

State of New Mexico

CLAYTON MUNICIPAL SCHOOLS



FOR YEAR ENDED JUNE 30, 2014

(WITH AUDITOR'S REPORT THEREON)

"Maintains a collaborative and cohesive partnership among the home, school, and the community that promotes high standards of values, integrity, and service that motivate students to be productive members of society."

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
AUDIT REPORT
For The Year Ended June 30, 2014
(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, 2014

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

Dr. Nelda Isaacs	Superintendent
Mr. Bret Dillon	Business Manager

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
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 and Medicaid Funds of the Clayton Municipal Schools, as of and for the year ended June 30, 2014, 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 Major Capital Project and Debt-Service Funds and 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, 2014 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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, 2014, 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 and Medicaid 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, 2014, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

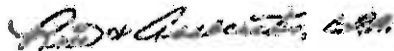
Other Information

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 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 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 budgetary comparisons for Major Capital Project and Debt Service Funds and 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 January 7, 2015 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.



Albuquerque, New Mexico
January 7, 2015

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 Statement of Net Position
 June 30, 2014

Statement 1

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 2,960,359
Taxes receivable	9,352
Due from grantor	156,365
Inventory	6,062
Total current assets	3,132,138
Non-current assets	
Land (non-depreciable)	467,890
Capital assets (depreciable)	10,162,659
Less accumulated depreciation	(5,292,324)
Total non-current assets	5,338,225
Total assets	8,470,363
LIABILITIES	
Current liabilities	
Revenues not yet earned	10,025
Total current liabilities	10,025
Long-term obligations	
Compensated absences payable	39,118
Total long-term obligations	39,118
Total liabilities	49,143
NET POSITION	
Net investment in capital assets	5,338,225
Restricted for:	
Cafeteria Fund (inventory)	6,062
Capital projects	1,914,934
Special grants	84,588
Unrestricted	1,077,411
Total net position	\$ 8,421,220

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, 2014

Statement 2

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
EXPENSES:					
Governmental activities:					
Direct instruction	\$ 3,078,364	\$ 89,764	\$ 373,947	\$ 54,997	\$ (2,559,656)
Instructional support	3,178,566	-	912,250	-	(2,266,316)
Food services	226,485	43,062	206,587	-	23,164
Depreciation - unallocated	224,105	-	-	-	(224,105)
Total	\$ 6,707,520	\$ 132,826	\$ 1,492,784	\$ 54,997	(5,026,913)
General revenues:					
Taxes					
Property taxes, levied for general purposes					44,868
Property taxes, levied for capital projects					188,853
Property taxes, levied for HB-33					-
Property taxes, levied for Debt Service					-
Oil and gas taxes, general purpose					13,622
Oil and gas taxes, capital projects					52,491
Oil and gas taxes, HB-33					-
Federal, State and Local aid not restricted to specific purpose					-
General-SEG					4,604,656
Interest and investment earnings					11,498
Miscellaneous (Indirect Costs)					4,931
Sub-total, general revenues					4,920,919
Change in net position					(105,994)
Net position - beginning of year					8,527,214
Net position - end of year					\$ 8,421,220

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, 2014

	General	Title I	IDRA-B Entitlement	Medicaid	House Bill 33	Capital			Total
						Improvements SB-9	Debt Service	Other Governmental	
ASSETS									
Cash on deposit	\$ 958,354	-	\$ -	-	\$ 713,708	\$ 1,193,684	\$ -	\$ 94,613	\$ 2,960,359
Accounts receivable	1,810	-	-	-	-	7,542	-	-	9,352
Inventor, at cost	-	-	-	-	-	-	-	6,062	6,062
Due from grantor	50,681	50,681	48,028	22,775	-	-	-	34,881	156,365
Due from other funds	156,365	-	-	-	-	-	-	-	156,365
Total assets	\$ 1,116,529	\$ 50,681	\$ 48,028	\$ 22,775	\$ 713,708	\$ 1,201,226	\$ -	\$ 135,556	\$ 3,288,503
LIABILITIES									
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues not yet earned	-	-	-	-	-	-	-	10,025	10,025
Accounts payable	-	-	-	-	-	-	-	-	-
Due to other funds	50,681	50,681	48,028	22,775	-	-	-	34,881	156,365
Total liabilities	-	50,681	48,028	22,775	-	-	-	44,906	166,390
FUND BALANCE									
Nonspendable	-	-	-	-	-	-	-	6,062	6,062
Restricted	67,732	-	-	-	713,708	1,201,226	-	84,588	2,067,254
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	1,048,797	-	-	-	-	-	-	-	1,048,797
Total fund balance	1,116,529	-	-	-	713,708	1,201,226	-	90,650	3,122,113
Total liabilities and fund balance	\$ 1,116,529	\$ 50,681	\$ 48,028	\$ 22,775	\$ 713,708	\$ 1,201,226	\$ -	\$ 135,556	\$ 3,288,503

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, 2014

Statement 4

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

Total fund balances - governmental funds		\$ 3,122,113
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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	10,630,549	
Accumulated depreciation	<u>(5,292,324)</u>	
Net capital assets		5,338,225

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>(39,118)</u>
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Total net position - governmental funds		<u>\$ 8,421,220</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, 2014

	General	Title I	IDEA-B Entitlement	Medicaid	House Bill 33	Capital Improvements SB-9	Debt Services	Other Governmental	Total
REVENUES									
Taxes	\$ 58,490	\$ -	\$ -	\$ -	\$ -	\$ 241,324	\$ -	\$ -	\$ 299,814
Charges for services	28,342	-	-	-	-	-	-	104,484	132,826
Local sources	21,244	-	-	-	-	-	-	15,687	36,931
State sources	5,467,299	-	-	-	-	30,185	-	46,554	5,544,038
Federal sources	4,931	133,794	117,408	63,620	-	-	-	236,834	556,587
Earnings from investments	4,585	-	-	-	2,305	4,013	140	55	11,498
Total revenues	5,585,291	133,794	117,408	63,620	2,305	275,542	140	403,614	6,581,714
EXPENDITURES									
Current:									
Direct instruction	2,723,114	123,932	78,766	63,620	-	-	-	93,657	3,083,089
Instructional support	2,971,663	9,862	38,542	-	3,491	119,492	-	35,416	3,178,566
Food services	-	-	-	-	-	-	-	226,485	226,485
Capital outlay	-	-	-	-	-	27,597	-	5,000	32,597
Total expenditures	5,694,777	133,794	117,408	63,620	3,491	147,089	-	360,558	6,520,737
Excess (def) of revenue over expenditures	(109,486)	-	-	-	(1,186)	128,453	140	43,056	60,977
Other financing sources & uses									
Transfer In	102,419	-	-	-	-	-	-	-	102,419
Transfer Out	-	-	-	-	-	-	(102,419)	-	(102,419)
Other financing sources & uses	102,419	-	-	-	-	-	(102,419)	-	-
Net change in fund balances	(7,067)	-	-	-	(1,186)	128,453	(102,279)	43,056	60,977
Fund balance beginning of year	1,123,596	-	-	-	714,894	1,072,773	102,279	47,594	3,061,136
Fund balance end of year	\$ 1,116,529	\$ -	\$ -	\$ -	\$ 713,708	\$ 1,201,226	\$ -	\$ 90,650	\$ 3,127,113

