



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2018**

## **INTRODUCTORY SECTION**

**CLAYTON MUNICIPAL SCHOOLS  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents	i
Official Roster	iii
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report	1
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual:	
General Fund	12
Transportation Fund	13
Instructional Materials Fund	14
Statement of Fiduciary Assets and Liabilities	15
Notes to Financial Statements	16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of the District’s Proportionate Share of the Net Pension Liability	42
Schedule of the District’s ERB Pension Contributions	43
Schedule of the District’s Proportionate Share of the Net OPEB Liability	44
Schedule of the District’s RHCA OPEB Contributions	45
Notes to Required Supplementary Information	46
<b>SUPPLEMENTARY INFORMATION</b>	
Non-Major Fund Descriptions	47
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Non-Major Governmental Funds	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	54
Agency Funds Descriptions	58

**CLAYTON MUNICIPAL SCHOOLS  
TABLE OF CONTENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Page</u>
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Statement of Changes in Assets and Liabilities – Agency Funds	59
Schedule of Collateral Pledged by Depository	60
Schedule of Deposit and Investment Accounts	61
Schedule of Cash Reconciliation	62
<b>COMPLIANCE SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	66
Summary Schedule of Prior Audit Findings	68
Schedule of Findings and Responses	69
Exit Conference	84

CLAYTON MUNICIPAL SCHOOLS  
OFFICIAL ROSTER  
JUNE 30, 2018

**Board of Education**

<b><u>Name</u></b>	<b><u>Title</u></b>
Jennifer Gonzales	President
Kim Leal	Vice - President
Owida Franz	Secretary
John Trujillo	Member
Rick Baker	Member

**Audit Committee**

Stacy Diller	Superintendent
Myah Crisp	Business Manager
Jennifer Gonzales	Audit Committee Member

**School Officials**

Stacy Diller	Superintendent
Myah Crisp	Business Manager

## FINANCIAL SECTION



## INDEPENDENT AUDITOR'S REPORT

The Board of Education  
Clayton Municipal Schools  
Clayton, New Mexico and  
Wayne Johnson  
New Mexico State Auditor  
Santa Fe, 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 of Clayton Municipal Schools (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion.

The Board of Education  
Clayton Municipal Schools and  
Wayne Johnson  
New Mexico State Auditor

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.

## **Opinions**

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, 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.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management Discussion and Analysis that accounting principles, generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the *Schedule of the District's Proportionate Share of the Net Pension Liability*, *Schedule of the District's ERB Pension Contributions*, *Schedule of the District's Proportionate Share of the Net OPEB Liability*, and *Schedule of the District's RHCA OPEB Contributions*, and the notes to the required supplementary information on pages 42-46 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.



The Board of Education  
Clayton Municipal Schools and  
Wayne Johnson  
New Mexico State Auditor

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements, and other supplemental information required by 2.2.2 NMAC, presented in the supplementary information section of the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and other Schedules, presented in the supplementary information section of the Table of Contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual fund financial statements, and Schedules, presented in the other supplementary information section of the Table of Contents, required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Jaramillo Accounting Group, LLC (JAG)  
Albuquerque, New Mexico  
November 15, 2018

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	Governmental Activities
<b>ASSETS</b>	
<b>Current assets</b>	
Cash	\$ 1,887,984
Restricted cash	3,647,944
Receivables, net	197,482
Prepaid assets	62,500
Inventory	9,628
<b>Total current assets</b>	5,805,538
 <b>Capital assets</b>	
Capital assets, net of depreciation	9,659,037
<b>Total assets</b>	15,464,575
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions and OPEB	3,688,846
 <b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	209,842
Accrued expenses	304,586
Accrued compensated absences	15,296
Bonds payable due in 1 year	525,000
<b>Total current liabilities</b>	1,054,724
 <b>Non-current liabilities</b>	
Accrued compensated absences	38,868
Bonds payable	6,900,000
Net OPEB liability	2,587,585
Net pension liability	11,029,006
<b>Total non-current liabilities</b>	20,555,459
<b>Total liabilities</b>	21,610,183
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions and OPEB	1,270,757
 <b>NET POSITION</b>	
Net investment in capital assets	5,881,981
Restricted for	
Special Revenue Funds	132,816
Capital Projects Funds	4,062,181
Debt Service Funds	268,566
Unrestricted	(14,073,063)
<b>Total net position (deficit)</b>	\$ (3,727,519)

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities</b>					
Instruction	\$ 3,556,191	\$ 14,884	\$ 411,135	\$ -	\$ (3,130,172)
Support services					
Students	535,886	-	-	-	(535,886)
Instruction	82,637	-	-	-	(82,637)
General administration	402,880	-	-	-	(402,880)
School administration	443,279	-	-	-	(443,279)
Central services	165,362	109,899	-	-	(55,463)
Operation & maintenance of plant	573,227	64,054	-	40,607	(468,566)
Student transportation	562,437	-	-	609,149	46,712
Other support services	376	-	-	-	(376)
Food services	244,887	33,430	188,299	-	(23,158)
Capital outlay	4,855,962	-	-	-	(4,855,962)
Interest on long-term debt	76,963	-	-	-	(76,963)
<b>Total governmental activities</b>	<b>\$ 11,500,086</b>	<b>\$ 222,267</b>	<b>\$ 599,434</b>	<b>\$ 649,756</b>	<b>(10,028,629)</b>
			<b>General Revenues</b>		
			Property taxes		
			Levied for general purposes	76,580	
			Levied for debt service	682,277	
			Levied for capital projects	324,282	
			State equalization guarantee	4,644,489	
			Proceeds from Bonds	3,950,000	
			Unrestricted investment earnings	78,796	
			Miscellaneous	12,290	
			<b>Total general revenues</b>	<b>9,768,714</b>	
			<b>Change in net position</b>		(259,915)
			Net position - beginning		(649,585)
			Restatement		(2,818,019)
			Net position, beginning, as restated		(3,467,604)
			<b>Net position (deficit) - ending</b>		<b>\$ (3,727,519)</b>

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	General Fund			31100
	11000	13000	14000	Capital
	Operational	Transportation	Instructional Materials	Improvements Bond Building
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and restricted cash	\$ 770,131	\$ -	\$ 22,080	\$ 3,647,944
Accounts receivable				
Taxes	6,131	-	-	-
Due from other governments	-	-	-	-
Other accounts receivable	-	-	-	-
Interfund receivable	291,441	1,500	-	-
Prepaid assets	-	62,500	-	-
Inventory	-	-	-	-
<b>Total assets</b>	<u>\$ 1,067,703</u>	<u>\$ 64,000</u>	<u>\$ 22,080</u>	<u>\$ 3,647,944</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 29,779	\$ -	\$ -	\$ 179,031
Accrued salaries and benefits	304,586	-	-	-
Interfund payable	1,500	-	-	171,745
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<u>335,865</u>	<u>-</u>	<u>-</u>	<u>350,776</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	-	-	-	-
<b>FUND BALANCES</b>				
Non-spendable	-	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	3,297,168
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	731,838	64,000	22,080	-
<b>Total fund balances</b>	<u>731,838</u>	<u>64,000</u>	<u>22,080</u>	<u>3,297,168</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 1,067,703</u>	<u>\$ 64,000</u>	<u>\$ 22,080</u>	<u>\$ 3,647,944</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2018**

