

STATE OF NEW MEXICO

Together for Student Success

**Home of the Yellow Jackets**



CLAYTON MUNICIPAL SCHOOLS

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2016**

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## **INTRODUCTORY SECTION**

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**CLAYTON MUNICIPAL SCHOOLS**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended June 30, 2016

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**CLAYTON MUNICIPAL SCHOOLS**  
**OFFICIAL ROSTER**  
 June 30, 2016

<u>Name</u>		<u>Title</u>
	<u>Board of Education</u>	
Chad Deason		President
Monte Anderson		Vice President
Rebecca Hatch		Secretary
Craig Reeves		Member
Richard Sandoval		Member
	<u>Audit Committee</u>	
Chad Deason		Board Member
Rebecca Hatch		Board Member
Stacy Diller		Superintendent
Sondra Miera		Administrative Bookkeeper
Alyssa Tippit		Parent/Staff
April Geary		Parent/Financial Experience
	<u>School Officials</u>	
Stacy Diller		Superintendent
Sondra Miera		Administrative Bookkeeper

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
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 of the general fund and the major special revenue funds of Clayton Municipal Schools (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise Clayton Municipal Schools' basic financial statements as listed in the table of contents. We also have audited the financial statements of each of Clayton Municipal Schools' nonmajor governmental funds and the budgetary comparisons for the major capital project funds, debt service funds, and all nonmajor 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, 2016, as listed in the table of contents. We did not audit the 2015 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

### **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 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 Clayton Municipal Schools' 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 Clayton Municipal Schools' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## **Opinions**

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clayton Municipal Schools, as of June 30, 2016, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of Clayton Municipal Schools as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds, debt service funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 17-23, the *Schedule of Proportionate Share of the Net Pension Liability* on page 115, the *Schedule of Contributions* on page 117, and the notes to the required supplementary information on page 119 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on Clayton Municipal Schools' financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 2.2.2 NMAC are the responsibility of management and was 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 statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016 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 Clayton Municipal Schools' internal control over financial reporting and compliance.

*Precision Accounting, LLC*

*Precision Accounting, LLC*  
Albuquerque, New Mexico  
September 22, 2016

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**CLAYTON MUNICIPAL SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

This is the Management Discussion and Analysis (MD&A) of the fiscal performance of the Clayton Municipal Schools (District) for the period ending June 30, 2016. The MD&A written analysis is a required part of the District's financial reporting and is an objective and easily readable discussion of the District's financial activities. For school districts, GASB 34 has had a significant impact in the manner in which the financial statements are prepared, as well as the kinds of statements that are included in the report. There are two new statements that began four years ago: a Statement of Net Position which includes all of the assets and liabilities of the district and a Statement of Activities, which is a report that uses a net cost format with expenses reported by functions/programs. The Management Discussion and Analysis as well as the two new statements, provide a review of the School District's *overall* financial activities using the accrual basis of accounting. Fund financial statements are reported on a modified accrual basis of accounting. The reports include a comparison with last fiscal year.

The discussion and analysis, as well as the Statement of Net Position and Statement of Activities, provide a review of the District's overall financial activities, using the accrual basis of accounting, for the year ending June 30, 2016. Fund financial statements are reported on a modified accrual basis of accounting. Rather than looking at specific areas of performance, this discussion and analysis focuses on the financial performance of the District as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphics information.

In addition to the new reporting, this annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditor's Report, The Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards, and a Schedule of Findings and Responses. These statements and information were included in past audit reports.

**About CLAYTON MUNICIPAL SCHOOLS**

To completely understand the financial discussion of Clayton Municipal Schools, it is important to understand the nature of the District.

As one would travel the State of New Mexico, it would be a unique treat to pass through Clayton, located in Eastern New Mexico, which is isolated and yet diverse. Clayton is a small, rural community with a population of just over 2,850 people. Clayton and Union County's job market is primarily comprised of agriculture, retail, educational services, health care, social assistance and public administration. Personal income and employment have remained stable, while both have grown substantially in the United States. Housing permits and remodeling projects also indicate a lack of growth, but not a steep decline. The market value of products sold in Union County in 1987 were \$212,500,462 and in 2012 the market value of ranching and farming products totaled \$98,138,000, which is a steep decline of \$118,362,462 over the 25 year period. Unemployment rates are low in Union County and the median household income \$38,902 is substantially below the United States average of \$53,046.

Clayton has a registered voting population of 2,423. The school population as of 40-day count is 494 students. It is the attempt of the district to provide academic and extracurricular opportunities that will enhance individual student knowledge and experience. Our older students are active in sports - football, volleyball, basketball, baseball and track - along with FFA, Band, Art, Wood Shop, Honor Society, Student Council and various other activities. The primary focus with the elementary students tends to be in the classroom because of necessary skill building at this level. There is little violence or vandalism to report; and it is important that as one walks the halls, there are still no locks on the students' lockers because there is not a need. Clayton continues to do well in the area of academics. Our K-4 elementary school received a "B", the Fifth-Sixth campus received a "C"; the Junior High School maintained a "C", and the high school maintained an "B" grade on the NMPED school grade report card in spring of 2014.

**CLAYTON MUNICIPAL SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

The District provides a full range of educational services to its students. The Special Education staff of the Clayton district joins forces with the General Education staff, families, and community to increase learning opportunities for all students. The purpose of Special Education is based on a philosophy of providing a high quality, individualized, comprehensive education in the most inclusive environment based on a student's educational needs. The purpose of this education is to prepare students to become productive and responsible and to allow them to meaningfully participate in an ever-changing global society.

**Significant Financial Highlights for the Year Ending June 30, 2016**

The overall Fund Balances decreased from \$2,551,823 for the year ending June 30, 2015 to \$1,821,766 for the year ending June 30, 2016. The total decrease in fund balance is \$(730,057). The decrease was due to an increase in expenditures and the decrease in revenue.

Total expenditures decreased from \$7,425,549 for the year ending June 30, 2015 to \$7,360,767 for the year ending June 30, 2016. This is a decrease in expenditures of \$64,782. The reason for this decrease is because the district experienced an decrease in costs of services and in the delivery of those services. Revenues decreased from \$6,762,978 for the year ending June 30, 2015 to \$6,630,710 for the year ending June 30, 2016 resulting in a total decrease of \$132,268.

Total cash decreased by \$327,270 in 2016 in part due to the district having increased operating costs and a decrease in revenue. The district also purchased kitchen equipment, paid for renovations to the Ag Building, installed a new phone system for the district and had their information technology updated. The district replaced lighting and heaters at the Jr. High campus, purchased two pickups for maintenance purposes and provided one-to-one devices for all district students.

The change of \$149,198 in capital assets is attributable to capital additions and depreciation expense of \$235,432 for the year.

There was an decrease in accounts payable of \$3,561 while overall liabilities increased (as a result) by \$1,063,231 due to the actuarial changes in the net pension liability reporting per GASB 68.

**CLAYTON MUNICIPAL SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

DISTRICT WIDE FINANCIAL STATEMENTS

Statement of Net Position

The overall Statement of Net Position is prepared using the accrual method of accounting. This statement shows that the District has net position of \$626,045. The District has \$2,151,120 of cash and cash equivalents on hand as of June 30, 2016 compared to \$2,960,359 in prior year. Net Position totaling \$(6,024,677) are "unrestricted" affected by the pension liability as required per GASB 68.

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Cash Assets	\$ 2,478,390	\$ 2,151,120
Other Current Assets	331,836	248,325
Capital Assets	5,194,850	5,344,048
Deferred Outflows of Resources	424,136	917,155
Total Assets	<u>8,429,212</u>	<u>8,660,648</u>
<u>Liabilities</u>		
Accounts Payable	20,196	16,635
Other Current Liabilities	-	-
Long Term Liabilities	6,551,124	7,072,160
Total Liabilities	<u>6,571,320</u>	<u>7,884,023</u>
Deferred Inflows of Resources	1,310,298	1,310,298
<u>Net Position</u>		
Net investment in capital assets	5,194,850	5,344,048
Restricted	1,353,453	1,465,638
Unrestricted	<u>(6,000,709)</u>	<u>(6,581,498)</u>
Total Net Position	547,594	228,188
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 8,429,212	\$ 8,660,648

GASB 34 rules require public entities to depreciate capital assets. This statement includes an adjusted accumulated depreciation of the District's capital assets in the amount of \$5,344,048. The District utilized a "straight line" depreciation method in all cases and standardized lifetime tables in calculating this depreciation.

Statement of Activities

The Statement of (Governmental) Activities is a statement required by GASB 34 and is prepared using the accrual method of accounting. This report compliments the Statement of Net Position by showing the overall change in the District's net position for the fiscal year ending June 30, 2016. As of June 30, 2016 the District had net position of \$228,188. The adjusted beginning year total net position is \$547,594 reflecting a decrease in total net position of \$(319,406) for the year ending June 30, 2016.

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Expenses for Governmental Activities	\$ (7,465,850)	\$ (6,951,215)
Less Charges for Services	261,157	214,752
Less Operating Grants and Contributions	538,586	606,677
Less Capital Grants and Contributions	845,041	741,501
Net (Expenses) Revenues and Changes in Net Position	<u>\$ (5,821,066)</u>	<u>\$ (5,388,285)</u>

**CLAYTON MUNICIPAL SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
General Revenues:		
Taxes -general, debt service, capital projects	\$ 339,742	\$ 342,277
Federal and State Aid not restricted to specific purpose	4,766,825	4,687,000
Interest Earned	11,578	9,360
Miscellaneous	4,391	30,242
Subtotal, General Revenues	<u>5,122,536</u>	<u>5,068,879</u>
Changes in Net Position	(698,530)	(319,406)
Net Position, Beginning	<u>8,421,220</u>	<u>547,594</u>
Restatement	<u>(7,175,096)</u>	<u>-</u>
Net Position, Ending	\$ 547,594	\$ 228,188

**FUND FINANCIAL STATEMENTS**

The Statement of Revenues and Expenditures and Changes in Fund Balances report guides the reader to a meaningful overall view for the District revenue, expenditures and changes to the fund balance. Total revenues from state, local and federal sources and other sources were \$6,630,710. Total expenditures for the District were \$7,360,767. The total ending fund balance was \$1,821,766; a decrease of \$730,057 from the prior year.

**Multi-Year District Revenues and Expenditures**

A multi-year view of overall District revenues and expenditures indicates a growth and then lack of growth in both areas through the 2016 fiscal year. The revenue and expenditures decreased in the 2016 fiscal year due to the policy of the Clayton Municipal Schools to not expend more revenue than we receive coupled with the cap on cash balances allowed by the PED. The District enrollment fluctuates. It is expected that expenditures increase with increased enrollment.

<u>Year</u>	<u>Total Revenues *</u>	<u>Increase %</u>	<u>Total Expenses*</u>
2012/2013	6,942,752	(5.2)%	6,986,253
2013/2014	6,581,714	(5.2)%	6,520,737
2014/2015	6,762,978	2.8%	7,347,098
2015/2016	6,630,710	(2.0)%	7,360,767

Note: \* Revenues include proceeds from General Obligation Bonds and exclude cash carryovers; \* Expenditures include capital outlays.