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

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, 2014

Total net change in fund balances - governmental funds \$ 60,977

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

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

Depreciation expense	(224,105)
Capital outlays	<u>52,409</u>

Excess of depreciaton expense over capital outlays (171,696)

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>4,725</u>
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Change in net position of governmental activities \$ (105,994)

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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 79,660	\$ 79,660	\$ 66,374	\$ (13,286)
Charges for services	27,000	27,000	28,342	1,342
Local sources	-	-	21,244	21,244
State sources	5,383,107	5,489,925	5,467,299	(22,626)
Federal sources	-	-	4,931	4,931
Earnings from investments	6,000	6,000	4,985	(1,015)
Total revenues	<u>\$ 5,495,767</u>	<u>\$ 5,602,585</u>	<u>\$ 5,593,175</u>	<u>\$ (9,410)</u>
EXPENDITURES				
Direct instruction	\$ 3,078,774	\$ 3,167,325	\$ 2,723,114	\$ 444,211
Instructional support	3,266,430	3,495,467	2,971,663	523,804
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 6,345,204</u>	<u>\$ 6,662,792</u>	<u>\$ 5,694,777</u>	<u>\$ 968,015</u>
BUDGETED CASH BALANCE	<u>\$ 849,437</u>	<u>\$ 1,060,207</u>		

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

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 136,244	\$ 140,022	\$ 143,633	\$ 3,611
Total revenues	<u>\$ 136,244</u>	<u>\$ 140,022</u>	<u>\$ 143,633</u>	<u>\$ 3,611</u>
EXPENDITURES				
Direct instruction	\$ 131,282	\$ 129,769	\$ 123,932	\$ 5,837
Instructional support	<u>4,962</u>	<u>10,253</u>	<u>9,862</u>	<u>391</u>
Total expenditures	<u>\$ 136,244</u>	<u>\$ 140,022</u>	<u>\$ 133,794</u>	<u>\$ 6,228</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 157,203	\$ 122,660	\$ (34,543)
Total revenues	<u>\$ -</u>	<u>\$ 157,203</u>	<u>\$ 122,660</u>	<u>\$ (34,543)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 113,182	\$ 78,766	\$ 34,416
Instructional support	-	44,021	38,642	5,379
Total expenditures	<u>\$ -</u>	<u>\$ 157,203</u>	<u>\$ 117,408</u>	<u>\$ 39,795</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)
 Medicaid
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 78,053	\$ 78,053	\$ 40,816	\$ (37,237)
Total revenues	<u>\$ 78,053</u>	<u>\$ 78,053</u>	<u>\$ 40,816</u>	<u>\$ (37,237)</u>
EXPENDITURES				
Instructional support	\$ 78,053	\$ 78,053	\$ 63,620	\$ 14,433
Total expenditures	<u>\$ 78,053</u>	<u>\$ 78,053</u>	<u>\$ 63,620</u>	<u>\$ 14,433</u>

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

STATE OF NEW MEXICO
RESERVE INDEPENDENT SCHOOLS
Statement of Fiduciary
Assets and Liabilities - Agency Funds
June 30, 2014

Statement 11

	<u>Agency Funds</u>
ASSETS	
Cash on deposit	\$ 96,700
Total assets	<u>\$ 96,700</u>
LIABILITIES	
Deposits held for others	\$ 96,700
Total liabilities	<u>\$ 96,700</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, 2014

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 - Medicaid - To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

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.

Notes to Financial Statements (continued)

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore not accrued.

Fiduciary Funds

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

D. Budgets and Budgetary Accounting

All budgets, and any amendments or revision thereof, are approved by the State of New Mexico, Department of Finance and Administration, Department of Education. Budgets for the General, Special Revenue, Debt Service and Capital Projects Fund are adopted on a basis inconsistent with generally accepted accounting principles (GAAP) Encumbrance accounting is not used by the School District.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debts Service Fund and Capital Projects Fund.

Appropriations do not lapse at the end of the fiscal year and unexpended fund balances are budgeted in the succeeding fiscal year. The Board of Education is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State of New Mexico, Department of Finance and Administration, Department of Education. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original appropriations.

Notes to Financial Statements (continued)

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

E. Encumbrances

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

F. Assets, Liabilities and Fund Equity

1. Cash & Cash Equivalents

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

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

2. Accounts Receivable

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

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	<u>\$ 1,810</u>	<u>\$ 7,542</u>	<u>\$ -</u>	<u>\$ 9,352</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. Revenues Not Yet Earned

The District reports revenues not yet earned on its Statement of Net Assets and fund balance sheet. Revenues not yet earned arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for 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-multi-cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$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)

J. Indirect Costs

The School District received cost reimbursements from the various federal agencies for federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the federal programs. These indirect costs are shown as revenues and as expenditures of the special revenue funds. Federal projects indirect costs are budgeted in the operational fund.

The amount shown as revenue in the General Fund that is attributable to indirect costs reimbursements is \$ 4,931.

2. DEPOSITORY COLLATERAL

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

First National Bank	Savings	Investment	\$ 146,935
Farmers & Stockmens Bank	Checking	Operational	2,701,105
First National Bank	Checking	Activity	94,520
First National Bank	Certificate of Deposit		720,000
Farmers & Stockmens Bank	Checking	Athletics	<u>17,056</u>
			<u>\$3,679,616</u>
Total amount on deposit			\$3,679,616
Outstanding checks			(622,557)
Deposits in transit			<u>-</u>
Total per financial statements			<u>\$3,057,059</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$2,938,160 of the School's bank balance of \$3,679,616 was exposed to custodial credit risk as follows:

A.	Uninsured and uncollateralized	\$1,272,784
B.	Uninsured and collateralized with securities held by the pledging banks trust department, not in the Schools name	<u>1,665,376</u>
	Total	<u>\$2,938,160</u>

Notes to Financial Statements (continued)

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

<u>Federal Home Loan Bank of Dallas, TX</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
Hobbs NM School CUSIP#433866ET3	7/15/19	\$ 250,000
FNMA CUSIP #3138AA6S5	4/01/26	561,048
FNMA CUSIP #3138EKPF6	12/1/38	305,715
SBA Pool Cusip #83165AHP2	9/25/23	<u>223,446</u>
		<u>\$ 1,340,209</u>

