtain three quotations to ensure the School District is obtaining the lowest price available.
CAUSE	Management did not ensure this procedure was followed.
EFFECT	Procurement policies were not followed.
RECOMMENDATION	Current management should ensure all purchases follow procurement procedures.
RESPONSE	The current administration is versed in the current procurement code and will follow the regulations outlined in the code.

Contract Signed Before Bids Obtained - Significant Defecency  
(13-03)

CONDITION	The Superintendent signed a contract to obtain services from a particular vendor before the School District received the formal bid from the vendor.
CRITERIA	All sealed bids should be obtained, received and reviewed before signing a contract with the vendor.
CAUSE	The Superintendent circumvented the procurement procedures.
EFFECT	Procurement procedures were not followed.
RECOMMENDATION	The new management of the School District should ensure that all procurement procedures are followed.
RESPONSE	The current administration will ensure that all sealed bids will be obtained and reviewed <u>prior</u> to signing a contract with the vendor.



Vendor Overpaid - Significant Deficiency  
(13-04)

CONDITION	A particular vendor was to be paid \$30,390 for services rendered. The amount actually paid to the vendor was \$95,175. There was no contract addendum, change order, etc. to provide an understanding as to the additional services that were required for the additional amount paid.
CRITERIA	All payments to vendors should be supported by a signed/approved contract including any addendums for additional services.
CAUSE	Management did not ensure the procurement process was followed.
EFFECT	The vendor was paid \$64,785 over the original agreement.
RECOMMENDATION	Management should ensure proper documentation is received to support all payments to vendors.
RESPONSE	The current administration will ensure that the District's policy D-2450 that states, "Contracted awarded amendments, which exceed 10 percent (10%) of the original contract awarded, shall be submitted to the Board for review and approval," will be followed. In addition, all payments to vendors will be supported by a signed/approved contract including any addendums for additional services. The current administration will ensure proper documentation is received to support all payments to vendors.

Contract Signed/Approved Without Any Cap (Limit) Included  
- Other Matter  
(13-05)

CONDITION	Management signed a contract without ensuring a cap or limit was included to ensure only the services required were obtained.
CRITERIA	All formal contracts need a cap included to ensure overpayments are not made.
CAUSE	Management did not ensure this contract was complete.
EFFECT	A vendor was overpaid by \$64,785.
RECOMMENDATION	Management should ensure all formal contracts have a limit as to what amount can be paid to the vendor not an hourly rate.
RESPONSE	The current administration will ensure all formal contracts have a limit or cap as to what amount can be paid to the vendor. The District will also adhere to the District's D-2450 policy that outlines the extension of the scope of work of contracts.

Bus Contracts Overpaid - Significant Deficiency  
(13-06)

CONDITION	Management overpaid all bus contractors by \$43,334. There were no contract addendums to support these overpayments.
CRITERIA	All additions to bus contracts are to be sufficiently supported by contract changes.
CAUSE	Management did not ensure these contracts were adjusted to reflect the additional payments made.
EFFECT	The School District paid \$43,334 in additional payments without the proper support.
RECOMMENDATION	All contracts should be adjusted and adequately documented for any additional services required.
RESPONSE	All extended contracts will have adequate documentation that reflects all additional compensations.

Incomplete Employee Files - Other Matter  
(13-07)

CONDITION	All three personnel files tested were missing current W-4 forms. Also all out of three chosen were missing the I-9 form.
CRITERIA	IRS regulations require a W-4 form and I-9 form be completed and included in each employees file.
CAUSE	Management did not ensure these forms were completed and kept in each employees file.
EFFECT	Management does not have any supporting documentation for amounts being withheld on behalf of the employee. If the amounts withheld were incorrect the School District could be liable for the amounts owed to the IRS. As for I-9 forms, IRS regulations are not being adhered to.
RECOMMENDATION	Management should go through each employees file and update and/or collect all required forms.
RESPONSE	The current administration will go through each employee's file and ensure that all required information is present.

Contracts for Employees Missing - Other Matter  
(13-08)

CONDITION	Two out of ten employees files chosen did not have a signed/approved employment contract in their employment file.
CRITERIA	All contracts documenting employment services to be provided to the School District need to be kept in each employees file.
CAUSE	Management did not ensure these files were complete.
EFFECT	Employees could have been overpaid.
RECOMMENDATION	Management needs to ensure all employee contracts are included in the employee file.
RESPONSE	The Current administration will ensure that all signed and approved contracts are included in each employee's file.

### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2013 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

### EXIT CONFERENCE

An exit conference was held at the School District on November 7, 2013, to discuss the current audit report. In attendance were Dr. Nelda Isaacs, Superintendent, Ms. April Geary, Parent/Community Member and Audit Committee President, Ms. Lynette Keeth, School Board Secretary, Ms. Becka Arrington, Parent/Community Member and Audit Committee Secretary, Mr. Chad Deason, School Board President, Ms. Erlene Bradley, Business Manager, Mr. Antonio Lucero and Ms. Pamela A. Rice, CPA, Contract Auditors.