	31701 Capital Improvements SB-9 Local	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and restricted cash	\$ 738,770	\$ 357,003	\$ 5,535,928
Accounts receivable			
Taxes	26,404	54,328	86,863
Due from other governments	-	110,619	110,619
Other accounts receivable	-	-	-
Interfund receivable	-	-	292,941
Prepaid assets	-	-	62,500
Inventory	-	9,628	9,628
<b>Total assets</b>	<u>\$ 765,174</u>	<u>\$ 531,578</u>	<u>\$ 6,098,479</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 161	\$ 871	\$ 209,842
Accrued salaries and benefits	-	-	304,586
Interfund payable	-	119,696	292,941
Unearned revenue	-	-	-
<b>Total liabilities</b>	<u>161</u>	<u>120,567</u>	<u>807,369</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	-	-	-
<b>FUND BALANCES</b>			
Non-spendable	-	9,628	9,628
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	-	132,816	132,816
Capital Projects Funds	765,013	-	4,062,181
Debt Service Funds	-	268,566	268,566
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	-	817,918
<b>Total fund balances</b>	<u>765,013</u>	<u>411,011</u>	<u>5,291,110</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 765,174</u>	<u>\$ 531,578</u>	<u>\$ 6,098,479</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2018**

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

Fund balances - total governmental funds	\$ 5,291,110
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 Position	9,659,037
Defined benefit pension and OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	3,688,846
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>(22,366,512)</u>
<b>Net Position of Governmental Activities in the Statement of Net Position</b>	<u><u>\$ (3,727,519)</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, 2018**

	General Fund			31100	31701
	11000	13000	14000	Capital	Capital
	Operational	Transportation	Instructional Materials	Improvements Bond Building	Improvements SB-9 Local
<b>REVENUES</b>					
Taxes					
Taxes levied/assessed	\$ 76,580	\$ -	\$ -	\$ -	\$ 324,282
Local sources					
Investment income	7,599	-	-	55,900	6,035
Food services	-	-	-	-	-
District activities	14,884	-	-	-	-
Other revenue	14,006	-	-	-	373
State sources					
Unrestricted Grants	4,644,489	-	-	-	-
Restricted Grants	-	609,149	14,960	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted - state passthrough	-	-	-	-	-
Other items	37,627	-	-	-	-
<b>Total revenues</b>	<u>4,795,185</u>	<u>609,149</u>	<u>14,960</u>	<u>55,900</u>	<u>330,690</u>
<b>EXPENDITURES</b>					
Current					
Instruction	2,454,239	-	-	-	-
Support services					
Students	471,708	-	-	-	-
Instruction	62,055	-	-	-	-
General administration	393,958	-	-	-	2,870
School administration	436,156	-	-	-	-
Central services	165,362	-	-	-	-
Operation & maintenance of plant	573,227	-	-	-	-
Student transportation	4,971	548,463	-	-	-
Other support services	376	-	-	-	-
Operation of non-instructional services					
Food services operations	429	-	-	-	-
Capital outlay	-	-	-	4,417,707	183,901
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>4,562,481</u>	<u>548,463</u>	<u>-</u>	<u>4,417,707</u>	<u>186,771</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>232,704</u>	<u>60,686</u>	<u>14,960</u>	<u>(4,361,807)</u>	<u>143,919</u>
<b>Other financing sources</b>					
Remittal of cash balances to NMPED	-	1,888	-	-	-
Transfers	-	-	-	-	-
Bond proceeds	-	-	-	3,950,000	-
<b>Total other financing sources</b>	<u>-</u>	<u>1,888</u>	<u>-</u>	<u>3,950,000</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>232,704</u>	<u>62,574</u>	<u>14,960</u>	<u>(411,807)</u>	<u>143,919</u>
Fund balances - beginning of year	499,134	1,426	7,120	2,892	621,094
Restatement	-	-	-	3,706,083	-
Fund balances-beginning of year, restated	<u>499,134</u>	<u>1,426</u>	<u>7,120</u>	<u>3,708,975</u>	<u>621,094</u>
<b>Fund balances - end of year</b>	<u>\$ 731,838</u>	<u>\$ 64,000</u>	<u>\$ 22,080</u>	<u>\$ 3,297,168</u>	<u>\$ 765,013</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018**

	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>		
Taxes		
Taxes levied/assessed	\$ 682,277	\$ 1,083,139
Local sources		
Investment income	9,433	78,967
Food services	33,434	33,434
District activities	173,648	188,532
Other revenue	1,491	15,870
State sources		
Unrestricted Grants	13,239	4,657,728
Restricted Grants	25,659	649,767
Federal sources		
Unrestricted Grants	-	-
Unrestricted - state passthrough	-	-
Restricted Grants	39,135	39,135
Restricted - state passthrough	502,339	502,339
Other items	-	37,627
<b>Total revenues</b>	<u>1,480,656</u>	<u>7,286,539</u>
<b>EXPENDITURES</b>		
Current		
Instruction	434,404	2,888,643
Support services		
Students	64,178	535,886
Instruction	20,582	82,637
General administration	6,052	402,880
School administration	7,122	443,279
Central services	-	165,362
Operation & maintenance of plant	-	573,227
Student transportation	-	553,433
Other support services	-	376
Operation of non-instructional services	-	-
Food services operations	244,458	244,887
Capital outlay	25,359	4,626,967
Debt service		
Principal	525,000	525,000
Interest	76,963	76,963
<b>Total expenditures</b>	<u>1,404,117</u>	<u>11,119,539</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>76,539</u>	<u>(3,833,000)</u>
<b>Other financing sources</b>		
Remittal of cash balances to NMPED	-	1,888
Transfers	-	-
Bond proceeds	-	3,950,000
<b>Total other financing sources</b>	<u>-</u>	<u>3,950,000</u>
<b>Net changes in fund balances</b>	<u>76,539</u>	<u>118,888</u>
Fund balances - beginning of year	334,472	1,466,138
Restatement	-	3,706,083
Fund balances-beginning of year, restated	<u>334,472</u>	<u>5,172,221</u>
<b>Fund balances - end of year</b>	<u>\$ 411,011</u>	<u>\$ 5,291,109</u>

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2018**

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

Net changes in fund balances - total governmental funds	\$ 118,888
---	------------

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	4,314,418
Depreciation expense	(241,266)

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

Property taxes	-
----------------	---

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 position.

Increase in accrued compensated absences	(13,912)
Principal payments on bonds	525,000
Bond proceeds	(3,950,000)
Contributions to pension and OPEB plans subsequent to measurement date	445,830
Pension and OPEB expenses	(570,809)
Change in restatements	<u>(888,064)</u>

<b>Changes in Net Position of Governmental Activities</b>	<b><u>\$ (259,915)</u></b>
---	----------------------------