**CLAYTON MUNICIPAL SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**The Budget**

District budgets reflect the same growth as seen in the revenue and expenditures of the District. The State of New Mexico school budget process is defined under state law and regulation. To enhance the process of developing a budget at the school district level, the District utilizes goals and objectives defined by the District's Board, community input meetings, long term plans and input from various staff groups to develop to the District's budget. District priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

Major budgetary funds in these reports are: The General Fund (Operational Fund) (Transportation Fund) and the (Instructional Materials Fund), NM Reads to Lead, the Bond Building Fund, the Capital Improvements HB-33 and SB-9 Fund, and the Debt Service Fund. In addition, twenty (20) Special Revenue Funds and Capital Projects Funds are also reported for their budgetary performance. The following graphics and tables show the fiscal relationship of the major funds and the combined non-major funds.

The reader will note that the Operational Fund represents 73% of the total fund dollar amount. This fund provides the salary and benefits for the significant majority of the Direct Instruction, Instructional Support, Administration, Business Support, Food Service and Maintenance staff as well as classroom materials, special education consulting staff and fixed utility costs.

Revenue from this fund is substantially derived from the State Equalization Guarantee, which is the funding formula appropriated for education by the State Legislature. The General Fund is explored later in the Management Discussion and Analysis.

The following table examines the summary budget performance of the major and combined nonmajor funds for the fiscal year ending June 30, 2016. Detailed budget performance is examined through the Budgetary Comparison Statement for each major fund and the Schedule of Revenues and Expenditures Budget and Actual for the combined Special Revenue Funds, Capital Projects Funds, and Debt Service.

**MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE**

Fund Type	Final Budget	Actual	Variance
Operational	\$ 5,751,749	\$ 5,069,127	\$ 682,622
Capital Improvements HB-33	716,466	229,070	487,396
Capital Improvements SB-9	920,928	545,751	375,177
Debt Service	-	-	-

The Operational Fund's original budget of \$8,214,659 is \$2,462,910 more than the final budget of \$5,751,749. The reason for this decrease is that the budget is prepared in April, approved in early June and final budget reflects grants and other awards garnered during the year that decreased revenue.

The \$682,622 variance between the final budget in the Operational Fund and the amount actually spent is the result of decreased revenues resulting in decreased expenditures in these revenue funds as detailed in the application process and award guidelines.

**CLAYTON MUNICIPAL SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**COMBINED NON-MAJOR FUNDS EXPENDITURE BUDGET PERFORMANCE**

Fund Type	Combined Budget	Actual	Final Variance
Special Revenue Funds	\$ 2,512,684	1,497,457	1,015,227

All funds fell within the regulatory criteria set by the Public Education Department and New Mexico Statute. Both the Manual of Procedures for Public School Accounting and NMSA 8-22-5, Annotated require that budget expenditures be within the authorization of the approved budget.

**The General Fund**

The Operational Fund is predominately funded by revenues from the State of New Mexico Equalization Guarantee Formula. This fund pays for teaching staff, teaching support staff, special education support staff, maintenance staff and administration staff. The Operational Fund provides the predominant funding for athletics and food service. Because of the student growth experienced by the School District, an emphasis on schools by the New Mexico Legislature, and because the Equalization Guarantee Formula is based upon student populations, the Operational Fund saw significant increases in revenues through fiscal year 2007 but a change in the funding formula has resulted in a decrease in State Equalization Guarantee funding since for fiscal years 2008 through 2012 as seen in the following table. In 2015-2016 fiscal year there was a decrease in the State Equalization Guarantee because the unit value was increased. Additionally Clayton Municipal Schools had increase in student enrollment.

<u>Year</u>	<u>Revenues</u>	<u>Increase %</u>
2015-2016	4,801,228	(3.0%)

Because the Operational Fund is the main fund whose expenditures are significantly related to the educational process, \$5,097,040 was expended in the year ending June 30, 2016.

The most significant inter-fund expenditure was for the function noted as "Direct Instruction". This expenditure was \$2,826,573 and represents 55% of all general expenditures. Expenditures included in this function are regular and special education teachers and assistants, benefits, payroll taxes, school supplies, training and miscellaneous instructional related contract services. Approximately 14% of all Operational Fund expenditures are made for employee salaries, payroll taxes and benefits.

The Office of the Superintendent and the Business Office represent the overhead support of the entire operations of the District; these programs combined represent 14% of the total Operational Fund. Operation of Plant accounts for 12% of the Operational Fund expenditures. Included in the Operation of the Plant expenditures are salaries and benefits for maintenance staff, school custodians, fixed utility costs, maintenance and repairs, maintenance supplies and school custodial supplies. Additional support for maintenance supplies and projects comes from the voter approved SB9 Fund. The Operational Fund also supports expenditures for athletics, food service and transportation.

**CLAYTON MUNICIPAL SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDING JUNE 30, 2016**

**Capital Assets**

Because of aging facilities, the District has taken an aggressive approach to maintaining existing facilities.

Asset Type	Balance <u>June 30, 2015</u>	Balance <u>June 30, 2016</u>
Land	467,890	467,890
Capital Assets, depreciable	10,229,775	10,381,410
Construction in Progress	20,325	20,325
Total Capital Assets	<u>10,717,990</u>	<u>10,869,625</u>
Less Accumulated Depreciation	<u>(5,523,140)</u>	<u>(5,525,577)</u>
Capital Assets-Net	5,194,850	5,344,048

In the fiscal year ending June 30, 2016 the Statement of Revenues and Expenditures and Changes in Fund Balances shows the District expended \$774,821 for all capital outlays. The capital outlay expenditures consist mostly of maintenance of equipment and AG Farm building in construction in progress.

In 2003, the New Mexico legislature passed some major education reforms known as House Bill 212 that implemented a new three tiered licensure system for classroom teachers. It has had a major impact on the district's budget because it establishes a \$30,000, \$40,000 and a \$50,000 salary minimum for Level I, Level II and Level III teachers. In addition, the legislation provides for a minimum salary for school principals effective in FY 07-08.

It is expected that there will continue to be double-digit inflation cost of health and medical insurance benefits provided through the New Mexico Public Schools Insurance Authority in subsequent years. This will have a large budget impact to the district.

The New Mexico Public Schools Insurance Authority also provides general liability, property damage and worker's compensation coverage for all school districts in New Mexico. It is anticipated that for the next several years, that school districts will experience double-digit inflationary increases for this coverage. The cost increases of general liability, property damage and worker's compensation premiums should be included in the funding formula, but because of the high claims history of some districts, those districts will realize a budget shortfall.

The above factors will present some challenges and opportunities for the District to closely review all programs, operations, and staffing levels, in hopes of identifying ways in which to balance its budget in future years. The board of education has indicated their desire to establish a long-range strategic planning committee to help develop plans for coping with the budget challenges.

**Contacting the Clayton Municipal Schools**

This financial report is designed to provide our community, parents, taxpayers, investors, and creditors with an overview of the Clayton Municipal Schools' financial condition and to provide accountability for the funds the school district receives. If you have any questions about this report or about the operations of the Clayton Municipal Schools' District, please contact:

Stacy Diller, Superintendent  
Clayton Municipal School District  
Clayton, NM 88415  
(575) 374-9611  
[stacy.diller@claytonschools.us](mailto:stacy.diller@claytonschools.us); [sondra.miera@claytonschools.us](mailto:sondra.miera@claytonschools.us)

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

Exhibit A-1  
(Page 1 of 2)

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and temporary investments	2,151,120
Receivables (net of allowance for uncollectibles)	246,455
Inventory	1,870
Total current assets	2,399,445
Noncurrent assets:	
Capital assets:	
Other capital assets	10,869,625
Less accumulated depreciation	(5,525,577)
Total Capital assets	5,344,048
Total noncurrent assets	5,344,048
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Post Measurement Date Contributions-Employer	418,295
Change in Assumptions in Net Pension Liability	241,747
Total deferred inflows of resources	660,042
Total assets	\$ 8,403,535

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

Exhibit A-1  
(Page 2 of 2)

	<b><u>Governmental Activities</u></b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 16,635
Accrued expenses	545,756
Total current liabilities	<u>562,391</u>
Noncurrent liabilities:	
Accrued compensated absences	43,678
Net Pension Liability	7,028,482
Total noncurrent liabilities	<u>7,072,160</u>
Total liabilities	7,634,551
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue-Property Taxes	15,288
Investment Experience in Net Pension Liability	31,637
Change in Proportion in Net Pension Liability	250,005
Actuarial Experience in Net Pension Liability	130,302
Reallocation in Net Pension Liability	267,510
Total deferred inflows of resources	<u>694,742</u>
Net position:	
Net investment in capital assets	5,344,048
Restricted for	
Special Revenue Funds	209,235
Capital Projects Funds	1,256,403
Debt Service Funds	-
Unrestricted	<u>(6,735,444)</u>
Total net position	<u>74,242</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 8,403,535</u></u>

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Service</u>
Governmental activities:		
Instruction:		
Direct instruction	\$ 3,182,299	\$ 15,500
Support services:		
Students	632,385	-
Instruction	63,622	-
General Administration	275,576	-
School Administration	452,672	-
Central Services	146,141	92,167
Operation & Maintenance of Plant	652,246	70,513
Student Transportation	720,300	-
Other Support Services	3,217	-
Food Services	300,719	36,572
Capital Outlay	675,984	-
Interest on long-term debt	-	-
Total governmental activities	<u>\$ 7,105,161</u>	<u>\$ 214,752</u>



<b>Program Revenues</b>		<b>Net</b>
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>(Expenses) Revenues and Changes in Net Position</b>
\$ 329,253	\$ -	\$ (2,837,546)
-	-	(632,385)
-	-	(63,622)
-	-	(275,576)
-	-	(452,672)
-	-	(53,974)
-	44,957	(536,776)
89,824	696,544	66,068
-	-	(3,217)
187,600	-	(76,547)
-	-	(675,984)
-	-	-
<u>\$ 606,677</u>	<u>\$ 741,501</u>	<u>\$ (5,542,231)</u>

**General Revenues:**

Property taxes:	
Levied for general purposes	65,787
Levied for debt service	-
Levied for capital projects	276,490
State aid not restricted	4,687,000
Unrestricted investment earnings	9,360
Transfers	(145)
Miscellaneous	30,387
	<u>5,068,879</u>
Total general revenues	<u>5,068,879</u>
Change in net position	(473,352)
Net position - beginning	<u>547,594</u>
Net position - ending	<u>\$ 74,242</u>

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2016

	General Fund		
	Operational	Transportation	Instructional Materials
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,025,186	\$ 7,553	\$ 21,438
Accounts receivable			
Taxes	2,080	-	-
Due from other governments	-	-	-
Other accounts receivable	-	-	-
Interfund receivable	220,084	1,500	-
Prepaid Assets	-	-	-
Inventory	-	-	-
	<u>1,247,350</u>	<u>9,053</u>	<u>21,438</u>
<i>Total assets</i>	<u>\$ 1,247,350</u>	<u>\$ 9,053</u>	<u>\$ 21,438</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ 16,017	\$ -	\$ -
Accrued salaries and benefits	545,829	-	-
Interfund payable	28,356	-	-
Unearned revenue	-	-	-
	<u>590,202</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>590,202</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total deferred inflow of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances</i>			
Fund Balance			
Non-spendable	-	-	-
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	657,148	9,053	21,438
	<u>657,148</u>	<u>9,053</u>	<u>21,438</u>
<i>Total fund balances</i>	<u>657,148</u>	<u>9,053</u>	<u>21,438</u>
<i>Total liabilities, deferred inflow of resources and fund balances</i>	<u>\$ 1,247,350</u>	<u>\$ 9,053</u>	<u>\$ 21,438</u>