<u>Vining Sparks Bank of Dallas, TX</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB Cusip #850395CJ1	6/15/16	\$ 132,979
FHLB Cusip #953769JE7	10/01/14	101,225
FHLB Cusip #418839CH7	8/01/17	<u>90,963</u>
		<u>\$ 325,167</u>

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

	<u>First National Bank</u>	<u>Farmers & Stockmens Bank</u>
Cash on deposit at June 30	\$ 961,455	\$2,718,161
Less F.D.I.C.	<u>(491,455)</u>	<u>(250,000)</u>
Uninsured funds	470,000	2,468,160
50% Collateral requirement (as per section 6-10-17, NMSA, 1978)	235,000	1,234,080
Pledged collateral by pledging banks trust department or agent but not in the Schools name	<u>325,167</u>	<u>1,340,209</u>
Excess of pledged collateral	<u>\$ 90,167</u>	<u>\$ 106,129</u>

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Land	\$ 467,890	\$ -	\$ -	\$ 467,890
Total capital assets not being depreciated	<u>467,890</u>	<u>-</u>	<u>-</u>	<u>467,890</u>
Buildings	7,379,212	-	-	7,379,212
Vehicles	935,023	-	-	935,023
Equipment	1,203,997	27,597	(8,500)	1,223,094
Land improvements	<u>600,518</u>	<u>24,812</u>	<u>-</u>	<u>625,330</u>
Total	<u>10,118,750</u>	<u>52,409</u>	<u>(8,500)</u>	<u>10,162,659</u>
Less Accumulated Depreciation				
Buildings	(3,073,309)	(140,618)	-	(3,213,927)
Vehicles	(693,160)	(49,082)	-	(742,242)
Equipment	(1,169,560)	(8,645)	8,500	(1,169,705)
Land improvements	<u>(140,690)</u>	<u>(25,760)</u>	<u>-</u>	<u>(166,450)</u>
Total	<u>(5,076,719)</u>	<u>(224,105)</u>	<u>8,500</u>	<u>(5,292,324)</u>
Governmental activities capital assets, net	<u>\$ 5,509,921</u>	<u>\$ (171,696)</u>	<u>\$ -</u>	<u>\$ 5,338,225</u>

The District has no infrastructure as of June 30, 2014.

Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 224,105</u>
Total depreciation expense	<u>\$ 224,105</u>

Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Compensated Absences	<u>\$ 43,843</u>	<u>\$ -</u>	<u>\$ (4,725)</u>	<u>\$ 39,118</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

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

C. Short-Term Liabilities

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

5. DUE FROM GRANTOR

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

6. CASH OVERDRAFTS

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

7. HIGH PLAINS REGIONAL EDUCATIONAL COOPERATIVE

The School District is a member of the High Plains Regional Educational Cooperative. The High Plains Regional Educational Cooperative issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that audit report can be obtained by writing to the High Plains Regional Educational Cooperative, 101 North 2nd Street, Raton, New Mexico 87740.

Notes to Financial Statements (continued)

8. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Title I</u>	<u>IDEA-B Entitlement</u>	<u>Medicaid</u>
Revenues per modified accrual basis	\$ 5,585,291	\$ 133,794	\$ 117,408	\$ 63,620
Receivables	7,884	-	-	-
Deferred revenues/Due from grantor	-	9,839	5,252	(22,804)
Revenues per budgetary basis	<u>\$ 5,593,175</u>	<u>\$ 143,633</u>	<u>\$ 122,660</u>	<u>\$ 40,816</u>
Expenditures per modified accrual basis	\$ 5,694,777	\$ 133,794	\$ 117,408	\$ 63,620
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 5,694,777</u>	<u>\$ 133,794</u>	<u>\$ 117,408</u>	<u>\$ 63,620</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	\$ 2,305	\$ 275,542	\$ 140	\$ 403,614
Receivables	-	35,209	-	-
Deferred revenues/Due from grantor	-	-	-	(17,768)
Revenues per budgetary basis	<u>\$ 2,305</u>	<u>\$ 310,751</u>	<u>\$ 140</u>	<u>\$ 385,846</u>
Expenditures per modified accrual basis	\$ 3,491	\$ 147,089	\$ -	\$ 360,558
Inventory changes	-	-	-	2,621
Accounts payable	-	-	-	-
Expenditures per budgetary basis	<u>\$ 3,491</u>	<u>\$ 147,089</u>	<u>\$ -</u>	<u>\$ 363,179</u>

9. RISK MANAGEMENT

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

Notes to Financial Statements (continued)

10. 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.

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, 2014, 2013, and 2012, were \$413,759, \$366,186 and \$335,013, respectively, which equal the amount of the required contributions for each fiscal year.

11. 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

Notes to Financial Statements (continued)

Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required

Notes to Financial Statements (continued)

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, 2014, 2013 and 2012 were \$63,164, \$66,843 and \$66,224, respectively, which equal the required contributions for each year.

12. BUDGETED ACTIVITY FUNDS

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS				
Cash and cash equivalent	\$ 112,781	\$ 269,510	\$ 285,591	\$ 96,700
Total assets	<u>\$ 112,781</u>	<u>\$ 269,510</u>	<u>\$ 285,591</u>	<u>\$ 96,700</u>
LIABILITIES				
Deposits held for others				
Elementary School	\$ 5,565	\$ 30,343	\$ 26,422	\$ 9,486
Junior High	34,847	51,806	59,195	27,458
High School	<u>72,369</u>	<u>187,361</u>	<u>199,974</u>	<u>59,756</u>
Total liabilities	<u>\$ 112,781</u>	<u>\$ 269,510</u>	<u>\$ 285,591</u>	<u>\$ 96,700</u>

13. BUDGET OVERRUNS

The Instructional Materials Fund Budget was overrun by \$2,809.

14. PENSION LIABILITY

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

Notes to Financial Statements (continued)

15. FUND BALANCES CLASSIFIED

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

	General Fund	House Bill 33	Capital Improvements SB-9	Debt Service	Non-Major Governmental Fund	Totals
<u>Fund Balance</u>						
Nonspendable:						
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	6,062	6,062
Total nonspendable	-	-	-	-	6,062	6,062
Restricted for:						
Transportation services	62,805	-	-	-	-	62,805
Instructional materials	4,927	-	-	-	-	4,927
Capital improvements	-	713,708	1,201,226	-	-	1,914,934
Athletic services	-	-	-	-	33,491	33,491
Special grants	-	-	-	-	-	-
Cafeteria services	-	-	-	-	51,097	51,097
Total restricted	67,732	713,708	1,201,226	-	84,588	2,067,254
Committed to:						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
Unassigned:						
	1,048,797	-	-	-	-	1,048,797
Total Fund Balances	<u>\$ 1,116,529</u>	<u>\$ 713,708</u>	<u>\$ 1,201,226</u>	<u>\$ -</u>	<u>\$ 90,650</u>	<u>\$ 3,122,113</u>