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**OPERATIONAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN**  
**FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<b>REVENUES</b>				
Local and county sources	\$ 69,350	\$ 69,350	\$ 108,732	\$ 39,382
State sources	4,553,659	4,649,153	4,644,489	(4,664)
Federal sources	-	-	-	-
Interest	3,000	3,000	-	-
Other	24,500	24,500	37,627	13,127
<b>Total revenues</b>	<u>4,650,509</u>	<u>4,746,003</u>	<u>4,790,848</u>	<u>47,845</u>
<b>EXPENDITURES</b>				
Current				
Instruction	2,667,897	2,694,135	2,441,341	252,794
Support services				
Students	579,812	585,812	472,932	112,880
Instruction	64,417	79,373	62,055	17,318
General administration	349,862	384,662	366,528	18,134
School administration	461,741	470,741	436,170	34,571
Central services	193,837	195,337	165,293	30,044
Operation & maintenance of plant	680,300	683,300	572,667	110,633
Student transportation	15,190	15,190	4,971	10,219
Other support services	10,374	10,374	376	9,998
Operation of non-instructional services				
Food services operations	20,853	20,853	393	20,460
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>5,044,283</u>	<u>5,139,777</u>	<u>4,522,726</u>	<u>617,051</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(393,774)</u>	<u>(393,774)</u>	<u>268,122</u>	<u>(569,206)</u>
<b>Other financing sources</b>				
Operating transfers	-	-	-	-
Designated cash	393,774	393,774	-	(393,774)
<b>Total other financing sources</b>	<u>393,774</u>	<u>393,774</u>	<u>-</u>	<u>(393,774)</u>
<b>Net change in fund balances</b>	-	-	268,122	(962,980)
Cash balances - beginning of year	-	-	502,009	502,009
<b>Cash balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 770,131</u>	<u>\$ (460,971)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 268,122	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			(35,418)	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ 232,704</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<b>REVENUES</b>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	625,351	625,351	609,149	(16,202)
Federal sources	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>625,351</u>	<u>625,351</u>	<u>609,149</u>	<u>(16,202)</u>
<b>EXPENDITURES</b>				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	625,351	627,239	611,037	16,202
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<u>625,351</u>	<u>627,239</u>	<u>611,037</u>	<u>16,202</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(1,888)</u>	<u>(1,888)</u>	<u>(32,404)</u>
<b>Other financing sources</b>				
Operating transfers	-	-	-	-
Designated cash	-	1,888	-	(1,888)
<b>Total other financing sources</b>	<u>-</u>	<u>1,888</u>	<u>-</u>	<u>(1,888)</u>
<b>Net change in fund balances</b>	-	-	(1,888)	(34,292)
Cash balances - beginning of year	-	-	-	-
<b>Cash balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,888)</u>	<u>\$ (34,292)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,888)	
Adjustment to revenues for accruals and other deferrals			64,462	
Adjustment to expenditures for payables, prepaids and other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ 62,574</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
INSTRUCTIONAL MATERIALS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<b>REVENUES</b>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	13,042	13,042	14,960	1,918
Federal sources	-	-	-	-
Interest	-	-	-	-
<b>Total revenues</b>	<u>13,042</u>	<u>13,042</u>	<u>14,960</u>	<u>1,918</u>
<b>EXPENDITURES</b>				
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	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>13,042</u>	<u>13,042</u>	<u>14,960</u>	<u>1,918</u>
<b>Other financing sources (uses)</b>				
Operating transfers	-	-	-	-
Designated cash	(13,042)	(13,042)	-	13,042
<b>Total other financing sources (uses)</b>	<u>(13,042)</u>	<u>(13,042)</u>	<u>-</u>	<u>13,042</u>
<b>Net change in fund balances</b>	-	-	14,960	14,960
Cash balances - beginning of year	-	-	7,120	7,120
<b>Cash balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,080</u>	<u>\$ 22,080</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 14,960	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
<b>Net change in fund balance (GAAP Basis)</b>			<u>\$ 14,960</u>	

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS  
JUNE 30, 2018**

**ASSETS**

Current assets

Cash \$ 18,639

**Total Assets** \$ 18,639

**LIABILITIES**

Current liabilities

Deposits held in trust for others \$ 18,639

**Total Liabilities** \$ 18,639

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Clayton Municipal Schools (the District) 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 FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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.

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

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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.

The Capital Improvements Bond Building fund is used to account for funds received from a GO Bond passed in September 2016, restricted to capital improvements of the facilities. 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 FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018.

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.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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, 2018 were \$11,912.

**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:

Assets	Years
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 nets assets by the government that is applicable to a future reporting period.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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 position. 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.

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.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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.

**Post-employment Benefits Other Than Pensions (OPEB):** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments 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.

**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 \$1,083,139 in tax revenues in the governmental fund financial statements during the year ended June 30, 2018. 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.

**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

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

**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.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

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.

**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, 2018.

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.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)**

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.

Type	First National Bank	Farmers & Stockman's Bank	Total	NMFA Escrow Account*	Grand Total
Checking	\$ 176,422	\$ 1,995,646	\$ 2,172,068	\$ -	\$ 2,172,068
Restricted cash in escrow	-	-	-	3,647,944	3,647,944
<b>Total deposits</b>	<u>176,422</u>	<u>1,995,646</u>	<u>2,172,068</u>	<u>\$ 3,647,944</u>	<u>\$ 5,820,012</u>
FDIC Coverage	176,422	250,000	426,422		
Uninsured Amount	-	1,745,646	1,745,646		
50% Collateral requirement	-	872,823	872,823		
Pledged Securities	127,063	975,000	1,102,063		
<b>(Over) under collateralized</b>	<u>\$ (127,063)</u>	<u>\$ (102,177)</u>	<u>\$ (229,240)</u>		

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, 2018, \$1,745,645 of the District's bank balance of \$2,172,068 was exposed to custodial credit risk.

\*All cash in escrow from bond proceeds at the New Mexico Finance Authority (NMFA) are invested in U.S. Treasury notes and FHLMC bonds.

<u>Custodial Credit Risk-Deposits</u>	
Account Balance	\$ 2,172,068
FDIC Insured	426,422
Collateral	
Collateral held in the pledging bank, not in the District's name	975,000
Uninsured and uncollateralized	<u>770,646</u>
<b>Total deposits</b>	<u>\$ 2,172,068</u>

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)**

Reconciliation of Cash and Temporary Investments	
Governmental Funds - Balance Sheet	
Cash and cash equivalents and investments	\$ 5,535,928
Statement of Fiduciary Assets and Liabilities - Agency Funds	
Cash and cash equivalents and investments	<u>18,639</u>
	5,554,567
Outstanding checks and other reconciling items	<u>265,445</u>
<b>Bank balance of deposits</b>	<b><u><u>\$ 5,820,012</u></u></b>

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, 2018, 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, 2018.

**NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances during the year ended June 30, 2018 is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 291,441	\$ -
Transportation	-	-
Title I	-	35,799
IDEA B Entitlement	-	32,014
IDEA B Preschool	-	1,645
Fresh Fruits and Vegetables	-	10,636
Teacher Principal Training	-	14,441
Medicaid Title XIX	-	11,922
2012 GO Bond	-	13,239
Capital Improvements Bond Building	-	171,745
<b>Total</b>	<u>\$ 291,441</u>	<u>\$ 291,441</u>

**NOTE 5. ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2018, are as follows:

	General Fund	Capital Improvements SB-9 (Local)	Capital Improvements Bond Building	Other Governmental Funds	Total
Property Taxes	\$ 6,131	\$ 26,404	\$ -	\$ 54,328	\$ 86,863
Due from other governments	-	-	-	110,619	110,619
<b>Total</b>	<u>\$ 6,131</u>	<u>\$ 26,404</u>	<u>\$ -</u>	<u>\$ 164,947</u>	<u>\$ 197,482</u>