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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**GOVERNMENTAL FUNDS**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
June 30, 2016

Exhibit B-1  
(Page 2 of 2)

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

Fund balances - total governmental funds	\$ 1,821,766
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets	5,344,048
Other liabilities are not due and payable in the current period and therefore are not reported in the funds - accrued interest payable	-
Long-term liabilities, including bonds payable, compensated absences and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds	<u>(7,091,572)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u><u>\$ 74,242</u></u>

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2016

	General Fund		
	Operational	Transportation	Instructional Materials
<i>Revenues:</i>			
Taxes			
Taxes levied/assessed	\$ 65,787	\$ -	\$ -
Local sources			
Tuition	-	-	-
Investment income	2,554	-	-
Food services	-	-	-
District activities	15,500	-	-
Other revenue	30,387	-	-
State sources			
Unrestricted Grants	4,687,000	-	-
Restricted Grants	-	696,544	34,956
Federal sources			
Unrestricted Grants	-	-	-
Unrestricted -state passthrough	-	-	-
Restricted Grants	-	-	-
Restricted -state passthrough	-	-	-
Department of Interior	-	-	-
Other items	-	-	-
<i>Total revenues</i>	<u>4,801,228</u>	<u>696,544</u>	<u>34,956</u>
<i>Expenditures:</i>			
Current:			
Instruction	2,826,573	-	28,619
Support Services			
Students	625,629	-	-
Instruction	63,622	-	-
General Administration	273,104	-	-
School Administration	417,891	-	-
Central Services	146,141	-	-
Operation & maintenance of plant	652,246	-	-
Student transportation	-	720,299	-
Other Support Services	3,217	-	-
Operation of Non-instructional Services			
Food services operations	88,617	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>5,097,040</u>	<u>720,299</u>	<u>28,619</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(295,812)</u>	<u>(23,755)</u>	<u>6,337</u>
<i>Other financing sources (uses)</i>			
Transfers	-	-	-
Bond Proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(295,812)	(23,755)	6,337
<i>Fund balances - beginning of year</i>	1,007,086	32,808	15,101
Restatement-reclassification of District Funds	(54,126)	-	-
<i>Fund balances-beginning of year, restated</i>	952,960	32,808	15,101
<i>Fund balances - end of year</i>	<u>\$ 657,148</u>	<u>\$ 9,053</u>	<u>\$ 21,438</u>

NM Reads to Lead K-3	Capital Improvements HB-33	Capital Improvements SB-9	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 276,490	\$ -	\$ 342,277
-	-	-	-	-
-	2,800	2,508	562	8,424
-	-	-	36,572	36,572
-	-	-	162,372	177,872
-	-	-	-	30,387
-	-	-	-	4,687,000
50,001	-	14,568	91,195	887,264
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	460,914	460,914
-	-	-	-	-
-	-	-	-	-
<u>50,001</u>	<u>2,800</u>	<u>293,566</u>	<u>751,615</u>	<u>6,630,710</u>
49,946	-	-	382,436	3,287,574
-	-	-	6,756	632,385
-	-	-	-	63,622
-	-	2,472	-	275,576
-	-	-	34,781	452,672
-	-	-	-	146,141
-	-	-	-	652,246
-	-	-	89,824	810,123
-	-	-	-	3,217
-	-	-	209,214	297,831
-	229,070	510,310	-	739,380
-	-	-	-	-
-	-	-	-	-
<u>49,946</u>	<u>229,070</u>	<u>512,782</u>	<u>723,011</u>	<u>7,360,767</u>
55	(226,270)	(219,216)	28,604	(730,057)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
55	(226,270)	(219,216)	28,604	(730,057)
(55)	715,799	691,283	89,801	2,551,823
-	-	-	54,126	-
<u>(55)</u>	<u>715,799</u>	<u>691,283</u>	<u>143,927</u>	<u>2,551,823</u>
\$ -	\$ 489,529	\$ 472,067	\$ 172,531	\$ 1,821,766

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**GOVERNMENTAL FUNDS**

Exhibit B-2  
 (Page 2 of 2)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$	(730,057)
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the  
 statement of activities the cost of those assets is allocated over their estimated  
 useful lives and reported as depreciation expense:

Capital expenditures:		
Current year capital expenditures capitalized		384,631
Depreciation expense		(235,432)

Revenues in the statement of activities that do not provide current financial  
 resources are not reported as revenue in the funds:

Property taxes		48,251
----------------	--	--------

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial  
 resources to governmental funds, while the repayment of the principal of long-term  
 debt consumes the current financial resources of governmental funds. Neither  
 transaction, however, has any effect on net assets.

Change in accrued compensated absences		(5,636)
Change in deferred inflows		64,891

Changes in Net Position of Governmental Activities	\$	<u><u>(473,352)</u></u>
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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**OPERATIONAL FUND**

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ 105,516	\$ 105,516	\$ 114,039	\$ 8,523
State sources	4,633,255	4,667,579	4,687,000	19,421
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>4,738,771</u>	<u>4,773,095</u>	<u>4,801,039</u>	<u>27,944</u>
<i>Expenditures:</i>				
Current:				
Instruction	3,103,201	3,103,221	2,830,449	272,772
Support Services				
Students	608,810	651,924	625,629	26,295
Instruction	91,370	82,575	63,622	18,953
General Administration	288,499	317,699	272,938	44,761
School Administration	659,675	509,652	418,671	90,981
Central Services	2,584,176	164,251	152,714	11,537
Operation & maintenance of plant	655,339	698,838	640,126	58,712
Student transportation	-	-	-	-
Other Support Services	157,359	157,359	3,217	154,142
Operation of Non-instructional Services				
Food services operations	66,230	66,230	61,761	4,469
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,214,659</u>	<u>5,751,749</u>	<u>5,069,127</u>	<u>682,622</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(3,475,888)</u>	<u>(978,654)</u>	<u>(268,088)</u>	<u>710,566</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	3,475,888	978,654	491,382	(487,272)
<i>Total other financing sources (uses)</i>	<u>3,475,888</u>	<u>978,654</u>	<u>491,382</u>	<u>(487,272)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>223,294</u>	<u>223,294</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,021,976</u>	<u>1,021,976</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,245,270</u>	<u>\$ 1,245,270</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 223,294	
Adjustment to revenues for accruals and other deferrals			189	
Adjustment to expenditures for payables, prepaids and other accruals			(519,295)	
Net change in fund balance (GAAP Basis)			<u>\$ (295,812)</u>	

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**TRANSPORTATION FUND**

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	748,846	696,544	696,544	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>748,846</u>	<u>696,544</u>	<u>696,544</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	748,846	712,986	705,432	7,554
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>748,846</u>	<u>712,986</u>	<u>705,432</u>	<u>7,554</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(16,442)</u>	<u>(8,888)</u>	<u>7,554</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	16,442	(16,442)	(32,884)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>16,442</u>	<u>(16,442)</u>	<u>(32,884)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(25,330)</u>	<u>(25,330)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>32,883</u>	<u>32,883</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,553</u>	<u>\$ 7,553</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (25,330)	
Adjustment to revenues for accruals and other deferrals			1,500	
Adjustment to expenditures for payables, prepaids and other accruals			75	
Net change in fund balance (GAAP Basis)			<u>\$ (23,755)</u>	

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**INSTRUCTIONAL MATERIALS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	26,656	34,957	34,956	(1)
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>26,656</u>	<u>34,957</u>	<u>34,956</u>	<u>(1)</u>
<i>Expenditures:</i>				
Current:				
Instruction	41,758	50,059	28,619	21,440
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>41,758</u>	<u>50,059</u>	<u>28,619</u>	<u>21,440</u>
<i>Excess (deficiency) of revenues</i>				
<i>over (under) expenditures</i>	<u>(15,102)</u>	<u>(15,102)</u>	<u>6,337</u>	<u>21,439</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	15,102	15,102	-	(15,102)
<i>Total other financing sources (uses)</i>	<u>15,102</u>	<u>15,102</u>	<u>-</u>	<u>(15,102)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>6,337</u>	<u>6,337</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>15,101</u>	<u>15,101</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,438</u>	<u>\$ 21,438</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 6,337	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 6,337</u>	

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**NM READS TO LEAD K-3 SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	50,000	50,000	38,898	(11,102)
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>50,000</u>	<u>50,000</u>	<u>38,898</u>	<u>(11,102)</u>
<i>Expenditures:</i>				
Current:				
Instruction	50,000	50,000	50,000	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues</i> <i>over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(11,102)</u>	<u>(11,102)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(11,102)</u>	<u>(11,102)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(7,807)</u>	<u>(7,807)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,909)</u>	<u>\$ (18,909)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (11,102)	
Adjustment to revenues for accruals and other deferrals			11,102	
Adjustment to expenditures for payables, prepaids and other accruals			(55)	
Net change in fund balance (GAAP Basis)			<u>\$ (55)</u>	

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**AGENCY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 June 30, 2016

**ASSETS**

*Current Assets*

Cash	\$ <u>17,967</u>
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<i>Total assets</i>	\$ <u><u>17,967</u></u>
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**LIABILITIES**

*Current Liabilities*

Deposits held in trust for others	\$ <u>17,967</u>
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<i>Total liabilities</i>	\$ <u><u>17,967</u></u>
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STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies**

Clayton Municipal Schools is a special purpose government corporation governed by an elected five member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the Town of Clayton. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Clayton Municipal Schools management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

A. *Financial Reporting Entity*

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. These include fees for meals, lab fees and activity fees for Clayton Municipal Schools. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies (continued)**

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *Operational Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by district school tax levy, state equalization and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

The *Transportation Fund* is used to account for the transportation distribution received from the State Department of Education which is used to pay for the costs associated with transporting school age children.

The *Instructional Materials Fund* is used to account for the monies received from the State Department of Education for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

*NM Reads to Lead*- The purpose of this state grant is to provide for the implementation of the K-3 reading initiative activities as specified by the legislation. The fund was created by grant provisions.

The *Capital Improvements House Bill 33 Project* fund is used to account for funds received from a 2 mill levy, restricted to capital improvements. Authority for this fund is section 22-26-1, NMSA 1978.

The *Capital Improvements SB-9 Capital Projects Fund* is used to account for the revenue derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

Additionally, the government reports the following fund types:

The *Fiduciary Funds* account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies** (continued)

D. *Assets, Liabilities and Net Position or Equity*

**Deposits and Investments:** 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.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from tax levies in Union County. The funds are collected by the County Treasurers and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2016.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives 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 New Mexico Public Education Department "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. The districts are allowed to carry forward unused allocations from year to year.

**Inventory:** Inventory is valued at cost utilizing the purchase basis of accounting. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as expenditures at the time individual inventory items are consumed. The U.S.D.A. commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity 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. Donated commodities for the year ended June 30, 2016 were \$11,912.