OTHER MAJOR FUNDS BUDGETS

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 House Bill 33
 Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 3,000	\$ 3,000	\$ 2,305	\$ (695)
Total revenues	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 2,305</u>	<u>\$ (695)</u>
EXPENDITURES				
Capital outlay	\$ 718,238	\$ 717,894	\$ 3,491	\$ 714,403
Total expenditures	<u>\$ 718,238</u>	<u>\$ 717,894</u>	<u>\$ 3,491</u>	<u>\$ 714,403</u>
BUDGETED CASH BALANCE	<u>\$ 715,238</u>	<u>\$ 714,894</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 329,948	\$ 329,948	\$ 276,553	\$ (53,395)
State sources	15,267	30,185	30,185	—
Earnings from investments	<u>2,500</u>	<u>2,500</u>	<u>4,013</u>	<u>1,513</u>
Total revenues	<u>\$ 347,715</u>	<u>\$ 362,633</u>	<u>\$ 310,751</u>	<u>\$ (51,882)</u>
EXPENDITURES				
Capital outlay	<u>\$ 1,320,959</u>	<u>\$ 1,392,657</u>	<u>\$ 147,089</u>	<u>\$ 1,245,568</u>
Total expenditures	<u>\$ 1,320,959</u>	<u>\$ 1,392,657</u>	<u>\$ 147,089</u>	<u>\$ 1,245,568</u>
BUDGETED CASH BALANCE	<u>\$ 973,244</u>	<u>\$ 1,030,024</u>		

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

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Debt Service
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ 450	\$ 450	\$ 140	\$ (310)
Total revenues	<u>\$ 450</u>	<u>\$ 450</u>	<u>\$ 140</u>	<u>\$ (310)</u>
EXPENDITURES				
Bonds	\$ -	\$ -	\$ -	\$ -
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Financing Sources (Uses)				
Transfer Out	<u>\$ -</u>	<u>\$ 102,419</u>	<u>\$ 102,419</u>	<u>\$ -</u>
Budgeted Cash Balance	<u>\$ -</u>	<u>\$ 102,279</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.

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

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.)

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.

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

2012 GO BOND STUDENT LIBRARY - To account for resources received to provide funding for library resource acquisitions, including library books. Financing and authority is from General Obligation Bonds, SB-66, Chapter 54, Section 10, Paragraph B(3), Laws of 2012.

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

FORMATIVE ASSESSMENTS - To account for 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.

(Non-Major Special Revenue Funds - continued)

WIND TURBINE - To account for monies received from Plateau Telephone for an "Innovation in Schools Education Grant" for the Clayton High School to implement the "Wind for Schools" project. Authority is from the Public Education Department.

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

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, 2014

Statement A-1
 Page 1 of 3

	Improving Teacher Quality	IDEA-B Preschool	Rural Low Income	REAP	Fresh Fruit & Vegetables	2012 GO Bond Student Library
ASSETS						
Cash on deposit	\$ -	\$ -	-	\$ -	-	\$ -
Due from grantor	9,413	6,019	450	-	-	12,474
Inventory, at cost	-	-	-	-	-	-
Total assets	\$ 9,413	\$ 6,019	\$ 450	\$ -	\$ -	\$ 12,474
LIABILITIES						
Cash overdraft	\$ 9,413	\$ 6,019	450	\$ -	-	\$ 12,474
Revenues not yet earned	-	-	-	-	-	-
Total liabilities	9,413	6,019	450	-	-	12,474
FUND BALANCES						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Total fund balance	-	-	-	-	-	-
Total liabilities and fund balances	\$ 9,413	\$ 6,019	\$ 450	\$ -	\$ -	\$ 12,474

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, 2014

	2010				
	GO Bond Student Library	Formative Assessments	Incentives for School Improvements	Child & Adult Food Program	Wind Turbine
ASSETS					
Cash on deposit	\$ -	\$ -	\$ -	\$ 5,814	\$ -
Due from grantor	-	-	-	-	-
Inventory, at cost	-	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ 5,814	\$ -
LIABILITIES					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Revenues not yet earned	-	-	-	5,814	-
Total liabilities	-	-	-	5,814	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Total fund balance	-	-	-	-	-
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 5,814	\$ -

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, 2014

Statement A-1
 Page 3 of 3

	NM Reads 2Lead	After School Enrichment Program	Saturday School	Athletics	Student Cafeteria Account	Totals
ASSETS						
Cash on deposit	\$ -	\$ 401	\$ 3,810	\$ 33,491	\$ 51,097	\$ 94,613
Due from grantor	6,525	-	-	-	-	34,881
Inventory, at cost	-	-	-	-	6,062	6,062
Total assets	\$ 6,525	\$ 401	\$ 3,810	\$ 33,491	\$ 57,159	\$ 135,556
LIABILITIES						
Cash overdraft	\$ 6,525	\$ -	\$ -	\$ -	\$ -	\$ 34,881
Revenues not yet earned	-	401	3,810	-	-	10,025
Total liabilities	6,525	401	3,810	-	-	44,906
FUND BALANCES						
Nonspendable	-	-	-	-	6,062	6,062
Restricted	-	-	-	33,491	51,097	84,588
Total fund balance	-	-	-	33,491	57,159	90,650
Total liabilities and fund balances	\$ 6,525	\$ 401	\$ 3,810	\$ 33,491	\$ 57,159	\$ 135,556

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, 2014

	Improving Teacher Quality	IDEA-B Preschool	Rural Low Income	REAP	Fresh Fruits & Vegetables	2012 GO Bond Student Library
REVENUES						
Charges for services	\$ -	\$ -	-	-	\$ -	-
Local sources	-	-	-	-	-	-
State sources	-	-	-	-	591	12,474
Federal sources	25,287	13,669	720	1,633	-	-
Earnings from investments	-	-	-	-	-	-
Total revenues	<u>25,287</u>	<u>13,669</u>	<u>720</u>	<u>1,633</u>	<u>591</u>	<u>12,474</u>
EXPENDITURES						
Direct instruction	2,405	13,669	720	1,633	-	-
Instructional support	22,882	-	-	-	-	12,474
Food services	-	-	-	-	591	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>25,287</u>	<u>13,669</u>	<u>720</u>	<u>1,633</u>	<u>591</u>	<u>12,474</u>
Net change in fund balance	-	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2014

	2010				
	GO Bond Student Library	Formative Assessments	Incentives for School Improvements	Child and Adult Food Program	Wind Turbine
REVENUES					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	5,000
State sources	-	-	-	8,828	-
Federal sources	-	-	-	-	-
Earnings from investments	-	-	-	-	-
Total revenues				8,828	5,000
EXPENDITURES					
Direct instruction	-	-	-	-	-
Instructional support	-	-	-	-	-
Food services	-	-	-	8,828	-
Capital outlay	-	-	-	-	5,000
Total expenditures				8,828	5,000
Net change in fund balance	-	-	-	-	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2014