The above receivables are deemed 100% uncollectible

	<u>Governmental</u>
Federal awards	<u>\$ 541,475</u>

Unearned Revenues

Unearned revenue represents advances on grants which have not been earned at June 30, 2018.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Capital assets not being depreciated</b>					
Land	\$ 467,890	\$ -	\$ -		\$ 467,890
Construction in progress	<u>289,105</u>	<u>4,260,384</u>	<u>-</u>	<u>(4,370,458)</u>	<u>179,031</u>
<b>Total capital assets not being depreciated</b>					
	<u>756,995</u>	<u>4,260,384</u>	<u>-</u>	<u>(4,370,458)</u>	<u>646,921</u>
<b>Capital assets being depreciated</b>					
Land improvements	625,330	-	-	-	625,330
Building and improvements	7,379,212	-	-	4,370,458	11,749,670
Equipment, fixtures and furniture	1,377,307	47,789	-	-	1,425,096
Vehicles	<u>1,216,773</u>	<u>6,245</u>	<u>-</u>	<u>-</u>	<u>1,223,018</u>
<b>Total capital assets being depreciated</b>	<u>10,598,622</u>	<u>54,034</u>	<u>-</u>	<u>4,370,458</u>	<u>15,023,114</u>
<b>Total capital assets</b>	<u>11,355,617</u>	<u>4,314,418</u>	<u>-</u>	<u>-</u>	<u>15,670,035</u>
<b>Less accumulated depreciation</b>					
Land improvements	252,340	28,876	-	-	281,216
Buildings and improvements	3,615,689	141,311	-	-	3,757,000
Equipment, fixtures and furniture	1,217,624	17,500	-	-	1,235,124
Vehicles	<u>684,079</u>	<u>53,579</u>	<u>-</u>	<u>-</u>	<u>737,658</u>
<b>Total accumulated depreciation</b>	<u>5,769,732</u>	<u>241,266</u>	<u>-</u>	<u>-</u>	<u>6,010,998</u>
<b>Total capital assets net of depreciation</b>	<u>\$ 5,585,885</u>	<u>\$4,073,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,659,037</u>

Capital assets, net of accumulated depreciation, at June 30, 2018 appear in the Statement of Net Position as follows:

Governmental activities	\$ 9,659,037
-------------------------	--------------

Depreciation expense for the year ended June 30, 2018 was charged to the following functions and funds:

<b>Governmental activities</b>	
Capital Outlay	\$ 228,995
Student Transportation	9,004
Unallocated	<u>3,267</u>
<b>Total</b>	<u>\$ 241,266</u>

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7. LONG-TERM DEBT**

The following is a summary of the long-term debt and the activity for the year ended June 30, 2018:

	As originally reported	Restatement	Balance June 30, 2017 (as restated)	Additions	Deletions	Balance June 30, 2018	Due Within One Year
GO Bonds Series 2017A	\$ 549,540	\$ 3,450,460	\$ 4,000,000	\$ -	\$ (525,000)	\$ 3,475,000	\$ 525,000
GO Bonds Series 2017B	-	-	-	3,950,000	-	3,950,000	-
Accrued compensated absences	40,252	-	40,252	29,208	(15,296)	54,164	15,296
<b>Total</b>	<u>\$ 589,792</u>	<u>\$ 3,450,460</u>	<u>\$ 4,040,252</u>	<u>\$ 3,979,208</u>	<u>\$ (540,296)</u>	<u>\$ 7,479,164</u>	<u>\$ 540,296</u>

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 525,000	\$ 140,440	\$ 665,440
2020	525,000	133,606	658,606
2021	535,000	126,079	661,079
2022	450,000	117,626	567,626
2023	460,000	109,916	569,916
2024-2028	2,460,000	401,180	2,861,180
2029-2033	2,470,000	89,435	2,559,435
<b>Total</b>	<u>\$ 7,425,000</u>	<u>\$ 1,118,282</u>	<u>\$ 8,543,282</u>

**NOTE 8. 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 \$750,000,000 for each property damage claim with a \$25,000 deductible per occurrence with a maximum annual deductible of \$100,000. General liability coverage is afforded to all employees, volunteers, and 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 \$250,000 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, 2018, there have been no claims that have exceeded insurance coverage.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

- A. Deficit fund balances. None
- B. Excess expenditures over budget. Fund 41000, Support Services, Exceeded budget by \$122.

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD**

**Plan description.** The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements:

- The member's minimum age is 55 and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67 and has earned 5 or more years of service credit.

**Forms of Payment.** 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.

**Benefit Options.** The Plan has three benefit options available:

- **Option A – Straight Life Benefit.** The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit.** The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

- **Option C – Joint 50% Survivor Benefit.** The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

**Disability Benefit.** An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

**Cost of Living Adjustment (COLA).** All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is 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 1.5%. 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 1.7%.

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.

**Refund of Contributions.** Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

**Contributions.** For the fiscal years ended June 30, 2018 and 2017, educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior
2018	7-1-17 to 6-30-18	Over \$20K	0.00%	0.00%	0.00%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	0.00%	0.00%	0.00%	0.00%
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$684,853 and \$690,117, respectively, which equal the amount of the required contributions for each fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2018, the District reported a liability of \$11,029,006 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the ERB Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District’s portion was established as of the measurement date of June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District’s proportion was .09924%, which was a decrease of .00811% from its proportion measured at June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,371,447. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual actuarial experience change of assumptions	\$ 19,798	\$ 169,912
Net differences between projected and actual earnings on pension plan investments	-	1,513
Changes in assumptions	3,219,584	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	510,404
District contributions subsequent to the measurement date	<u>389,606</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 3,628,988</u></u>	<u><u>\$ 681,829</u></u>

The District reported \$389,606 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ 915,393
2020	1,080,086
2021	652,889
2022	(90,815)
2023	<u>-</u>
<b>Total</b>	<u><u>\$ 2,557,553</u></u>

**Actuarial assumptions.** The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

Inflation	2.50%										
Salary increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment rate of return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: right;">Fiscal year</td> <td style="text-align: center;"><u>2017</u></td> <td style="text-align: center;"><u>2016</u></td> <td style="text-align: center;"><u>2015</u></td> <td style="text-align: center;"><u>2014</u></td> </tr> <tr> <td style="text-align: right;">Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Healthy Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table’s base year of 2000.</p> <p><b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>										
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.										
Cost-of-living increases	1.90% per year, compounded annually.										
Payroll growth	3.00% per year (with no allowance for membership growth).										
Contribution accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the future.										
Disability incidence	Approved rates are applied to eligible members with at least 10 years of service.										



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

Actuarial assumptions and methods are set by the Plan’s Board of Trustees, based upon recommendations made by the Plan’s actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	33%	
Fixed income	26%	
Alternatives	40%	
Cash	1%	
<b>Total</b>	100%	7.25%

**Discount rate.** A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10. 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 presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the 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 (4.90%) or 1-percentage-point higher (6.90%) than the current rate.