STATE OF NEW MEXICO  
 Clayton Municipal Schools  
 Notes to the Financial Statements  
 June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies** (continued)

D. *Assets, Liabilities and Net Position or Equity* (continued)

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Land improvements	50
Equipment, and Furniture	5-10
Vehicles	12-20

**Unearned Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

**Deferred inflows/outflows of resources:** GASB 63 amended previous guidance on deferred revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

**Compensated Absences:** The District contracts with all employees on an annual basis. Vacation is not paid out upon termination. There is a payout for sick leave for those persons who retire from the district. Beginning July 1, 2006, employees are eligible to receive payment upon their retirements 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 11-20 years of employment can accumulate up to 55 days of sick leave 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 up to the maximum allowable based on their years of service.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond issuance costs are reflected as a current period expense per GASB 65.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:** Restricted fund balance represents amounts that are constrained either by: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies** (continued)

D. *Assets, Liabilities and Net Position or Equity* (continued)

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

Unassigned fund balance is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific 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.

**Reclassifications:** Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

E. *Revenues*

**State Equalization Guarantee:** School districts in the State of New Mexico receive 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 825, NMSA 1978) is at least equal to the school district's program costs.

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-multicultural education; 5) size of district, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$4,687,000 in state equalization guarantee distributions during the year ended June 30, 2016.

**Tax Revenues:** The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$- in tax revenues in the governmental fund financial statements during the year ended June 30, 2016. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 1. Summary of Significant Accounting Policies** (continued)

**Transportation Distribution:** School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds 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 grades K-12 attending public school within the school district. The District received \$696,544 in transportation distributions during the year ended June 30, 2016.

**Instructional Materials:** The District had allocations allowed by the State for the current year of \$34,956. The full amount of allocations used to purchase textbooks during the year was \$34,956. Allocations received and utilized are reflected in revenue and expenditures of the General Fund.

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a designated portion of fund balance.

Actual expenditures may not exceed the budget on a line item basis, i.e., (each budgeted expenditure must be within budgeted amounts). Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent 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 school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits a school district from exceeding budgetary control at the function level.

The District is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 3. Cash and Temporary Investments**

State statutes authorize the investment of the District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed state investment requirements as of June 30, 2016.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule 1 of this report. 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**Deposits**

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 District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

<u>Type</u>	<u>First National Bank</u>	<u>Farmers &amp; Stockmans Bank</u>
Checking	\$ 158,849	\$ 2
CDs	-	600,000
Total Deposits	158,849	2,048,112
Less: FDIC Coverage	(250,000)	(250,000)
Uninsured Amount	(91,151)	1,798,112
50% Collateral requirement	(45,576)	899,056
Pledged Securities (Schedule 1)	407,688	1,270,000
(Over) Under collateralized	\$ <u>(453,263)</u>	\$ <u>(370,944)</u>
Custodial Credit Risk-Deposits		
Account Balance	\$ 2,206,961	
FDIC Insured	500,000	
Collateral:		
Collateral held by the pledging bank, not in the District's name	1,677,688	
Uninsured and uncollateralized	<u>29,273</u>	
Total Deposits	\$ 2,206,961	

STATE OF NEW MEXICO  
 Clayton Municipal Schools  
 Notes to the Financial Statements  
 June 30, 2016

**NOTE 3. Cash and Temporary Investments (continued)**

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$29,273 of the District's bank balance of \$2,206,961 was exposed to custodial credit risk.

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 2,151,120
Cash and cash equivalents per Exhibit D	17,967
Add outstanding items	<u>-</u>
Bank balance of deposits	<u>\$ 2,169,087</u>

Custodial Credit Risk- Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for the securities underlying an overnight repurchase agreement, or a joint safekeeping receipt to be issued to the District for at least one hundred and two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution.

At June 30, 2016, the District had no investment balances therefore there was no custodial credit risk.

The New MexiGrow Local Governmental Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10-P and Section 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 19078, as the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

Interest Rate Risk and Credit Rating-Investment in State Treasurer's LGIP

The District does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The District had no investments at June 30, 2016.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 4. Accounts Payables and Accrued Expenses**

Accounts payable and Accrued Expenses as of June 30, 2016, are as follows:

Accrued Payroll-held checks		\$ 545,756
Payable to suppliers	\$	16,635
Total Accounts Payable and Accrued Expenses	<u>\$</u>	<u>562,391</u>

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received.

The composition of interfund balances during the year ended June 30, 2016 is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 220,084	\$ -
Title I	-	40,005
IDEA B Entitlement	-	24,248
IDEA B Preschool	-	3,290
Fresh Fruits & Vegetables	-	2,066
Teacher/Principal Training	-	41,742
NM Reads to Lead K-3	-	18,909
School Busses	-	89,824
	<u>\$ 220,084</u>	<u>\$ 220,084</u>

**NOTE 6. Accounts Receivable**

Accounts Receivable as of June 30, 2016, are as follows:

	General Fund	Capital Improvements SB-9	Debt Service	Other Governmental Funds	Total
Property taxes	\$ 2,080	\$ 9,076	\$ -	\$ -	\$ 11,156
Due from other governments:					
Title I	-	-	-	40,005	40,005
Idea B Entitlement	-	-	-	24,248	24,248
Idea-B Preschool	-	-	-	3,290	3,290
Fresh Fruits & Vegetables	-	-	-	2,066	2,066
Teacher/Principal Training	-	-	-	41,669	41,669
NM Reads to Lead	-	-	-	18,909	18,909
School Busses	-	-	-	89,824	89,824
	<u>\$ 2,080</u>	<u>\$ 9,076</u>	<u>\$ -</u>	<u>\$ 220,011</u>	<u>\$ 231,167</u>

The above receivables are deemed 100% collectible.

**Unearned Revenues**

Unearned revenue represents advances on grants which have not been earned at June 30, 2016.

	<u>Governmental</u>	<u>Total</u>
Other Federal Awards	\$ -	\$ -

STATE OF NEW MEXICO  
Clayton Municipal Schools  
Notes to the Financial Statements  
June 30, 2016

**NOTE 7. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2016, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2015	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$ 467,890	\$ -	\$ -	\$ 467,890
Construction in Progress	20,325	-	-	20,325
Total capital assets not being depreciated	<u>488,215</u>	<u>-</u>	<u>-</u>	<u>488,215</u>
Capital assets being depreciated:				
Land improvements	625,330	-	-	625,330
Buildings and improvements	7,379,212	-	-	7,379,212
Equipment, Fixtures & Furniture	1,290,209	48,562	-	1,338,771
Vehicles	935,024	336,069	232,995	1,038,097
Total capital assets being depreciated	<u>10,229,775</u>	<u>384,631</u>	<u>232,995</u>	<u>10,381,410</u>
Total capital assets	<u>10,717,990</u>	<u>384,631</u>	<u>232,995</u>	<u>10,869,625</u>
Less accumulated depreciation:				
Land improvements	192,210	29,774	-	221,984
Buildings and improvements	3,354,545	129,748	-	3,484,293
Equipment, Fixtures & Furniture	1,185,061	19,243	-	1,204,304
Vehicles	791,324	56,667	232,995	614,996
Total accumulated depreciation	<u>5,523,140</u>	<u>235,432</u>	<u>232,995</u>	<u>5,525,577</u>
Total capital assets net of depreciation	<u>\$ 5,194,850</u>	<u>\$ (149,199)</u>	<u>\$ -</u>	<u>\$ 5,344,048</u>

Capital assets, net of accumulated depreciation, at June 30, 2016 appear in the Statement of Net Position as follows:

Governmental activities	\$ 5,344,048
-------------------------	--------------

Depreciation expense for the year ended June 30, 2016 was charged to the following functions and funds:

Governmental activities:	
Food Service Operations	\$ 1,644
Capital Outlay	231,411
Direct Instruction	506
Unallocated	1,871
	<u>\$ 235,432</u>

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**NOTE 8. Long-term Debt**

The District has no long term debt for the year ended June 30, 2016 except for long term accrued compensated absences.

The following is a summary of the long-term debt and the activity for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Accrued compensated absences	\$ 38,042	\$ 29,507	\$23,871	\$ 43,678	-
	\$ 38,042	\$ 29,507	\$ 23,871	\$ 43,678	-

**NOTE 9. Risk Management**

The District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2016, there have been no claims that have exceeded insurance coverage.

**NOTE 10. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. There are no funds with a deficit fund balance.
  - B. Excess Expenditures over budget.
- None



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**NOTE 11. Pension Plan- Educational Retirement Board**

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

ERB issues a publicly available report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).

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

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

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

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

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
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**NOTE 14. Pension Plan- Educational Retirement Board (continued)**

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

**Contributions.** The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2015 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$422,992 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 and 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the District reported a liability of \$7,028,482 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the District's proportion was 0.10851 percent, which was an increase of 0.00564% from its proportion measured at 0.11415 percent as of June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$309,771. At the June 30, 2016, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ -	\$ 130,302
		267,510
Changes of assumptions	241,747	-
Net difference between projected and actual earnings on pension plan investments	-	31,637
Changes in proportion and differences between District contributions and proportionate share of contributions	-	250,005
District contributions subsequent to the measurement date	418,295	-
<b>Total</b>	<b>\$ 660,042</b>	<b>679,454</b>

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**NOTE 14. Pension Plan- Educational Retirement Board (continued)**

\$418,295 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (240,915)
2017	(221,114)
2018	(73,283)
2019	97,619
2020	\$ -

**Actuarial assumptions.** As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2016 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on July 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 20, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment to 2014 using Scale AA (one year setback for females)

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**NOTE 14. Pension Plan- Educational Retirement Board (continued)**

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2015 and 2043 for 30-year return assumptions are summarized in the following table:

Asset Class	2015 Long-Term Expected Real Rate of Return	2014 Long-Term Expected Real Rate of Return
Cash	1.50%	1.50%
Treasuries	2.00%	2.00%
IG Corp Credit	3.50%	3.50%
MBS	2.25%	2.25%
Core Bonds	2.53%	2.53%
TIPS	2.50%	2.50%
High Yield Bonds	4.5%	4.5%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	1.25%
Global Bonds (Hedged)	1.38%	1.38%
EMD External	5.00%	5.00%
EMD Local Currency	5.75%	5.75%
Large Cap Equities	6.25%	6.25%
Small/Mid Cap	6.25%	6.25%
International Equities (Unhedged)	7.25%	7.25%
International Equities (Hedged)	7.50%	7.50%
Emerging International Equities	9.50%	9.50%
Private Equity	8.75%	8.75%
Private Debt	8.00%	8.00%
Private Real Assets	7.75%	7.75%
Real Estate	6.25%	6.25%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	5.50%
Hedge Funds Mod Vol	5.50%	5.50%

**Discount rate:** A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015, June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels.