	NM Reads 2Lead	Enrichment Program	After School Saturday School	Athletics	Cafeteria	Totals
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ 61,422	\$ 43,062	\$ 104,484
Local sources		2,617	3,520	4,550	-	15,687
State sources	24,661	-	-	-	-	46,554
Federal sources	-	-	-	-	195,525	236,834
Earnings from investments	-	-	-	22	33	55
Total revenues	<u>24,661</u>	<u>2,617</u>	<u>3,520</u>	<u>65,994</u>	<u>238,620</u>	<u>403,614</u>
EXPENDITURES						
Direct instruction	24,661	2,600	1,834	46,135	-	93,657
Instructional support		17	43	-	-	35,416
Food Services		-	1,643	-	215,423	226,485
Capital outlay		-	-	-	-	5,000
Total expenditures	<u>24,661</u>	<u>2,617</u>	<u>3,520</u>	<u>46,135</u>	<u>215,423</u>	<u>360,558</u>
Net change in fund balance				19,859	23,197	43,056
Fund balance at beginning of year				<u>13,632</u>	<u>33,962</u>	<u>47,594</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,491</u>	<u>\$ 57,159</u>	<u>\$ 90,650</u>

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

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Improving Teacher Quality
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 31,940	\$ 31,940	\$ 30,194	\$ -
Total revenues	<u>\$ 31,940</u>	<u>\$ 31,940</u>	<u>\$ 30,194</u>	<u>\$ -</u>
EXPENDITURES				
Instructional support	\$ -	\$ 2,405	\$ 2,405	\$ -
Direct instruction	31,940	29,535	22,882	6,653
Total expenditures	<u>\$ 31,940</u>	<u>\$ 31,940</u>	<u>\$ 25,287</u>	<u>\$ 6,653</u>
REVENUES				
Budgetary basis			\$ 30,194	
(Decrease) in due from grantor			<u>(4,907)</u>	
Modified accrual basis			<u>\$ 25,287</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 - IDEA-B Preschool
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ -	\$ 13,981	\$ 7,842	\$ (6,139)
Total revenues	<u>\$ -</u>	<u>\$ 13,981</u>	<u>\$ 7,842</u>	<u>\$ (6,139)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 13,981	\$ 13,669	\$ 312
Total expenditures	<u>\$ -</u>	<u>\$ 13,981</u>	<u>\$ 13,669</u>	<u>\$ 312</u>
REVENUES				
Budgetary basis			\$ 7,842	
Increase in due from grantor			<u>5,827</u>	
Modified accrual basis			<u>\$ 13,669</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 9,543	\$ 10,165	\$ 4,255	\$ (5,910)
Total revenues	<u>\$ 9,543</u>	<u>\$ 10,165</u>	<u>\$ 4,255</u>	<u>\$ (5,910)</u>
EXPENDITURES				
Direct instruction	\$ 9,543	\$ 10,165	\$ 720	\$ 9,445
Total expenditures	<u>\$ 9,543</u>	<u>\$ 10,165</u>	<u>\$ 720</u>	<u>\$ 9,445</u>
REVENUES				
Budgetary basis			\$ 4,255	
(Decrease) in due from grantor			<u>(3,535)</u>	
Modified accrual basis			<u>\$ 720</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 1,674	\$ 1,674	\$ 1,633	\$ (41)
Total revenues	<u>\$ 1,674</u>	<u>\$ 1,674</u>	<u>\$ 1,633</u>	<u>\$ (41)</u>
EXPENDITURES				
Instructional support	\$ 1,674	\$ 1,674	\$ 1,633	\$ 41
Total expenditures	<u>\$ 1,674</u>	<u>\$ 1,674</u>	<u>\$ 1,633</u>	<u>\$ 41</u>

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

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Fresh Fruits & Vegetables
 Statement of Revenues and Expenditures
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 591	\$ 591	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 591</u>	<u>\$ 591</u>	<u>\$ -</u>
EXPENDITURES				
Food services	\$ -	\$ 591	\$ 591	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 591</u>	<u>\$ 591</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 (2012)
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 12,659	\$ 12,659	\$ -	\$ (12,659)
Total revenues	<u>\$ 12,659</u>	<u>\$ 12,659</u>	<u>\$ -</u>	<u>\$ (12,659)</u>
EXPENDITURES				
Instructional support	\$ 12,659	\$ 12,659	\$ 12,474	\$ 185
Total expenditures	<u>\$ 12,659</u>	<u>\$ 12,659</u>	<u>\$ 12,474</u>	<u>\$ 185</u>
REVENUES				
Budgetary basis			\$ -	
Increase in due from grantor			<u>12,474</u>	
Modified accrual basis			<u>\$ 12,474</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 (2010)
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 2,454	\$ 2,454
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,454</u>	<u>\$ 2,454</u>
EXPENDITURES				
Instructional support	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 2,454	
(Decrease) in due from grantor			<u>(2,454)</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 - Formative Assessments
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 3,130	\$ 3,130
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,130</u>	<u>\$ 3,130</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 3,130	
(Decrease) in due from grantor			<u>(3,130)</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 - Incentives for School Improvements
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 10,992	\$ 10,992	\$ 7,997	\$ (2,995)
Total revenues	<u>\$ 10,992</u>	<u>\$ 10,992</u>	<u>\$ 7,997</u>	<u>\$ (2,995)</u>
EXPENDITURES				
Food services	\$ 10,992	\$ 10,992	\$ 8,828	\$ 2,164
Total expenditures	<u>\$ 10,992</u>	<u>\$ 10,992</u>	<u>\$ 8,828</u>	<u>\$ 2,164</u>
REVENUES				
Budgetary basis			\$ 7,997	
Increase in revenues not yet earned			<u>831</u>	
Modified accrual basis			<u>\$ 8,828</u>	