	1 % Decrease 4.90%	Current Discount Rate 5.90%	1 % Increase 6.90%
District's proportionate share of the net pension liability	\$ 14,357,023	\$ 11,029,006	\$ 8,308,623

**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 the years ended June 30, 2018 and 2017, which are publicly available at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**Plan description.** Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

**Benefits provided.** The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

**Employees covered by benefit terms.** At June 30, 2017, the Fund’s measurement date, the following State of New Mexico employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

**Contributions.** Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the District were \$56,624 for the year ended June 30, 2018.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At June 30, 2018, the District reported a liability of \$2,587,585 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District’s proportion was .05710%.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

For the year ended June 30, 2018, the District recognized OPEB expense of \$102,874. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Difference between expected and actual experience	\$ -	\$ 99,298
Differences between actual and projected earnings on OPEB plan investments	-	37,224
Changes of assumptions	-	452,406
Contributions made after the measurement date	<u>56,224</u>	<u>-</u>
<b>Total</b>	<u>\$ 56,224</u>	<u>\$ 588,928</u>

Deferred outflows of resources totaling \$56,624 represent District contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2019	\$ (125,210)
2020	(125,210)
2021	(125,210)
2022	(125,210)
2023	<u>(88,088)</u>
<b>Total</b>	<u>\$ (588,928)</u>

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

**Actuarial assumptions.** The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs

**Rate of Return.** The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	20%	4.1%
U.S. equity - large cap	20%	9.1%
Non U.S. - emerging markets	15%	12.2%
Non U.S. - developed equities	12%	9.8%
Private equity	10%	13.8%
Credit and structured finance	10%	7.3%
Real estate	5%	6.9%
Absolute return	5%	6.1%
U.S. equity - small/mid cap	3%	9.1%

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)**

**Discount Rate.** The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, OPEB liability uses the index rate of the 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.** The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the **current discount rate**:

1% Decrease (2.81%)	Current Discount (3.81%)	1% Increase (4.81%)
\$ 3,138,701	\$ 2,587,585	\$ 2,155,186

The following presents the net OPEB liability of the School, as well as what the School’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the **current healthcare cost trend rates**:

1% Decrease	Current Trend Rates	1% Increase
\$ 2,200,919	\$ 2,587,585	\$ 2,889,089

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

**NOTE 12. 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.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13. 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 14. COMMITMENTS**

A Contract with FBT Architects, AIA, Ltd through Cooperative Education Services for \$336,425 to create schematics for upgrades at three schools. As of June 30, 2018, the District paid \$60,369, leaving a balance due of \$16,902.

A Contract with Stoven Construction LLC entered into in May 2017 for \$2,754,049 for upgrades at three schools. As of June 30, 2018, the District paid \$2,448,142, leaving a balance due of \$179,031.

A Contract with J3 Systems entered into in May 2017 for \$1,219,417 for Clayton HS and Alvis Elementary roof replacement. As of June 30, 2018, the District paid \$1,223,119, leaving a balance due of zero.

A Contract with L&K Electric entered into in May 2017 for \$34,525 for Alvis Elementary lighting. As of June 30, 2018, the District paid \$17,403, leaving a balance due of zero.

**NOTE 15. RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCES**

**Adoption of New Accounting Standard.** The Governmental Accounting Standards Board (GASB) issued a new accounting pronouncement (Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) effective for the year ended June 30, 2018. The implementation of GASB 75 has created a restatement of the District's beginning net position. As a cost-share employer participating the Retiree Health Care Authority (Plan or "RHCA") (see Note 11), the District is required to, and has included, in its June 30, 2018 financial statements, the pro rata share of the Plan's collective "Net Retiree Healthcare Liability". This share represents the difference between the Plan's "Total Plan Liability" and the Plan's "Net Plan Position", reported at the market value of the investment assets. With the adoption of the new accounting pronouncement, the District has reduced its Unrestricted Net Position the beginning of the fiscal year in the amount of \$3,037,641, as shown on the government-wide Statement of Activities.

**Correction of Prior Year Error.** In the prior year, the District had a bond issue. The prior year financial statements did not include certain bond proceeds, debt, or any of the District's restricted cash in escrow at the New Mexico Finance Authority. As a result of the error, opening net position was increased by \$255,622 in the government wide financial statements, and opening fund balance was increased by \$3,706,082 in the fund financial statements as more fully described in audit finding 2018-001.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE OF THE DISTRICT'S PROPORTONATE  
SHARE OF THE NET PENSION LIABILITY  
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN  
LAST 10 FISCAL YEARS\* (UNAUDITED)**

	Fiscal Year Measurement Date	<b>2018 2017</b>	2017 2016	2016 2015	2015 2014
District's proportion of net pension liability		<b>0.09924%</b>	0.10735%	0.10851%	0.11415%
District's proportionate share of the net pension liability		<b>\$11,029,006</b>	\$ 7,725,371	\$ 7,028,482	\$ 6,513,085
District's covered employee payroll		<b>\$ 2,803,439</b>	\$ 2,826,186	\$ 2,962,671	\$ 3,146,454
District's proportionate share of the net pension liability as a percentage of its covered employee payroll		<b>393.41%</b>	273.35%	237.23%	207.00%
Plan fiduciary net position as a percentage of the total pension liability		<b>0.00%</b>	61.58%	63.97%	66.54%

\* The Governmental Accounting Standards Board requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE OF THE DISTRICT'S ERB PENSION CONTRIBUTIONS  
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN  
LAST 10 FISCAL YEARS\* (UNAUDITED)**

	June 30,			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 389,606	\$ 392,840	\$ 422,922	\$ 424,136
Contributions in relation to the contractually required contribution	<u>\$ 389,606</u>	<u>\$ 392,840</u>	<u>\$ 422,922</u>	<u>\$ 424,136</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,803,439	\$ 2,826,186	\$ 2,962,671	\$ 3,051,968
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	14.28%	13.90%

\* The Governmental Accounting Standards Board requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF**  
**THE NET OPEB LIABILITY**  
**RETIREE HEALTH CARE AUTHORITY (RHCA) OPEB PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**LAST 10 FISCAL YEARS\* (UNAUDITED)**

	Fiscal Year	<b>2018</b>
	Measurement Date	<b>2017</b>
District's proportion of the net OPEB liability		<b>0.05710%</b>
District's proportionate share of the net OPEB liability		<b>\$ 2,587,585</b>
District's covered employee payroll		<b>\$ 2,378,585</b>
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll		<b>108.79%</b>
RHCA Plan fiduciary net position as a percentage of the total pension liability		<b>11.34%</b>

\* The Governmental Accounting Standards Board requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**STATE OF NEW MEXICO**  
**CLAYTON MUNICIPAL SCHOOLS**  
**SCHEDULE OF THE DISTRICT'S RHCA OPEB CONTRIBUTIONS**  
**RETIREE HEALTH CARE AUTHORITY (RHCA) OPEB PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**LAST 10 FISCAL YEARS\* (UNAUDITED)**

	<b>2018</b>
Contractually required contribution	<b>\$ 181,319</b>
Contributions in relation to the contractually required	<b>\$ 91,002</b>
District's proportion of the net OPEB liability	<b>\$ 90,317</b>
Employer's covered employee payroll	<b>\$ 2,378,585</b>
Contributions as a percentage of covered employee payroll	<b>3.83%</b>

\* The Governmental Accounting Standards Board requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**ERB PLAN**

***Changes in benefit provisions.*** There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

***Changes in assumptions and methods.*** Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

**RHCA Plan**

***Changes in benefit provisions.*** There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

***Changes in assumptions and methods.*** There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NON-MAJOR FUNDS DESCRIPTIONS  
JUNE 30, 2018**

**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 (21000)** – 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 (22000)** – 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 (23000)** – 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 (24101)** – 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 (24106)** – 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 (24109)** – 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.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NON-MAJOR FUNDS DESCRIPTIONS  
JUNE 30, 2018**

**SPECIAL REVENUE FUNDS (CONTINUED)**

**Fresh Fruits & Vegetables (24118)** – 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 (24154)** – 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.

**Medicaid Title XIX (25153)** – To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

**Dual Credit Fund (27103)** – 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.

**2012 GO Bond (27107)** – Library books and library resources for public school libraries statewide. Fund made available through appropriations contained in, Laws 2016 Chapter 82 Section 10, B3 (Senate Bill 122).