STATE OF NEW MEXICO  
 Clayton Municipal Schools  
 Notes to the Financial Statements  
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**NOTE 14. Pension Plan- Educational Retirement Board (continued)**

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following table presents District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1- percentage-point higher (8.75 percent) than the current rate.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
District's proportionate share of the net pension liability	\$ 9,457,292	\$7,028,482	\$ 4,988,028

**Pension plan fiduciary net position.** Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and 2014 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

**Payables to the pension plan.** At June 30, 2016, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2016.

STATE OF NEW MEXICO  
Clayton Municipal Schools  
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**NOTE 12. Post-Employment Benefits-State Retiree Healthcare 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 provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes 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 RCHA 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 of the plan. The monthly premium rate schedule can be obtained from the RCHA or viewed on their website at [www.nmrhca.stat.nm.us](http://www.nmrhca.stat.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirement for the contributions can be changed by the New Mexico State Legislature. Employers that chose 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 plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office 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, 2014, the statute required each participating employer to contribute 2.0% 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, 2014, the statute required each participating employer to contribute 2.0% of each 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, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$61,258, \$61,050, and \$63,164, respectively, which equal the required contributions for each year.

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**NOTE 13. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

**NOTE 14. Non-Cash Federal Assistance**

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2016 was \$11,912.

**NOTE 15. Surety Bond**

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, and 1978 Compilation.

**NOTE 16. Memorandum of Understanding**

REC

Purpose: To allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the USDE under the Education of the Handicapped Act, Part B, PL 94-142 among others.

Participants: High Plains Regional Education Cooperative and Clayton Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 2015 until the end of any fiscal year during which the school gives notice of intent to terminate.

Total Actual Amount Paid: The REC administered services to the District totaling \$381,865 but expenditures are accounted for by the District.

**NOTE 18. Related Party Disclosure**

A board member is the Vice President of the District's financial institution and the Superintendent's spouse is a director of the District's financial institution.

**NOTE 19. Subsequent Events Review**

Clayton Municipal Schools has evaluated subsequent events through September 22, 2016, which is the date the financial statements were available to be issued. The community voted to pass the GO Bond in September 2016 for \$7.95 million.

STATE OF NEW MEXICO  
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**NOTE 20. Restatement of Net Position**

A restatement of Fund balance in the Statement of Revenues, Expenditures and Changes in Fund Balances was performed for the reclassification of District controlled activity funds previously reported in the operational fund to the Non-instructional Support fund. In summary, the restatements are as follows:

	Operational Fund	Non-Instructional Support Fund
Beginning Fund Balance	\$1,007,086	\$ 89,801
Reclassification of District Funds	<u>(54,126)</u>	<u>54,126</u>
Beginning Fund Balance, restated	\$ 952,960	\$143,927



**SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

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**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SPECIAL REVENUE FUNDS**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Grants accounted for in the Special Revenue Funds include:

**Food Service** – This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Service Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of the National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. The Non-Federal funds consist of income derived from Snack-Bar facilities located in the District. Authority for the creation of this fund is NMSA 22-13-13. No minimum balance required according to legislation.

**Athletics** - This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

**Non-Instructional Support**- This fund is used to account for fundraising activities and related expenditures throughout the School District. The receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

**Title I** – This fund’s major objectives are to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; education need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

**IDEA B Entitlement and Discretionary** – The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17. No minimum balance required according to legislation.

**IDEA-B Preschool** - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

**Fresh Fruits & Vegetables** - The purpose of this program is to purchase fresh fruits and vegetables to be made available at no charge to the students, at a minimum of twice a week. Federal revenues accounted for in this fund are allocated to the District through the United States Department of Agriculture Fresh Fruit and Vegetable Program. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

**Teacher Principal Training** – The purpose of this fund is to improve the skills of teachers and the quality of instruction in mathematics and science and also to increase the accessibility of such instruction to all students. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act of 1965 as amended, Public Law 103-382. No minimum balance required according to legislation.

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**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SPECIAL REVENUE FUNDS**

**Dual Credit Fund-** The objective is to account for the monies received from NMHU for the purpose of dual credit college enrollment for qualified high school seniors. Authority is based on Memorandum of Understanding between the District, the schools within the agreements, and LEA. No minimum balance required according to legislation.

**GO Bonds Library-** The objective is to account for the monies received from NMHU for the purpose of dual credit college enrollment for qualified high school seniors. Authority creation for this fund made available through appropriations contained in, Laws 2014, Chapter 65, Section 10, B3 (Senate Bill 53). No minimum balance required according to legislation.

**School Busses –** The objective is to account for state monies provided to purchase new busses for the district. The formation of this fund is provided by the NM Legislature. No minimum balance required according to legislation.

**Parent Advocacy Project -** The objective is to account for parent advocacy funds to be utilized to give parents a voice in supporting education. The formation of this fund is provided by local city/county funding. No minimum balance required according to legislation.

**DWI Local Grant-** The objective is to account for funds to be utilized to educate students about DWI. The formation of this fund is provided by local city/county funding. No minimum balance required according to legislation.

**CYFD and Adult Food Program –** The objective is 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 NM Children, Youth and Families Department. No minimum balance required according to legislation.

**Private Direct Grants –** To account for a private grant used to provide monies for the Yellow Jacket year book.. The formation of this fund is provided by local city/county funding. No minimum balance required according to legislation.

**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. No minimum balance required according to legislation.

**These funds are on a reimbursement basis and therefore there are no reverting funds.**

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**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District has these separate funds classified as non-major Capital Projects Funds as follows:

**Capital Improvements H-33** – To maintain school facilities owned by the Department of Education and operated by the Board of Education agencies and transfer these facilities to local agencies where appropriate. These funds are authorized by the Elementary and Secondary Education Act of 1965, Title VIII, Section 8008 as amended. No minimum balance required according to legislation.

**Capital Improvements SB-9** – To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico’s State Equalization Matching and a special tax levy. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10. No minimum balance required according to legislation.

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2016

	Food Service	Athletics	Non-Instructional Support	Title I
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 52,098	\$ 21,027	\$ 85,464	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	40,005
Other accounts receivable	-	-	-	-
Interfund receivable	-	-	-	-
Prepaid Assets				
Inventory	1,870	-	-	-
	<u>53,968</u>	<u>21,027</u>	<u>85,464</u>	<u>40,005</u>
<i>Total assets</i>	<u>\$ 53,968</u>	<u>\$ 21,027</u>	<u>\$ 85,464</u>	<u>\$ 40,005</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ 143	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Interfund payable	-	-	-	40,005
Unearned revenue	-	-	-	-
	<u>143</u>	<u>-</u>	<u>-</u>	<u>40,005</u>
<i>Total liabilities</i>	<u>143</u>	<u>-</u>	<u>-</u>	<u>40,005</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total deferred inflow of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>				
Non-spendable	1,870	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	51,955	21,027	85,464	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Committed for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Assigned for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned for:				
General Fund	-	-	-	-
	<u>53,825</u>	<u>21,027</u>	<u>85,464</u>	<u>-</u>
<i>Total fund balances</i>	<u>53,825</u>	<u>21,027</u>	<u>85,464</u>	<u>-</u>
<i>Total liabilities, deferred inflow of resources and fund balances</i>	<u>\$ 53,968</u>	<u>\$ 21,027</u>	<u>\$ 85,464</u>	<u>\$ 40,005</u>



**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2016

	Dual Credit Fund	GO Bonds Library	School Busses	Parent Advocacy Project
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	89,824	-
Other accounts receivable	-	-	-	-
Interfund receivable	-	-	-	-
Prepaid Assets	-	-	-	-
Inventory	-	-	-	-
	-	-	-	-
<i>Total assets</i>	\$ -	\$ -	\$ 89,824	\$ -
 <b>LIABILITIES AND FUND BALANCE</b>				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-
Interfund payable	-	-	89,824	-
Unearned revenue	-	-	-	-
	-	-	89,824	-
<i>Total liabilities</i>	-	-	89,824	-
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	-	-	-	-
	-	-	-	-
<i>Total deferred inflow of resources</i>	-	-	-	-
<i>Fund Balances</i>				
Fund Balance				
Non-spendable	-	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Committed for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Assigned for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned for:				
General Fund	-	-	-	-
	-	-	-	-
<i>Total fund balances</i>	-	-	-	-
<i>Total liabilities and fund balances</i>	\$ -	\$ -	\$ 89,824	\$ -

<u>DWI Local Grant</u>	<u>CYFD &amp; Adult Food Program</u>	<u>Private Direct Grants</u>	<u>Saturday School</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,000	\$ 2,004	\$ 5,401	\$ 3,810	\$ 170,804
-	-	-	-	-
-	-	-	-	201,102
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,870
<u>\$ 1,000</u>	<u>\$ 2,004</u>	<u>\$ 5,401</u>	<u>\$ 3,810</u>	<u>\$ 373,776</u>
\$ -	\$ -	\$ -	\$ -	\$ 143
-	-	-	-	(73)
-	-	-	-	201,175
-	-	-	-	-
-	-	-	-	201,245
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,870
1,000	2,004	5,401	3,810	170,661
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>1,000</u>	<u>2,004</u>	<u>5,401</u>	<u>3,810</u>	<u>172,531</u>
<u>\$ 1,000</u>	<u>\$ 2,004</u>	<u>\$ 5,401</u>	<u>\$ 3,810</u>	<u>\$ 373,776</u>

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	Food Service	Athletics	Non Instructional Support	Title I
<i>Revenues</i>				
Taxes	\$	\$	\$	\$
Taxes levied/assessed	-	-	-	-
Local sources				
Tuition	-	-	-	-
Investment income	144	110	308	-
Food services	36,572	-	-	-
District activities	-	42,717	119,655	-
Other revenue	-	-	-	-
State sources				
Unrestricted Grants	-	-	-	-
Restricted Grants	-	-	-	-
Federal sources				
Unrestricted Grants	-	-	-	-
Unrestricted -state passthrough	-	-	-	-
Restricted Grants	-	-	-	-
Restricted -state passthrough	187,600	-	-	121,945
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>224,316</u>	<u>42,827</u>	<u>119,963</u>	<u>121,945</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	46,740	112,465	117,003
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	4,942
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	199,297	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>199,297</u>	<u>46,740</u>	<u>112,465</u>	<u>121,945</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>25,019</u>	<u>(3,913)</u>	<u>7,498</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	25,019	(3,913)	7,498	-
<i>Fund balances - beginning of year</i>	28,806	48,879	-	-
Restatement-reclassification of District Funds	-	(23,939)	77,966	-
<i>Fund balances-beginning of year, restated</i>	<u>28,806</u>	<u>24,940</u>	<u>77,966</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 53,825</u>	<u>\$ 21,027</u>	<u>\$ 85,464</u>	<u>\$ -</u>

IDEA-B Entitlement	IDEA-B Preschool	Fresh Fruits & Vegetables	Teacher/Principal Training
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
89,877	9,906	9,917	41,669
-	-	-	-
-	-	-	-
<u>89,877</u>	<u>9,906</u>	<u>9,917</u>	<u>41,669</u>
53,282	9,906	-	41,669
6,756	-	-	-
-	-	-	-
-	-	-	-
29,839	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	9,917	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>89,877</u>	<u>9,906</u>	<u>9,917</u>	<u>41,669</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	Dual Credit	GO Bonds Library	School Busses	Parent Advocacy Project
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Revenues:</i>				
Taxes	\$	\$	\$	\$
Taxes levied/assessed	-	-	-	-
Local sources				
Tuition	-	-	-	-
Investment income	-	-	-	-
Food services	-	-	-	-
District activities	-	-	-	-
Other revenue	-	-	-	-
State sources				
Unrestricted Grants	-	-	-	-
Restricted Grants	1,371	-	89,824	-
Federal sources				
Unrestricted Grants	-	-	-	-
Unrestricted -state passthrough	-	-	-	-
Restricted Grants	-	-	-	-
Restricted -state passthrough	-	-	-	-
Department of Interior	-	-	-	-
Other items	-	-	-	-
<i>Total revenues</i>	<u>1,371</u>	<u>-</u>	<u>89,824</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	1,371	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	89,824	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,371</u>	<u>-</u>	<u>89,824</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	(99)	-	-	-
Restatement-reclassification of District Funds	99	-	-	-
<i>Fund balances-beginning of year,restated</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