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

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 Non-Major Special Revenue Fund - Wind Turbine
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ 5,000	\$ 5,000	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 5,000	\$ 5,000	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</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 - Reads2Lead
 Statement of Revenues and Expenditures -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 41,058	\$ 18,136	\$ (22,922)
Total revenues	<u>\$ -</u>	<u>\$ 41,058</u>	<u>\$ 18,136</u>	<u>\$ (22,922)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 41,058	\$ 24,661	\$ 16,397
Total expenditures	<u>\$ -</u>	<u>\$ 41,058</u>	<u>\$ 24,661</u>	<u>\$ 16,397</u>
REVENUES				
Budgetary basis			\$ 18,136	
Increase in revenues not yet earned			<u>6,525</u>	
Modified accrual basis			<u>\$ 24,661</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Direct Instruction	\$ -	\$ 3,000	\$ 2,600	\$ 400
Instructional support	-	17	17	-
Total expenditures	<u>\$ -</u>	<u>\$ 3,017</u>	<u>\$ 2,617</u>	<u>\$ 400</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 3,017</u>		
REVENUES				
Budgetary basis			\$ -	
Decrease in revenues not yet earned			<u>2,617</u>	
Modified accrual basis			<u>\$ 2,617</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 3,650	\$ 1,834	\$ 1,816
Instructional support	-	44	43	1
Food services	-	3,636	1,643	1,993
Total expenditures	<u>\$ -</u>	<u>\$ 7,330</u>	<u>\$ 3,520</u>	<u>\$ 3,810</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 7,330</u>		
REVENUES				
Budgetary basis			\$ -	
Decrease in revenues not yet earned			<u>3,520</u>	
Modified accrual basis			<u>\$ 3,520</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 38,500	\$ 38,500	\$ 61,422	\$ 22,922
Local services	-	-	4,550	4,550
Earnings from investments	-	-	22	22
Total revenues	<u>\$ 38,500</u>	<u>\$ 38,500</u>	<u>\$ 65,994</u>	<u>\$ 27,494</u>
EXPENDITURES				
Direct instruction	\$ 50,662	\$ 50,662	\$ 46,135	\$ 4,527
Total expenditures	<u>\$ 50,662</u>	<u>\$ 50,662</u>	<u>\$ 46,135</u>	<u>\$ 4,527</u>
BUDGETED CASH BALANCE	<u>\$ 12,162</u>	<u>\$ 12,162</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 43,500	\$ 43,500	\$ 43,062	\$ (438)
Federal sources	186,011	186,011	195,525	9,514
Earnings from investments	75	75	33	(42)
	<u>\$ 229,586</u>	<u>\$ 229,586</u>	<u>\$ 238,620</u>	<u>\$ 9,034</u>
EXPENDITURES				
Food services	\$ 263,525	\$ 260,107	\$ 218,044	\$ 42,063
	<u>\$ 263,525</u>	<u>\$ 260,107</u>	<u>\$ 218,044</u>	<u>\$ 42,063</u>
BUDGETED CASH BALANCE	<u>\$ 33,939</u>	<u>\$ 30,521</u>		
EXPENDITURES				
Budgetary basis			\$ 218,044	
Increase in inventory			<u>(2,621)</u>	
Modified accrual basis			<u>\$ 215,423</u>	

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

GENERAL FUND

OPERATIONAL FUND - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

TRANSPORTATION FUND - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

INSTRUCTIONAL MATERIALS FUND - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 Combining Balance Sheet
 General Fund
 June 30, 2014

	Operational	Transporation	Instructional Materials	Total
ASSETS				
Cash on deposit	\$ 1,046,987	\$ 62,805	\$ 4,927	\$ 1,114,719
Accounts receivable, collectible	<u>1,810</u>	<u>-</u>	<u>-</u>	<u>1,810</u>
Total assets	<u>\$ 1,048,797</u>	<u>\$ 62,805</u>	<u>\$ 4,927</u>	<u>\$ 1,116,529</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	62,805	4,927	67,732
Unassigned	<u>1,048,797</u>	<u>-</u>	<u>-</u>	<u>1,048,797</u>
Total fund balance	<u>1,048,797</u>	<u>62,805</u>	<u>4,927</u>	<u>1,116,529</u>
Total liabilities and fund balances	<u>\$ 1,048,797</u>	<u>\$ 62,805</u>	<u>\$ 4,927</u>	<u>\$ 1,116,529</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, 2014

	Operational	Transportation	Instructional Materials	Total
REVENUES				
Taxes	\$ 58,490	\$ -	\$ -	\$ 58,490
Charges for services	28,342	-	-	28,342
Local sources	21,244	-	-	21,244
State sources	4,604,656	828,330	34,313	5,467,299
Federal sources	4,931	-	-	4,931
Earnings from investments	4,985	-	-	4,985
Total revenues	<u>4,722,648</u>	<u>828,330</u>	<u>34,313</u>	<u>5,585,291</u>
EXPENDITURES				
Current:				
Direct instruction	2,667,234	-	55,880	2,723,114
Instructional support	2,185,188	786,475	-	2,971,663
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>4,852,422</u>	<u>786,475</u>	<u>55,880</u>	<u>5,694,777</u>
Excess deficiencies of revenues over expenditures	<u>(129,774)</u>	<u>41,855</u>	<u>(21,567)</u>	<u>(109,486)</u>
Other Financing Sources & Uses				
Transfer In	102,419	-	-	102,419
Total Other Financing Sources & Uses	<u>102,419</u>	<u>-</u>	<u>-</u>	<u>102,419</u>
Net change in fund balance	<u>(27,355)</u>	<u>41,855</u>	<u>(21,567)</u>	<u>(7,067)</u>
Fund balance at beginning of year	1,076,152	20,950	26,494	1,123,596
Fund balance at end of year	<u>\$ 1,048,797</u>	<u>\$ 62,805</u>	<u>\$ 4,927</u>	<u>\$ 1,116,529</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 79,660	\$ 79,660	\$ 66,374	\$ (13,286)
Charges for services	27,000	27,000	28,342	1,342
Local sources	-	-	21,244	21,244
State sources	4,595,216	4,595,216	4,604,656	9,440
Federal sources	-	-	4,931	4,931
Earnings from investments	6,000	6,000	4,985	(1,015)
Total revenues	<u>\$ 4,707,876</u>	<u>\$ 4,707,876</u>	<u>\$ 4,730,532</u>	<u>\$ 22,656</u>
EXPENDITURES				
Direct instruction	\$ 3,045,697	\$ 3,114,254	\$ 2,667,234	\$ 447,020
Instructional support	2,511,616	2,653,829	2,185,188	468,641
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 5,557,313</u>	<u>\$ 5,768,083</u>	<u>\$ 4,852,422</u>	<u>\$ 915,661</u>
BUDGETED CASH BALANCE	<u>\$ 849,437</u>	<u>\$ 1,060,207</u>		
REVENUES				
Budgetary basis			\$ 4,730,532	
(Decrease) in receivables			(7,884)	
Modified accrual basis			<u>\$ 4,722,648</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, 2014

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	754,814	841,638	828,330	(13,308)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 754,814</u>	<u>\$ 841,638</u>	<u>\$ 828,330</u>	<u>\$ (13,308)</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	754,814	841,638	786,475	55,163
Food services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>\$ 754,814</u>	<u>\$ 841,638</u>	<u>\$ 786,475</u>	<u>\$ 55,163</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

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

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	33,077	53,071	34,313	(18,758)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 33,077</u>	<u>\$ 53,071</u>	<u>\$ 34,313</u>	<u>\$ (18,758)</u>
EXPENDITURES				
Direct instruction	\$ 33,077	\$ 53,071	\$ 55,880	\$ (2,809)
Instructional support	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 33,077</u>	<u>\$ 53,071</u>	<u>\$ 55,880</u>	<u>\$ (2,809)</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