**NM Reads to Lead (27114)** – 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.

**DWI Local Grant (28145)** – 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 (28201)** – 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 (29102)** – 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 (29107)** – 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.**



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
NON-MAJOR FUNDS DESCRIPTIONS  
JUNE 30, 2018**

**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 HB-33 (31600)** – 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 (31700)** – 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. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10. No minimum balance required according to legislation.

**DEBT SERVICE FUNDS**

**Debt Service Fund (41000)** – These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	21000 Food Service	22000 Athletics	23000 Non- Instructional Support	24101 Title I	24106 IDEA-B Entitlement
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 22,020	\$ 13,499	\$ 95,031	\$ -	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	-	36,116	32,127
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	9,628	-	-	-	-
<b>Total assets</b>	<u>\$ 31,648</u>	<u>\$ 13,499</u>	<u>\$ 95,031</u>	<u>\$ 36,116</u>	<u>\$ 32,127</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 38	\$ -	\$ -	\$ 317	\$ 13
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	-	-	-	35,799	32,014
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<u>38</u>	<u>-</u>	<u>-</u>	<u>36,116</u>	<u>32,027</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	-	-	-	-	-
<b>FUND BALANCES</b>					
Non-spendable	9,628	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	21,982	13,499	95,031	-	100
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	-	-	-	-	-
<b>Total fund balances</b>	<u>31,610</u>	<u>13,499</u>	<u>95,031</u>	<u>-</u>	<u>100</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 31,648</u>	<u>\$ 13,499</u>	<u>\$ 95,031</u>	<u>\$ 36,116</u>	<u>\$ 32,127</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET (CONTINUED)  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	24109 IDEA-B Preschool	24118 Fresh Fruits & Vegetables	24154 Teacher Principal Training	25153 Medicaid Title XIX	27103 Dual Credit Fund
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	1,645	10,636	16,421	435	-
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	-	-
<b>Total assets</b>	<u>\$ 1,645</u>	<u>\$ 10,636</u>	<u>\$ 16,421</u>	<u>\$ 435</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 68	\$ 435	\$ -
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	1,645	10,636	14,441	11,922	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<u>1,645</u>	<u>10,636</u>	<u>14,509</u>	<u>12,357</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	-	-	-	-	-
<b>FUND BALANCES</b>					
Non-spendable	-	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	1,912	(11,922)	-
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	-	-	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>-</u>	<u>1,912</u>	<u>(11,922)</u>	<u>-</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 1,645</u>	<u>\$ 10,636</u>	<u>\$ 16,421</u>	<u>\$ 435</u>	<u>\$ -</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET (CONTINUED)  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	27107 2012 GO Bond	27114 NM Reads to Lead	28145 DWI Local Grant	28201 CYFD & Adult Food Program	29102 Private Direct Grants
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ -	\$ -	\$ 1,000	\$ 2,004	\$ 5,401
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	13,239	-	-	-	-
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	-	-
<b>Total assets</b>	<u>\$ 13,239</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 2,004</u>	<u>\$ 5,401</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	13,239	-	-	-	-
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<u>13,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	-	-	-	-	-
<b>FUND BALANCES</b>					
Non-spendable	-	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	1,000	2,004	5,401
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	-	-	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>2,004</u>	<u>5,401</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 13,239</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 2,004</u>	<u>\$ 5,401</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
COMBINING BALANCE SHEET (CONTINUED)  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	29107 Saturday School	31600 Capital Improvements HB-33	31700 Capital Impr SB-9	41000 Debt Service	Total Non-Major Governmental Funds
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	\$ 3,810	\$ 186,114	\$ -	\$ 28,124	\$ 357,003
Accounts receivable					
Taxes	-	-	-	54,328	54,328
Due from other governments	-	-	-	-	110,619
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	-	9,628
<b>Total assets</b>	<u>\$ 3,810</u>	<u>\$ 186,114</u>	<u>\$ -</u>	<u>\$ 82,452</u>	<u>\$ 531,578</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 871
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	-	-	-	-	119,696
Unearned revenue	-	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,567</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	-	-	-	-	-
<b>FUND BALANCES</b>					
Non-spendable	-	-	-	-	9,628
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	3,810	-	-	-	132,816
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	186,114	-	82,452	268,566
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	-	-
<b>Total fund balances</b>	<u>3,810</u>	<u>186,114</u>	<u>-</u>	<u>82,452</u>	<u>411,011</u>
<b>Total liabilities, deferred inflow of resources and fund balances</b>	<u>\$ 3,810</u>	<u>\$ 186,114</u>	<u>\$ -</u>	<u>\$ 82,452</u>	<u>\$ 531,578</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	21000	22000	23000 Non- Instructional Support	24101 Title I	24106 IDEA-B Entitlement
	Food Service	Athletics			
<b>REVENUES</b>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Investment income	37	71	305	-	-
Food services	33,434	-	-	-	-
District activities	-	35,762	137,886	-	-
Other revenue	-	1,102	389	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted - state passthrough	188,299	-	-	87,397	187,467
Other items	-	-	-	-	-
<b>Total revenues</b>	<u>221,770</u>	<u>36,936</u>	<u>138,580</u>	<u>87,397</u>	<u>187,467</u>
<b>EXPENDITURES</b>					
Current					
Instruction	-	27,749	136,036	82,242	163,116
Support services					
Students	-	-	-	-	13,121
Instruction	-	-	-	-	7,343
General administration	-	-	-	-	-
School administration	-	-	-	5,155	122
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Operation of non-instructional services					
Food services operations	232,050	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>232,050</u>	<u>27,749</u>	<u>136,036</u>	<u>87,397</u>	<u>183,702</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>(10,280)</u>	<u>9,187</u>	<u>2,544</u>	<u>-</u>	<u>3,764</u>
<b>Other financing sources</b>					
Transfers	-	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	(10,280)	9,187	2,544	-	3,764
Fund balances - beginning of year	41,890	4,312	92,487	-	(3,664)
Restatement-Permanent Cash Transfer	-	-	-	-	-
Fund balances-beginning of year, restated	<u>41,890</u>	<u>4,312</u>	<u>92,487</u>	<u>-</u>	<u>(3,664)</u>
<b>Fund balances - end of year</b>	<u>\$ 31,610</u>	<u>\$ 13,499</u>	<u>\$ 95,031</u>	<u>\$ -</u>	<u>\$ 100</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	24109	24118	24154	25153	27103
	IDEA-B	Fresh Fruits	Teacher	Medicaid	Dual Credit
	Preschool	& Vegetables	Principal	Title XIX	Fund
<b>REVENUES</b>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Investment income	-	-	-	-	-
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other revenue	-	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	-	-	-	336
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	39,135	-
Restricted - state passthrough	7,645	12,407	19,124	-	-
Other items	-	-	-	-	-
<b>Total revenues</b>	<u>7,645</u>	<u>12,407</u>	<u>19,124</u>	<u>39,135</u>	<u>336</u>
<b>EXPENDITURES</b>					
Current					
Instruction	7,645	-	17,280	-	336
Support services					
Students	-	-	-	51,057	-
Instruction	-	-	-	-	-
General administration	-	-	-	-	-
School administration	-	-	1,845	-	-
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Operation of non-instructional services					
Food services operations	-	12,407	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<b>Total expenditures</b>	<u>7,645</u>	<u>12,407</u>	<u>19,124</u>	<u>51,057</u>	<u>336</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,922)</u>	<u>-</u>
<b>Other financing sources</b>					
Transfers	-	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,922)</u>	<u>-</u>
Fund balances - beginning of year	-	-	1,912	-	-
Restatement-Permanent Cash Transfer	-	-	-	-	-
Fund balances-beginning of year, restated	<u>-</u>	<u>-</u>	<u>1,912</u>	<u>-</u>	<u>-</u>
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,912</u>	<u>\$ (11,922)</u>	<u>\$ -</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	27107 2012 GO Bond	27114 NM Reads to Lead	28145 DWI Local Grant	28201 CYFD & Adult Food Program	29102 Private Direct Grants
<b>REVENUES</b>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Investment income	-	-	-	-	-
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other revenue	-	-	-	-	-
State sources					
Unrestricted Grants	13,239	-	-	-	-
Restricted Grants	-	(36)	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted - state passthrough	-	-	-	-	-
Other items	-	-	-	-	-
<b>Total revenues</b>	<u>13,239</u>	<u>(36)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current					
Instruction	-	-	-	-	-
Support services					
Students	-	-	-	-	-
Instruction	13,239	-	-	-	-
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	-	-	-	-	-
<b>Total expenditures</b>	<u>13,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(36)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources</b>					
Transfers	-	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	-	(36)	-	-	-
Fund balances - beginning of year	-	36	1,000	2,004	5,401
Restatement-Permanent Cash Transfer	-	-	-	-	-
Fund balances-beginning of year, restated	<u>-</u>	<u>36</u>	<u>1,000</u>	<u>2,004</u>	<u>5,401</u>
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 2,004</u>	<u>\$ 5,401</u>