<u>DWI Local Grant</u>	<u>CYFD &amp; Adult Food Program</u>	<u>Private Direct Grants</u>	<u>Saturday School</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	562
-	-	-	-	36,572
-	-	-	-	162,372
-	-	-	-	-
-	-	-	-	-
-	-	-	-	91,195
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	460,914
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>751,615</u>
-	-	-	-	382,436
-	-	-	-	6,756
-	-	-	-	-
-	-	-	-	-
-	-	-	-	34,781
-	-	-	-	-
-	-	-	-	89,824
-	-	-	-	-
-	-	-	-	209,214
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,011</u>
-	-	-	-	28,604
-	-	-	-	-
-	-	-	-	-
-	-	-	-	28,604
1,000	2,004	5,401	3,810	89,801
-	-	-	-	54,126
<u>1,000</u>	<u>2,004</u>	<u>5,401</u>	<u>3,810</u>	<u>143,927</u>
\$ <u>1,000</u>	\$ <u>2,004</u>	\$ <u>5,401</u>	\$ <u>3,810</u>	\$ <u>172,531</u>

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**FOOD SERVICE SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-3

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ 42,750	\$ 42,750	\$ 36,572	\$ (6,178)
State sources	-	-	-	-
Federal sources	150,000	150,000	187,600	37,600
Interest	-	-	144	144
<i>Total revenues</i>	192,750	192,750	224,316	31,566
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	200,870	200,870	196,143	4,727
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	200,870	200,870	196,143	4,727
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(8,120)	(8,120)	28,173	36,293
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	8,120	8,120	-	(8,120)
<i>Total other financing sources (uses)</i>	8,120	8,120	-	(8,120)
<i>Net change in fund balances</i>	-	-	28,173	28,173
<i>Cash balances - beginning of year</i>	-	-	23,925	23,925
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 52,098	\$ 52,098
Net change in fund balance (Non-GAAP Budgetary basis)			\$ 28,173	
Adjustment to revenue for accruals and other deferrals			(3,011)	
Adjustment to expenditures for payables, prepaids and other accruals			(143)	
Net change in fund balance (GAAP basis)			\$ 25,019	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**ATHLETICS SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-4

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ 48,665	\$ 48,665	\$ 42,717	\$ (5,948)
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	110	110
<i>Total revenues</i>	<u>48,665</u>	<u>48,665</u>	<u>42,827</u>	<u>(5,838)</u>
<i>Expenditures:</i>				
Current:				
Instruction	75,262	75,262	48,611	26,651
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>75,262</u>	<u>75,262</u>	<u>48,611</u>	<u>26,651</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(26,597)</u>	<u>(26,597)</u>	<u>(5,784)</u>	<u>20,813</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	26,597	26,597	-	(26,597)
<i>Total other financing sources (uses)</i>	<u>26,597</u>	<u>26,597</u>	<u>-</u>	<u>(26,597)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(5,784)</u>	<u>(5,784)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>26,811</u>	<u>26,811</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,027</u>	<u>\$ 21,027</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ (6,692)	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			1,871	
Net change in fund balance (GAAP basis)			<u>\$ (3,913)</u>	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**NON INSTRUCTIONAL SUPPORT SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-5

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ 119,655	\$ 119,655	\$ 119,655	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	308	308	308	-
<i>Total revenues</i>	119,963	119,963	119,963	-
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Activity Funds	112,465	112,465	112,465	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	112,465	112,465	112,465	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	7,498	7,498	7,498	-
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	(7,498)	(7,498)	-	7,498
<i>Total other financing sources (uses)</i>	(7,498)	(7,498)	-	7,498
<i>Net change in fund balances</i>	-	-	7,498	7,498
<i>Cash balances - beginning of year</i>	-	-	77,966	77,966
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 85,464	\$ 85,464
Net change in fund balance (Non-GAAP Budgetary basis)			\$ 7,498	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			\$ 7,498	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**TITLE I SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-6

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	121,858	129,307	112,810	(16,497)
Interest	-	-	-	-
<i>Total revenues</i>	<u>121,858</u>	<u>129,307</u>	<u>112,810</u>	<u>(16,497)</u>
<i>Expenditures:</i>				
Current:				
Instruction	116,909	124,358	117,003	7,355
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	4,949	4,949	4,942	7
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>121,858</u>	<u>129,307</u>	<u>121,945</u>	<u>7,362</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(9,135)</u>	<u>(9,135)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(9,135)</u>	<u>(9,135)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(30,870)</u>	<u>(30,870)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,005)</u>	<u>\$ (40,005)</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ (9,135)	
Adjustment to revenue for accruals and other deferrals			9,135	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**IDEA B ENTITLEMENT SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-7

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	126,904	200,666	94,609	(106,057)
Interest	-	-	-	-
<i>Total revenues</i>	<u>126,904</u>	<u>200,666</u>	<u>94,609</u>	<u>(106,057)</u>
<i>Expenditures:</i>				
Current:				
Instruction	83,776	135,876	53,282	82,594
Support Services				
Students	10,821	16,827	6,756	10,071
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	32,307	47,963	29,839	18,124
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>126,904</u>	<u>200,666</u>	<u>89,877</u>	<u>110,789</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>4,732</u>	<u>4,732</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>4,732</u>	<u>4,732</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(28,980)</u>	<u>(28,980)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,248)</u>	<u>\$ (24,248)</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ 4,732	
Adjustment to revenue for accruals and other deferrals			(4,732)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**IDEA B PRESCHOOL SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-8

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	11,190	11,591	10,174	(1,417)
Interest	-	-	-	-
<i>Total revenues</i>	<u>11,190</u>	<u>11,591</u>	<u>10,174</u>	<u>(1,417)</u>
<i>Expenditures:</i>				
Current:				
Instruction	11,190	11,591	9,906	1,685
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,190</u>	<u>11,591</u>	<u>9,906</u>	<u>1,685</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>268</u>	<u>268</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>268</u>	<u>268</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(3,558)</u>	<u>(3,558)</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,290)</u>	<u>\$ (3,290)</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ 268	
Adjustment to revenue for accruals and other deferrals			(268)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	



**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**FRESH FRUITS & VEGETABLES SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-9

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	9,989	7,851	(2,138)
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>9,989</u>	<u>7,851</u>	<u>(2,138)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	9,989	9,917	72
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>9,989</u>	<u>9,917</u>	<u>72</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,066)</u>	<u>(2,066)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(2,066)</u>	<u>(2,066)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,066)</u>	<u>\$ (2,066)</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ (2,066)	
Adjustment to revenue for accruals and other deferrals			2,066	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**TEACHER/PRINCIPAL TRAINING SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-10

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	19,631	41,669	-	(41,669)
Interest	-	-	-	-
<i>Total revenues</i>	19,631	41,669	-	(41,669)
<i>Expenditures:</i>				
Current:				
Instruction	19,631	41,669	41,669	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	19,631	41,669	41,669	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	(41,669)	(41,669)
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	3,621	3,621
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	3,621	3,621
<i>Net change in fund balances</i>	-	-	(38,048)	(38,048)
<i>Cash balances - beginning of year</i>	-	-	(3,621)	(3,621)
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ (41,669)	\$ (41,669)
Net change in fund balance (Non-GAAP Budgetary basis)			\$ (38,048)	
Adjustment to revenue for accruals and other deferrals			38,048	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			\$ -	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**DUAL CREDIT SPECIAL REVENUE PROGRAM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-11

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	1,643	1,371	(272)
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,643</u>	<u>1,371</u>	<u>(272)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	1,643	1,371	272
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,643</u>	<u>1,371</u>	<u>272</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ -	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**SCHOOL BUSES SPECIAL REVENUE PROGRAM**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-12

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	89,824	-	(89,824)
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>89,824</u>	<u>-</u>	<u>(89,824)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	89,824	89,824	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>89,824</u>	<u>89,824</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(89,824)</u>	<u>(89,824)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(89,824)</u>	<u>(89,824)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (89,824)</u>	<u>\$ (89,824)</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ (89,824)	
Adjustment to revenue for accruals and other deferrals			89,824	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**PARENT ADVOCACY PROJECT SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-13

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	3,996	3,996
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	-	-	3,996	3,996
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	3,996	3,996
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	3,996	3,996
<i>Cash balances - beginning of year</i>	-	-	(3,996)	(3,996)
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary basis)			\$ 3,996	
Adjustment to revenue for accruals and other deferrals			(3,996)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			\$ -	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**DWI LOCAL GRANT PROGRAM SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-14

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	-	-
<i>Cash balances - beginning of year</i>	-	-	1,000	1,000
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 1,000	\$ 1,000
Net change in fund balance (Non-GAAP Budgetary basis)			\$ -	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			\$ -	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**CYFD & ADULT FOOD PROGRAM SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-15

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	2,004	2,004	-	2,004
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,004</u>	<u>2,004</u>	<u>-</u>	<u>2,004</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(2,004)</u>	<u>(2,004)</u>	<u>-</u>	<u>2,004</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	2,004	2,004	-	(2,004)
<i>Total other financing sources (uses)</i>	<u>2,004</u>	<u>2,004</u>	<u>-</u>	<u>(2,004)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,004</u>	<u>2,004</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,004</u>	<u>\$ 2,004</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ -	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

STATE OF NEW MEXICO

Statement A-16

CLAYTON MUNICIPAL SCHOOLS  
 PRIVATE DIRECT GRANTS SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,401</u>	<u>5,401</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,401</u>	<u>\$ 5,401</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ -	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	



**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**SATURDAY SCHOOL SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-17

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over (under) expenditures</i>	-	-	-	-
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	-	-
<i>Cash balances - beginning of year</i>	-	-	3,810	3,810
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 3,810	\$ 3,810
Net change in fund balance (Non-GAAP Budgetary basis)			\$ -	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			\$ -	

## STATE OF NEW MEXICO

Statement A-18

CLAYTON MUNICIPAL SCHOOLS  
 CAPITAL IMPROVEMENTS HB-33 CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ 1,400	\$ 1,400	\$ -	\$ (1,400)
State sources	-	-	-	-
Federal sources	-	-	-	-
Interest	-	-	2,800	2,800
<i>Total revenues</i>	1,400	1,400	2,800	1,400
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	716,466	716,466	229,070	487,396
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	716,466	716,466	229,070	487,396
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(715,066)	(715,066)	(226,270)	488,796
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	715,066	715,066	-	(715,066)
<i>Total other financing sources (uses)</i>	715,066	715,066	-	(715,066)
<i>Net change in fund balances</i>	-	-	(226,270)	(226,270)
<i>Cash balances - beginning of year</i>	-	-	715,799	715,799
<i>Cash balances - end of year</i>	\$ -	\$ -	\$ 489,529	\$ 489,529
Net change in fund balance (Non-GAAP Budgetary basis)			\$ (226,270)	
Adjustment to revenue for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP basis)			\$ (226,270)	