SUPPLEMENTARY INFORMATION

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

	Operational		Transportation		Instructional		Cafeteria		Athletics	
	Federal Projects	Local/ State	House Bill 33	Capital Improvement SB-9	Debt Service	Agency	Materials			
Cash balance, June 30, 2013	\$ (132,268)	\$ 11,409	\$ 714,894	\$ 1,030,022	\$ 102,279	\$ 112,781	\$ 26,494	\$ 30,521	\$ 13,632	
Cash Receipts, 2013-2014	351,033	37,308	2,305	310,751	140	274,511	34,313	238,620	65,994	
Transfer In (Permanent)	-	-	-	-	(102,419)	-	-	-	-	-
Cash Disbursements, 2013-2014	(356,131)	(57,691)	(3,491)	(147,089)	-	(290,592)	(55,880)	(218,044)	(46,135)	
Cash balance, June 30, 2014	\$ (137,366)	\$ (8,974)	\$ 713,708	\$ 1,193,684	\$ -	\$ 96,700	\$ 4,927	\$ 51,097	\$ 33,491	

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

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

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
and
Board of Education
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 and Medicaid, 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, 2014 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 January 7, 2015.

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.

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. We consider the deficiencies described in the accompanying Status of Findings and Responses to be significant deficiencies: Bus Contracts Overpaid (2013-006), Requests for Reimbursement (2014-003) and Capital Asset Listing/Depreciation Schedule (2014-004).

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 Status of Findings and Responses as Late Audit Report (2014-001), Auction Sales Incorrectly Posted to the Instructional Materials Fund (2014-002), Auction Transactions Netted in Financial Statements (2014-005), New Hire Reporting (2014-006), Board Minutes Not Approved in Open Meeting (2014-007), Incorrect ERA Reports (2014-008), Deficit Activity Fund Balances (2014-009), Budget Overruns (2014-010), Worker's Compensation Reports Not Filed (2014-011), Penalty on Late 941 Report (2014-012) and School District Vehicle Usage Not Recorded on the Superintendents W-2 (2014-013).

Responses to the Findings

Clayton Municipal Schools responses to the findings identified in our audit are described in the accompanying 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
January 7, 2015

STATUS OF FINDINGS AND RESPONSES

Prior Year Audit Findings:

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

Current Year Audit Findings:

1. Late Audit Report (2014-001)
2. Auction Sales Incorrectly Posted to the Instructional Materials Fund (2014-002)
3. Requests for Reimbursement (2014-003)
4. Capital Asset Listing/Depreciation Schedule (2014-004)
5. Action Transactions Netted in Financial Statements (2014-005)
6. New Hire Reporting (2014-006)
7. Board Minutes Not Approved in Open Meeting (2014-007)
8. Incorrect ERA Reports (2014-008)
9. Deficit Activity Fund Balances (2014-009)
10. Budget Overruns (2014-010)
11. Workers Compensation Reports Not Filed (2014-011)
12. Penalty on Late 941 Reports (2014-012)
13. School District Vehicle Usage Not Recorded on the Superintendents W-2 (2014-013)

Bus Contracts Overpaid - Significant Deficiency
(2013-006)

CONDITION	Management overpaid all bus contractors by \$28,926. 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 \$28,926 in additional payments without the proper support/approval.
RECOMMENDATION	All contracts should be adjusted and adequately documented for any additional services required.
RESPONSE	The current administration will ensure that addendums will be made when adjusting bus contracts so proper approval is documented.

Late Audit Report - Other Matter
(2014-001)

CONDITION The June 30, 2014 audit report was not submitted to the State Auditors Office by the required deadline of November 15, 2014.

CRITERIA According to NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies; all School District audits are due to the State Auditor's Office by November 15, 2014.

CAUSE The School District had three different business managers during the fiscal year. The Business Office also moved to a new facility. Documents were very hard to find.

EFFECT NMAC 2.2.2 Requirements for Contracting and Conducting Audits of Agencies regulation was not followed.

RECOMMENDATION The Board should help stabilize the Business Office so the documents and employees are available for the auditors.

RESPONSE Current management had trouble finding documents and answering questions about the previous management's books of record. Documents were hard to find based on the move of the business office. However, current management feels the audit could have been finished by the deadline. Current management will do its best to ensure documents are ready for the 2015 audit so it can be submitted by the SAO due date.

Auction Sales Incorrectly Posted to the
Instructional Materials Fund - Other Matter
(2014-002)

CONDITION	The proceeds of an auction sale were purposely included in the Instructional Materials Fund to cover overspent line items. The proceeds amount was \$5,426.
CRITERIA	Revenues should be included in the correct funds according to the Department of Education Manual of Procedures.
CAUSE	Prior management posted these monies to the IM Fund instead of taking the necessary procedures to cover overspent line items.
EFFECT	Management incorrectly included \$5,426 in the Instructional Materials Fund that had to be moved to the correct fund.
RECOMMENDATION	Current management is aware of this situation and agreed that the amount belonged to another fund and will work to ensure all future revenues are deposited in the correct fund.
RESPONSE	Management will work to ensure all future revenues are deposited in the correct fund.

Requests for Reimbursement - Significant Deficiency
(2014-003)

CONDITION	Prior management did not ensure that all requests for reimbursement be submitted and received by the deadline set forth by the Department of Education. The total amount not requested by the deadline was \$56,881.
CRITERIA	The Department of Education Manual of Procedures sets forth the guidelines and deadline for submitting reimbursements for federal and State grants.
CAUSE	Prior management left before the end of the fiscal year and did not ensure these procedures were done before leaving <u>or</u> ensuring new management was aware that this requirement had not been completed.
EFFECT	The School District may have lost \$56,881 in funding.
RECOMMENDATION	Management should ensure that these RFR's continue to be submitted and received according to the PED Manual of Procedures.
RESPONSE	Management will work on getting RFR's submitted in a timely manner and make sure all RFR's are requested by the end of the year.

Capital Asset Listing/Depreciation Schedule -
Significant Deficiency
(2014-004)

CONDITION	The School District could not provide a complete Capital Asset Listing and Depreciation Schedule for the fiscal year ending June 30, 2014.
CRITERIA	A depreciation schedule should be maintained. The depreciation schedule should be separated by each major class of asset to comply with GASB 34.177a. Also, a depreciation schedule is required to comply with 2.20.1.12 NMAC.
CAUSE	An employee had not been assigned this duty when prior management resigned. As of the date of this audit report management still has not trained an employee on how to perform these duties.
EFFECT	Management is not complying with Generally Accepted Accounting Principles.
RECOMMENDATION	Management needs to assign and train an employee as soon as possible to ensure a complete Capital Asset Listing and Depreciation Schedule can be prepared and provided immediately, to the board and next year's auditors, when the audit process was started.
RESPONSE	Management will assign and train an employee to put in the Capital Asset listing and depreciation schedule.