See Notes to Financial Statements.



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	29107 Saturday School	31600 Capital Improvements HB-33	31700 Capital Impr SB-9	41000 Debt Service	Total Non-Major Governmental Funds
<b>REVENUES</b>					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ 682,277	\$ 682,277
Local sources					
Investment income	-	830	-	8,190	9,433
Food services	-	-	-	-	33,434
District activities	-	-	-	-	173,648
Other revenue	-	-	-	-	1,491
State sources					
Unrestricted Grants	-	-	-	-	13,239
Restricted Grants	-	-	25,359	-	25,659
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	39,135
Restricted - state passthrough	-	-	-	-	502,339
Other items	-	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>830</u>	<u>25,359</u>	<u>690,467</u>	<u>1,480,656</u>
<b>EXPENDITURES</b>					
Current					
Instruction	-	-	-	-	434,404
Support services					
Students	-	-	-	-	64,178
Instruction	-	-	-	-	20,582
General administration	-	-	-	6,052	6,052
School administration	-	-	-	-	7,122
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Operation of non-instructional services					
Food services operations	-	-	-	-	244,458
Capital outlay	-	-	25,359	-	25,359
Debt service					
Principal	-	-	-	525,000	525,000
Interest	-	-	-	76,963	76,963
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>25,359</u>	<u>608,015</u>	<u>1,404,117</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>830</u>	<u>-</u>	<u>82,452</u>	<u>76,539</u>
<b>Other financing sources</b>					
Transfers	-	-	-	-	-
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>-</u>	<u>830</u>	<u>-</u>	<u>82,452</u>	<u>76,539</u>
Fund balances - beginning of year	3,810	185,284	-	-	334,472
Restatement-Permanent Cash Transfer	-	-	-	-	-
Fund balances-beginning of year, restated	<u>3,810</u>	<u>185,284</u>	<u>-</u>	<u>-</u>	<u>334,472</u>
<b>Fund balances - end of year</b>	<u>\$ 3,810</u>	<u>\$ 186,114</u>	<u>\$ -</u>	<u>\$ 82,452</u>	<u>\$ 411,011</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
AGENCY FUNDS DESCRIPTIONS  
JUNE 30, 2018**

**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.

**OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 20, 2018**

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<b>ASSETS</b>				
Junior High	\$ 1,527	\$ -	\$ -	\$ 1,527
High School	17,940	50,361	(51,189)	17,112
<b>Total Assets</b>	<u>\$ 19,467</u>	<u>\$ 50,361</u>	<u>\$ (51,189)</u>	<u>\$ 18,639</u>
<b>LIABILITIES</b>				
Deposits held for others	\$ 19,467	\$ 50,361	\$ (51,189)	\$ 18,639
<b>Total Liabilities</b>	<u>\$ 19,467</u>	<u>\$ 50,361</u>	<u>\$ (51,189)</u>	<u>\$ 18,639</u>

**STATE OF NEW MEXICO  
 CLAYTON MUNICIPAL SCHOOLS  
 SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
 JUNE 30, 2018**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair Market Value June 30, 2018</u>	<u>Name and Location of Safekeeping</u>
Farmers & Stockmens Bank	FHLB LOC 361500050 0% 8/28/2018	\$ 875,000	Federal Home Loan Bank of Irving, TX
Farmers & Stockmens Bank	FHLB LOC 361500063 0% 12/28/2018	100,000	Federal Home Loan Bank of Irving, TX
First National Bank	FHLB, GNMA Pool #782500 36241KX52, 5.5%, 12/15/2023	<u>127,063</u>	Federal Home Loan Bank of Irving, TX
<b>Total collateral pledged</b>		<b><u>\$ 1,102,063</u></b>	

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS  
JUNE 30, 2018**

Deposit or Investment Account Type	Farmers & Stockmans Bank	First National Bank	NMFA	Total
Operational Interest Bearing Checking	\$ 1,981,319	\$ -	\$ -	\$ 1,981,319
Athletics Interest Bearing Checking	14,327	-	-	14,327
Now Interest Bearing Checking	-	53,633	-	53,633
Student Activity Interest Bearing Checking	-	122,789	-	122,789
Interest bearing cash in restricted escrow	-	-	3,647,944	3,647,944
<b>Total on deposit</b>	<b>1,995,646</b>	<b>176,422</b>	<b>3,647,944</b>	<b>5,820,012</b>
Reconciling items	(256,332)	(9,113)	-	(265,445)
<b>Reconciled Balance June 30, 2018</b>	<b><u>\$ 1,739,314</u></b>	<b><u>\$ 167,309</u></b>	<b><u>\$ 3,647,944</u></b>	<b><u>\$ 5,554,567</u></b>

Reconciliation to financial statements:

Cash and cash equivalents:

Total cash and cash equivalents per Statement of Position	\$ 5,535,928
Total cash and cash equivalents per Fiduciary Statement of Assets and Liabilities	<u>18,639</u>
	<u>\$ 5,554,567</u>

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE OF CASH RECONCILIATION  
JUNE 30, 2018**

	Operational Account	Transportation Account	Instructional Materials Account	Food Services Account
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash, June 30, 2017	\$ 500,509	\$ 3,776	\$ 7,120	\$ 32,262
Add:				
2017-18 revenues	4,792,884	609,149	14,960	206,518
Interfund balances	(291,441)	-	-	-
NMFA cash not previously reported	-	-	-	-
Held checks	<u>304,586</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash available	5,306,538	612,925	22,080	238,780
Less:				
2017-18 expenditures	(4,536,407)	(611,037)	-	(216,760)
Transmittal of funds to PED	<u>-</u>	<u>(1,888)</u>	<u>-</u>	<u>-</u>
	<u>(4,536,407)</u>	<u>(612,925)</u>	<u>-</u>	<u>(216,760)</u>
<b>Cash, June 30, 2018</b>	<u><u>\$ 770,131</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,080</u></u>	<u><u>\$ 22,020</u></u>

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE OF CASH RECONCILIATION (CONTINUED)  
JUNE 30, 2018**