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**CAPITAL IMPROVEMENTS SB-9 CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Statement A-19

	Budgeted Amounts		Actual	Variance
	Original	Final		
<i>Revenues:</i>				
Local and county sources	\$ 352,016	\$ 352,016	\$ 275,439	\$ (76,577)
State sources	14,568	14,568	14,568	-
Federal sources	-	-	-	-
Interest	-	-	2,508	2,508
<i>Total revenues</i>	<u>366,584</u>	<u>366,584</u>	<u>292,515</u>	<u>(74,069)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	3,100	3,100	2,472	628
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	917,828	917,828	543,279	374,549
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>920,928</u>	<u>920,928</u>	<u>545,751</u>	<u>375,177</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(554,344)</u>	<u>(554,344)</u>	<u>(253,236)</u>	<u>301,108</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bonds	-	-	-	-
Designated Cash	554,344	554,344	-	(554,344)
<i>Total other financing sources (uses)</i>	<u>554,344</u>	<u>554,344</u>	<u>-</u>	<u>(554,344)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(253,236)</u>	<u>(253,236)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>689,846</u>	<u>689,846</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,610</u>	<u>\$ 436,610</u>
Net change in fund balance (Non-GAAP Budgetary basis)			\$ (253,236)	
Adjustment to revenue for accruals and other deferrals			27,905	
Adjustment to expenditures for payables, prepaids and other accruals			(939)	
Net change in fund balance (GAAP basis)			<u>\$ (226,270)</u>	

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**FIDUCIARY FUNDS**

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
Agency Funds

**Agency Funds** – To account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Clayton Municipal Schools has the following funds classified as Agency Funds:

**Activity** – To account for assets held by the District until distributed to various organizations at the schools.

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**AGENCY FUNDS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended June 30, 2016**

Statement B

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>ASSETS</b>				
Junior High	\$ 709	\$ 1,382	\$ 489	\$ 1,602
High School	5,583	85,233	74,451	16,365
Total Assets	<u>\$ 6,292</u>	<u>\$ 86,615</u>	<u>\$ 74,940</u>	<u>\$ 17,967</u>
<b>LIABILITIES</b>				
Deposits held for others	<u>6,292</u>	<u>86,615</u>	<u>74,940</u>	<u>17,967</u>
Total Liabilities	<u>\$ 6,292</u>	<u>\$ 86,615</u>	<u>\$ 74,940</u>	<u>\$ 17,967</u>

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PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
 Required Supplementary Information  
 June 30, 2016

SCHEDULE OF PROPORTONATE SHARE OF THE NET PENSION LIABILITY  
 Educational Retirement Board (ERB) Plan  
 Last 10 fiscal years\*

	<b>2016</b>	<b>2015</b>
District's proportion of net pension liability (asset)	0.108510%	0.114150%
District's proportionate share of the net pension liability (asset)	\$ 7,028,482	\$ 6,513,085
District's covered-employee payroll	\$ 2,962,671	\$ 3,146,454
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	237.23%	207.00%
Plan fiduciary net position as a percentage of total pension liability	63.97%	66.54%

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

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
 Required Supplementary Information  
 June 30, 2016

**SCHEDULE OF CONTRIBUTIONS**  
**EDUCATIONAL RETIREMENT BOARD (ERB) Pension PLAN**  
**LAST 10 FISCAL YEARS\***

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 422,922	\$ 424,136
Contributions in relation to the contractually required contribution	\$ 422,922	\$ 424,136
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's Covered-employee payroll	\$ 2,962,671	\$ 3,051,968
Contributions as a percentage of covered-employee payroll	14.28%	13.90%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

*Note: The employee contribution is not included in this schedule.*

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
Required Supplemental Information For  
the Year Ended June 30, 2016

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

***Changes of benefit terms.*** The COLA and retirement eligibility benefits changes in recent years are described in the ***Benefits Provided*** subsection of the financial statement note disclosure ***General Information on the Pension Plan***.

***Changes of assumptions.***

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013 and new assumptions adopted by the Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. Fiscal year 2015 valuation assumptions that changed based on this study:
  - a. Lower wage inflation from 4.25% to 3.75%
  - b. Update the mortality tables to incorporate generational improvements
  - c. Minor changes to demographic assumptions
  - d. Lower population growth from .50% to zero
  
2. Assumptions that were not changed:
  - a. Investment return will remain at 7.75%
  - b. Inflation will remain at 3.00%
  - c. Maintain payroll growth at 3.50%
  - d. Retain net 4.75% real return assumption
  - e. Retain 7.75% nominal return assumption
  - f. No change to COLA assumption of 2.0% per year

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

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## **SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
June 30, 2016

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2016	Name and Location of Safekeeper
Farmers & Stockmens Bank	FHLB LOC 361500009 0% 8/31/2016	\$ 1,270,000	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	Hatch VY NM Scho Dist No 11 418839CH7, 3.5%, 8/1/2017	87,351	Vining Sparks Bank of Dallas Irving, TX
First National Bank	Sthrn Sandoval Arroyo NM Flood 843789GC6, 2.75%, 8/1/2023	188,206	Vining Sparks Bank of Dallas Irving, TX
First National Bank	Los Lunas NM SCD #1 545562RK8, 2.125%, 7/15/2023	132,131	Vining Sparks Bank of Dallas Irving, TX
	Total Collateral Pledged	<u>\$ 1,677,688</u>	

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
June 30, 2016

Schedule II

Deposit or Investment Account Type	Farmers & Stockmans Bank	First National Bank	Total
Operational Interest Bearing Checking	\$ 1,425,675	\$ -	\$ 1,425,675
Activities Interest Bearing Checking	22,437	-	22,437
Now Interest Bearing Checking	-	51,574	51,574
Student Activity Interest Bearing Checking	-	107,275	107,275
Certificate of Deposit	<u>600,000</u>	<u>-</u>	<u>600,000</u>
Total On Deposit	2,048,112	158,849	2,206,961
Reconciling Items	<u>(34,032)</u>	<u>(3,843)</u>	<u>(37,875)</u>
Reconciled Balance June 30, 2016	<u>\$ 2,014,080</u>	<u>\$ 155,006</u>	<u>\$ 2,169,087</u>

Reconciliation to financial statements:

Cash and cash equivalents:

Total cash and cash equivalents per Statement of Position	\$ 2,151,120
Total cash and cash equivalents per Fiduciary Statement of Assets and Liabilities	<u>17,967</u>
	<u>\$ 2,169,087</u>

**STATE OF NEW MEXICO**

Clayton Municipal Schools

Cash Reconciliation

June 30, 2016

	<u>Operational Account</u>	<u>Transportation Account</u>	<u>Instructional Materials Account</u>	<u>Food Services Account</u>	<u>Athletics Account</u>
Cash per June 30, 2015	\$ 1,021,976	\$ 32,883	\$ 15,101	\$ 23,925	\$ 27,737
Add:					
2015-16 revenues	4,726,865	680,102	34,956	210,587	42,826
Interfund balances	<u>(220,084)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash available	5,528,757	712,985	50,057	234,512	70,563
Less:					
2015-16 expenditures	<u>(4,503,572)</u>	<u>(705,432)</u>	<u>(28,619)</u>	<u>(182,414)</u>	<u>(49,536)</u>
Cash June 30, 2016	<u>\$ 1,025,185</u>	<u>\$ 7,553</u>	<u>\$ 21,438</u>	<u>\$ 52,098</u>	<u>\$ 21,027</u>
Bank balance end of year	\$ 1,057,807	\$ 7,553	\$ 21,438	\$ 52,098	\$ 22,437
Outstanding checks	(578,350)	-	-	-	(1,410)
Reinstatement of cash for held checks	545,728	-	-	-	-
Cash June 30, 2016	<u>\$ 1,025,185</u>	<u>\$ 7,553</u>	<u>\$ 21,438</u>	<u>\$ 52,098</u>	<u>\$ 21,027</u>



<u>Fiduciary Account</u>	<u>Federal Flowthrough</u>	<u>State Flowthrough</u>	<u>Local Flowthrough</u>	<u>State Direct</u>
\$ 86,197	\$ (67,029)	\$ (11,902)	\$ 9,211	\$ 3,004
205,783	225,444	44,266	-	-
-	111,351	108,733	-	-
291,980	269,766	141,097	9,211	3,004
(188,548)	(269,766)	(141,097)	-	-
\$ 103,432	\$ -	\$ -	\$ 9,211	\$ 3,004
\$ 107,275	\$ -	\$ -	\$ 9,211	\$ 3,004
(3,843)	-	-	-	-
-	-	-	-	-
\$ 103,432	\$ -	\$ -	\$ 9,211	\$ 3,004

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**STATE OF NEW MEXICO**  
 Clayton Municipal Schools  
 Cash Reconciliation  
 June 30, 2016

Schedule III  
 (Page 2 of 2)

	Capital Impr HB33	Capital Impr SB9	Total
Cash per June 30, 2015	\$ 715,799	\$ 684,672	\$ 2,541,574
Add:			
2015-16 revenues	2,800	292,515	6,466,144
Interfund balances	-	-	-
Total cash available	718,599	977,187	9,007,718
Less:			
2015-16 expenditures	(229,070)	(540,577)	(6,838,631)
Cash June 30, 2016	\$ 489,529	\$ 436,610	\$ 2,169,087
Bank balance end of year	\$ 489,529	\$ 436,610	\$ 2,206,962
Outstanding checks	-	-	(583,603)
Reinstatement of cash for held ch	-	-	545,728
Cash June 30, 2016	\$ 489,529	\$ 436,610	\$ 2,169,087

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Clayton Municipal Schools  
 Schedule of Vendor Information for purchases exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2016

RFP# RFB#/RFP# / State-Wide Price Agreement	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendors that responded	In-State/ Out-of- State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
N/A	RFP for Cost Reimbursement Contract	O & O Inc.	478434.34	\$473,143.86	301 Pine St., Clayton NM 88415	N	N	Bus Service Contract

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**COMPLIANCE SECTION**

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

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Clayton Municipal Schools  
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 and the budgetary comparisons of the General fund and Special Revenue funds, of the Clayton Municipal Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Clayton Municipal Schools' basic financial statements, and the combining and individual and related budgetary comparisons of Clayton Municipal Schools, presented as supplemental information, and have issued our report thereon dated September 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Clayton Municipal Schools' internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clayton Municipal Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Clayton Municipal Schools' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 function, 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. We did not identify any deficiencies that we considered to be material weaknesses.

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A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. The significant deficiencies are described as 2015-001, 2015-003, 2015-005, 2015-006, 2016-001 and 2015-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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, noncompliance 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 and which are described in the accompanying schedule of findings and responses as items 2016-003.