Action Transactions Netted in Financial Statements - Other
Matter
(2014-005)

CONDITION	Management booked only the actual cash received from the sale of obsolete supplies/assets.
CRITERIA	The amount paid to the auctioneers and the total amount received for the sale of these items should be booked in the Schools financial statements. The financial statement transactions should not be "netted".
CAUSE	There were several changes in management during the year.
EFFECT	The financial statements could have been understated in revenues by \$1,809 and the expenditures could have been understated by \$1,809.
RECOMMENDATION	Management should ensure that all aspects of transactions should be posted to the books of record.
RESPONSE	Management will make sure that actual cash is received and posted to the books.

New Hire Reporting - Other Matter
(2014-006)

CONDITION The School District did not properly report newly hired employees to a State directory within 20 days of their hire date.

CRITERIA New Mexico law (50-13-1 to 50-13-4 NMSA) and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, 42. U.S.C. 653A, requires all employers to report newly hired employees to a State directory within 20 days of their hire.

CAUSE New management did not know of this requirement.

EFFECT The School District did not comply with New Mexico State Statute 50-13-1 or the PRWORA of 1996.

RECOMMENDATION The School District is now complying with this law, however, management should have a system in place to ensure all future reports are submitted on time.

RESPONSE The current administration will have procedures in place to have all reports submitted in a timely manner.

Board Minutes Not Approved in Open Meeting - Other Matter
(2014-007)

CONDITION The Board of the School District did not approve the December 18, 2013 Special Meeting and the May 21, 2014 Special Meeting in Open Session.

CRITERIA According to the Open Meetings Act, Article 15, Section 10-15-1G "Minutes shall not become official until approved by the policy making body". This is done by formal approval in a subsequent Board Meeting and having a signed copy available for review.

CAUSE Management is not ensuring this procedure is completed.

EFFECT Written "approved" minutes of the Board are not available as required by the Open Meetings Act.

RECOMMENDATION The Board should ensure that all future Board Minutes be prepared, approved, signed and available for review.

RESPONSE The current administration will ensure that the Board signs and approves all board minutes.

Incorrect ERA Reports - Other Matter
(2014-008)

CONDITION	the May, 2014 ERA report was not prepared and submitted to the ERA by the deadline. The amount owed totaled \$57,351.
CRITERIA	All ERA reports should be prepared and submitted by the deadline ERA has set.
CAUSE	A change in management occurred at the end of the School year.
EFFECT	The School District still owes \$57,351 to ERA. The School District will also owe penalties and interest on this amount.
RECOMMENDATION	Management should correct and submit amended ERA reports immediately so as to limit the amount of penalties and interest charged by ERA.
RESPONSE	Current management has already corrected and submitted an amended report.

Deficit Activity Fund Balances - Other Matter
(2014-009)

CONDITION	Three of the individual activity accounts (totaling \$2,304) had a deficit balance as of June 30, 2014.
CRITERIA	According to the State Public Education Department Manual of Procedures "Under no circumstances shall an activity fund remain in a deficit balance at the end of the fiscal year".
CAUSE	Management was not aware of this requirement.
EFFECT	By creating deficit balances the management of the School District are creating a liability in which they will have to provide resources to eliminate these deficits. This is usually done by the Operational Fund.
RECOMMENDATION	Management should monitor the activity fund balances to ensure deficits do not occur.
RESPONSE	Management will ensure that activity accounts will not have deficits by not letting them spend without money in the accounts.

Budget Overruns - Other Matter
(2014-010)

CONDITION The School District overspent the final approved budgets of the Instructional Materials Fund by \$2,809.

CRITERIA NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.

CAUSE Prior management did not review the budgets during the fourth quarter and then request the necessary budget adjustments before the required deadline set by the Department of Education.

EFFECT The School District had the adequate cash to pay the additional expenditures but not the required budget authority from PED.

RECOMMENDATION Management should review the budgets quarterly and make the necessary budget adjustment requests to ensure budgets by Fund are not overspent.

RESPONSE Current management will review each fund quarterly and make any necessary budget adjustments to ensure school funds are not overspent and proper budget approval is received from PED.

Workers Compensation Reports Not Filed - Other Matter
(2014-011)

CONDITION	A copy of the December, 2013 Workers Compensation Report was not available to be audited. Also, the amount paid is probably incorrect as it was the same amount as the September, 2013 quarterly amount due.
CRITERIA	All reports should be prepared, submitted and a copy retained in the business office with all supporting documentation.
CAUSE	Prior management did not ensure this report was kept.
EFFECT	Workers Compensation regulations concerning quarterly Workers Compensation Reports may not have been followed.
RECOMMENDATION	New Management should obtain a copy from the Workers Compensation Department and ensure it is correct. If it is not, management should reissue it and resubmit the amended form.
RESPONSE	Current administration will turn in workmen's compensation reports in a timely manner and on time. Administration will check to make sure all reports have been filed.

Penalty on Late 941 Report - Other Matter
(2014-012)

CONDITION	The School District was charged \$2,963 in penalties and interest from the IRS for the late filing of the June 30, 2014 941 quarterly report.
CRITERIA	All 941 reports are due 30 days after the quarter has ended.
CAUSE	Prior management did not ensure this report was filed by the due date before their resignation.
EFFECT	The School District now owes \$2,963 that was not budgeted for during the fiscal year. Also, lowering the cash balance available for the next fiscal year.
RECOMMENDATION	New management should ensure all reports are filed timely to ensure the avoidance of any penalties and interest.
RESPONSE	Administration will ensure that 941 reports get filed in a timely manner to avoid late penalties and interest.

School District Vehicle Usage Not Recorded
on the Superintendents W-2 - Other Matter
(2014-013)

CONDITION	The Board directed the Business Manager during the July 24, 2013 Board Meeting to include a Vehicle usage allowance on the W-2 of the prior Superintendent. This however was not done.
CRITERIA	All benefits provided by the School District need to be included on the employees W-2 according to IRS regulations.
CAUSE	Prior management did not ensure this was done.
EFFECT	Management did not ensure IRS regulations were followed.
RECOMMENDATION	Management should set procedures to ensure any/all benefits provided to employees are included on the employees W-2.
RESPONSE	Current management will ensure procedures are put into place to ensure all relevant benefits are included on employees W-2's.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2014 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the School District on December 7, 2014, to discuss the current audit report. In attendance were Mr. Richard Hazen, Superintendent, Ms. April Geary, Parent/Community Member and Audit Committee President, Ms. Lynette Keeth, School Board Secretary, Ms. Rebecka Arrington, Parent/Community Member and Audit Committee Secretary, Mr. Marvin Martin, Principal, Ms. Sondra Miera, Business Manager, Ms. Myah Crisp, Payroll/Paybles Clerk and Ms. Pamela A. Rice, CPA, Contract Auditor.