### **Clayton Municipal Schools' Response to Findings**

Clayton Municipal Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Clayton Municipal Schools' responses were not subjected to 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 Clayton Municipal Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clayton Municipal Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Precision Accounting LLC*

Precision Accounting LLC  
Albuquerque, New Mexico  
September 22, 2016

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**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**Year Ended June 30, 2016**

**A. FINDINGS AND RESPONSES-FINANCIAL STATEMENT AUDIT**

**2015 – 001 Activity Funds – Receipts and Disbursement Controls (Significant Deficiency) repeated and revised**

CONDITION: In the activity funds cash disbursement testwork, we noted four (4) payment vouchers that contained exceptions. These vouchers totaled \$3715.56. The issues noted are as follows:

- Three (3) payment vouchers where the payment voucher did not contain adequate supporting documents for payments.
- One (1) payment voucher where the amount of the check was greater than the amount of the authorized purchase order.

This results in an error rate of 10% percent. When projected across the entire population (326 transactions) this results in 33 potential errors. There was no progress made in this area for FY 2015 -2016.

CRITERIA: PSAB18 Student Activities and NMAC 6.20.2.11 Section B part C states: “An internal control structure is required to demonstrate the school district's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:(1) rights and ownership;(2) existence and occurrence;(3) valuation and allocations;(4) completeness; and, (5) presentation and disclosure and/or NMAC 6.20.2.14C Cash Control Standards.”

CAUSE: The internal controls required by PSAB 18 were not being properly followed. It appears it may be an due to an oversight when reviewing and approving activity fund expenditures.

EFFECT: The District is not in compliance with PSAB 18 and inadequate controls in cash management of the activity funds could result in overspent accounts.

RECOMMENDATION: The District should evaluate and ensure that internal controls on activities fund accounts are in accordance with PSAB 18. All personnel and staff involved in the Activity Funds should be trained on the procedures and the district's responsibilities under PSAB 18.

CLIENT RESPONSE: The District, through the Superintendent and Business Manager, will ensure adequate supporting documents are in place prior to any voucher payment effective 10/01/2016.

**2015-003 Noncompliance with Payroll (Significant Deficiency) – Repeated and Revised**

CONDITION: During our test work of payroll we noted that the District has set up their payroll pay schedules where, the 12- month District employees were being paid on the 20th of every month for the services performed for that month. The District did resolve the issue with the payroll finding from 2015 but it has been revised for the current year issue

CRITERIA: NMSA 1978 § 30-23-2 states “Paying or receiving public money for services not rendered consist of knowingly making or receiving payment made from public funds where such payment purports to be for wages, salary or remuneration for personal services which have not in fact been rendered.”

CAUSE: Unknown

EFFECT: By having the current payroll payment schedule set up the District is at risk of making payroll disbursements for services that are not rendered. This could potentially result in payroll expenditures that are erroneous. The District may potentially be noncompliant with NMSA 1978 § 30-23-2.

RECOMMENDATION: The District is encouraged to change the payroll payment schedule so that the District is not at risk for paying employees for services that are not rendered. For instance the District can pay employees on the last day of the month for the services performed for that month.

CLIENT RESPONSE: The District, through the Superintendent and Business Manager, will maintain payroll on the 20th day of each month, but will deduct overpayment from employees who have been paid for services not rendered from the November payroll. All new twelve month employees' initial pay will reflect the number of days worked effective 10/01/2016.

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**2015-005 Noncompliance with Service Contract Bids (Significant Deficiency) – Repeated and Revised**

CONDITION: During our testwork of bids, we noted one (1) service contracts were not conducted through the appropriate procurement process. The expenditures for these service contracts exceeded \$60,000 for the fiscal year 2015 - 2016 and require the District to make a selection from sealed proposals for these services. The District did not obtain sealed proposals for this service contracts. There was no progress made in this area for FY 2015-2016.

CRITERIA: The New Mexico Procurement Code 13-8-01 states that a government agency purchasing contract services greater than \$60,000 must be accompanied with sealed bid proposals.

CAUSE: It appears that management was not aware of the requirements for when a sealed bid must be performed.

EFFECT: By not requesting sealed proposals for services exceeding \$60,000, the District is in violation of the New Mexico Procurement Code.

RECOMMENDATION: The District is encouraged to have all personnel in charge of reviewing and approving purchases to perform a review of the New Mexico Procurement Code.

CLIENT RESPONSE: The District, through the Superintendent and Business Manager, will comply with NM procurement codes, effective 10/01/2016.

**2015-006 General Ledger Posting (Significant Deficiency)**

CONDITION: During our test work of journal entries and cash disbursements we noted the following:

- Twelve (12) payment vouchers where the general ledger posting for these transactions was coded to the correct account numbers. The transactions contained incorrect postings to funds 31700 for \$26856.30, fund 13000 for \$1500.00, fund 23400 for \$1,032.00 and other object miscoding totaling \$9629.14. The errors for miscoding that we noted totaled \$39,017.44.
- When reviewing the journal entries we noted that there were numerous amounts of non-standard journal entries made that appear to have been made inaccurately and required numerous reversing/correcting entries to correct the transaction. There was no progress made in this area for FY 2015-2016.

CRITERIA: Per section 6.20.2.11 of NMAC, requires that policies and procedures document administrative and accounting controls. Sound business practices recommend a review of all non-standard journal entries and proper account code classification.

CAUSE: The cause of this issue may be related to management's unfamiliarity with non-standard journal entry postings and account code classification.

EFFECT: This may result in the District making erroneous non-standard journal entry postings which can result in errors or irregularities and can cause financial statement to be misstated.

RECOMMENDATION: The District is encouraged to have management perform a review of non-standard journal entry postings and a review of expenditures to ensure that transactions are being conducted accurately and expensed properly.

CLIENT RESPONSE: The District, through the Superintendent and Business Manager, will assign two different individuals to complete deposit slips for activity funds and all other funds. The District will require individuals making journal entries to review work prior to submitting, effective 10/01/2016.

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**Year Ended June 30, 2016**

**2016 - 001 Internal controls within the expenditure process (Significant Deficiency)**

CONDITION: In the cash disbursement testwork, we noted nineteen (17) payment vouchers that contained exceptions. These vouchers totaled \$6,567.83. The issues noted are as follows:

- One (1) payment vouchers where the payment voucher did not contain adequate supporting documents for payments.
- Fourteen (14) payment vouchers where the purchase order was authorized after the invoice/travel reimbursement request was received.

This results in an error rate of 4.0% percent. When projected across the entire population (1741 transactions) this results in 72 potential errors.

CRITERIA: NMAC 6.20.2.11 C-Internal Control structure standards: “An internal control structure is required to demonstrate the school district’s ability to record, process, summarize and report financial data consistent with the following financial statement assertions: 1) rights and ownership, 2) existence and occurrence, 3) valuation and allocations, 4) completeness, and 5) presentation and disclosure.

CAUSE: The cause may be related to an oversight of review and approval process of the cash disbursement process.

EFFECT: Lack of proper authorization of expenditures could result in excess expenditures over budget in the District processing payment for unauthorized or erroneous reimbursements.

RECOMMENDATION: The District is required to have all personnel in charge of reviewing and approving expenditures, perform a review of all supporting documents, including authorizations. All staff and employees should be trained on the procurement process for processing expenditures.

CLIENT RESPONSE: The Superintendent and Business Office staff will have employees turn in travel and per diem vouchers for the Superintendent’s approval prior to travel effective 10/01/2016.

**2016 - 002 Activity Funds – Transactions not being reconciled to the General Ledger (Significant Deficiency)**

CONDITION: In the Activity Funds test work; we noted that there nine (9) activity fund accounts that did not reconcile to the general ledger. We noted discrepancies between the transaction information recorded and the general ledger balance. The amount of the discrepancies totaled \$172.00 across all the activity funds.

CRITERIA: PSAB 18 Student Activity and Athletics Manual of Procedures, section 6-10-2. NMSA 1978 states that “financial records of student activity funds must be in accordance with general accepted accounting principles and an adequate internal control structure established and maintained, as well as audit trails, in the same manner as the school district’s regular funds.”

CAUSE: It appears that the District is not reconciling the balances of the activity funds to the general ledger every month.

EFFECT: The District does not appear to be in compliance with PSAB 18. Additionally, inaccurate record keeping of the Activity Funds could result in over spent accounts.

RECOMMENDATION: The District should evaluate and ensure that activity fund accounts are being reconciled to the general ledger on a regular basis to ensure accounting practices for activity funds are in accordance with PSAB 18. All personnel and staff involved in the Activity Funds should be re-trained to understand their roles and responsibilities under PSAB 18.

CLIENT RESPONSE: The Business Manager will ensure that the activity account balances are reconciled with the general ledger each month effective 10/01/2016.

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Year Ended June 30, 2016

**2016-003 Non-compliance with State Audit Rule (Control Deficiency)**

CONDITION: We noted that the District had not met the May 1, 2016 deadline to have their auditor selection submitted to the State Auditor.

CRITERIA: NMAC 2.2.2 states that each District must have their auditor selection submitted to the State Auditor by no later than May 1, 2016.

CAUSE: The District may not have been aware of the contract deadline for the auditor selection.

EFFECT: The district is not compliant with the State Audit Rule.

RECOMMENDATION: We recommend that the District comply with the State Audit Rule and meet all required deadlines set forth within.

CLIENT RESPONSE: The District, through the Superintendent and Business Manager, will comply with the State Audit Rule by submitting the selected auditor to the State Auditor no later than May 1, 2016.



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**B. PRIOR YEAR AUDIT FINDINGS**

2014-004 Capital Asset Listing/Depreciation Schedule (Significant Deficiency)-Cleared  
2014-009 Deficit Activity Fund Balances (Other Matter)-Cleared  
2015-001 Activity Funds Receipts and Disbursements (Significant Deficiency)-Repeated and Revised  
2015-002 Penalty on Late 941 Reports (Other Matter)-Cleared  
2015-003 Noncompliance with Payroll (Significant Deficiency)-Repeated and Revised  
2015-004 Noncompliance with Travel and Per Diem (Significant Deficiency)-Cleared  
2015-005 Noncompliance with Service Contract Bids (Significant Deficiency)-Repeated and Revised  
2015-006 General Ledger Posting (Significant Deficiency)-Repeated and Revised  
2015-007 Trial Balance did not tie to prior year's audit report or cash (Material Weakness)-Cleared

*Note: For traceability purposes, the audit finding reference numbers reported in prior year audit reports are presented in brackets, and where applicable, have been renumbered to comply with reporting standards.*

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**OTHER DISCLOSURES**  
Year Ended June 30, 2016

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Management is responsible for the content of the report and financial statements. It would be preferred and desirable for the District to prepare its own GAAP-basis financial statements; although the District is capable, with guidance, of reviewing and approving the financial statements, it is felt that the District's personnel do not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on September 22, 2016. The following individuals were in attendance:

Clayton Municipal Schools  
Rebecca Hatch, Secretary  
April Geary, Board Member  
Stacy Diller, Superintendent  
Sondra Miera, Administrative Bookkeeper  
Alyssa Tippit, Parent/Staff

Precision Accounting LLC  
Melissa R. Santistevan, CPA, CFE, CGMA, CICA  
Daniel Perea, Senior Accountant  
Alexandra Yebra, Staff Accountant  
Zachary Hayes, Staff Accountant