	<u>Athletics Account</u>	<u>Fiduciary Account</u>	<u>Federal Flowthrough</u>	<u>State Flowthrough</u>
Cash, June 30, 2017	\$ 4,312	\$ 111,953	\$ (133,450)	\$ -
Add:				
2017-18 revenues	36,936	138,580	391,157	336
Interfund balances	-	-	106,457	13,239
NMFA cash not previously reported	-	-	-	-
Held checks	-	-	-	-
Total cash available	<u>41,248</u>	<u>250,533</u>	<u>364,164</u>	<u>13,575</u>
Less:				
2017-18 expenditures	(27,749)	(136,863)	(364,164)	(13,575)
Transmittal of funds to PED	-	-	-	-
	<u>(27,749)</u>	<u>(136,863)</u>	<u>(364,164)</u>	<u>(13,575)</u>
<b>Cash, June 30, 2018</b>	<u><u>\$ 13,499</u></u>	<u><u>\$ 113,670</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE OF CASH RECONCILIATION (CONTINUED)  
JUNE 30, 2018**

	<u>State Direct</u>	<u>Local Flowthrough</u>	<u>Capital Impr Bond Building</u>	<u>Capital Impr HB33</u>
Cash, June 30, 2017	\$ 3,004	\$ 9,211	\$ (239,003)	\$ 185,284
Add:				
2017-18 revenues	-	-	4,212,790	830
Interfund balances	-	-	171,745	-
NMFA cash not previously reported	-	-	3,647,944	-
Held checks	-	-	-	-
Total cash available	<u>3,004</u>	<u>9,211</u>	<u>7,793,476</u>	<u>186,114</u>
Less:				
2017-18 expenditures	-	-	(4,145,532)	-
Transmittal of funds to PED	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(4,145,532)</u>	<u>-</u>
<b>Cash, June 30, 2018</b>	<u><u>\$ 3,004</u></u>	<u><u>\$ 9,211</u></u>	<u><u>\$ 3,647,944</u></u>	<u><u>\$ 186,114</u></u>

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE OF CASH RECONCILIATION (CONTINUED)  
JUNE 30, 2018**

	<u>Capital Impr SB9 State</u>	<u>Capital Impr SB9 Local</u>	<u>Debt Service</u>	<u>Total</u>
Cash, June 30, 2017	\$ -	\$ 615,668	\$ -	\$ 1,100,646
Add:				
2017-18 revenues	25,359	311,955	636,139	11,377,593
Interfund balances	-	-	-	-
NMFA cash not previously reported	-	-	-	3,647,944
Held checks	-	-	-	304,586
Total cash available	<u>25,359</u>	<u>927,623</u>	<u>636,139</u>	<u>16,430,769</u>
Less:				
2017-18 expenditures	(25,359)	(188,853)	(608,015)	(10,874,314)
Transmittal of funds to PED	-	-	-	(1,888)
	<u>(25,359)</u>	<u>(188,853)</u>	<u>(608,015)</u>	<u>(10,876,202)</u>
<b>Cash, June 30, 2018</b>	<u><u>\$ -</u></u>	<u><u>\$ 738,770</u></u>	<u><u>\$ 28,124</u></u>	<u><u>\$ 5,554,567</u></u>

**COMPLIANCE SECTION**



**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***

The Board of Education  
Clayton Municipal Schools  
Clayton, New Mexico and  
Wayne Johnson  
New Mexico State Auditor  
Santa Fe, 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 (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and the combining and individual fund statements of District, presented as supplemental information, and have issued our report thereon dated November 15, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 state-

The Board of Education  
Clayton Municipal Schools and  
Wayne Johnson  
New Mexico State Auditor

ments will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness as item 2018-001.

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 as items 2018-002 and 2018-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as findings 2018-004 to 2018-009.

### **The District's Response to Findings**

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



Jaramillo Accounting Group LLC  
Albuquerque, New Mexico  
November 15, 2018

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2018**

2015-003	Non-compliance with Payroll	Resolved
2016-002	Activity Funds - Transactions not being reconciled to the General Ledger	Resolved
2017-001	Transportation Contractor Overpaid	Resolved
2017-002	Failure to Immediately Notify the State Auditor of Misappropriation of Assets	Resolved

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**2018-001 RESTATEMENT OF JUNE 30, 2017 FINANCIAL STATEMENTS INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING**

**TYPE OF FINDING:** Material Weakness

**CONDITION**

*Financial Statements*

The District did not implement an effective year-end financial close and reporting process for the year ended June 30, 2017 which resulted in material errors in the June 30, 2017 audited financial statements. The errors in the June 30, 2017 fund balance were corrected within these June 30, 2018 audited financial statements as follows:

Modified Accrual Statements:

The adjustment to opening fund balance was adjusted for the following item:

Unrecorded Restricted Cash	\$3,706,082 with offset to fund balance
----------------------------	---

Full Accrual Statements:

The adjustment to opening net position was adjusted for the following items:

Unrecorded Restricted Cash	\$ 3,706,082 with offset to net position
Unrecorded Debt	<u>(\$3,450,460)</u> with offset to net position
Net impact	<u>\$ 255,622</u>

**CRITERIA**

There are several key underlying accounting standards to an organization designing and implementing an effective financial close and reporting process. Auditors are required to identify and communicate internal control weaknesses according to Statement on Auditing Standards (SAS) AU Section 325 Communication of Internal Control Related Matters Identified in an Audit, which includes:

- The auditor cannot be a part of a client's internal control because becoming part of a client's internal control impairs auditor independence.
- The auditor's work is independent of the client's internal control over financial reporting and the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; it includes controls over the presentation of the financial statements.
- Financial reporting is considered a significant process of internal control and should be performed by the District's staff or under the supervision of District's staff.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-001 RESTATEMENT OF JUNE 30, 2017 FINANCIAL STATEMENTS INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING (CONTINUED)**

The auditing standards require the auditor to obtain the auditees' agreement to correct material misstatements in their financial statements before the financial statements are issued. This agreement is fulfilled up front in the engagement letter by getting the auditee to agree to doing this. Additionally, at the end of the audit, the auditee also fulfills this obligation when they sign the audit representation letter.

To achieve this, the auditee must provide the auditor cash basis trial balances that are free of material misstatement, all the receivables and payables (modified accrual entries) and then, at a minimum, all the correct supporting information for the full accrual statements (accrued compensated absences, bond debt, capital asset detail along with the accumulated depreciation and depreciation expense, property tax receivable, etc.). The auditee must fully understand how all the adjustments flow through the trial balances that link into the final product (the financial statements).

1. **Cash basis.** Have a process in place to give the auditors the correct (free of material adjustments) cash basis trial balances.
2. **Modified accrual basis.** Take ownership for and agree that the modified accrual basis adjustments (primarily receivables and payables) made by the auditor from the District's detail to the cash basis trial balances are materially correct. A modified accrual basis trial balance is simply the cash basis trial balance plus receivables and payables at year-end. The modified accrual basis trial balances are grouped by category and then used to create all the individual funds presented in the annual financial report.
3. **Full accrual basis.** Starting with the above final modified accrual basis trial balances then take ownership for the all the adjustments from the total modified basis to the full accrual basis (the entity-wide statements at the very front of the annual financial report).

**EFFECT**

The District's June 30, 2017 financial statements were materially misstated.

**CAUSE**

The District's modified accrual financial statements omitted the undrawn restricted cash in Escrow from the 2017 bond issue.

The District's full accrual financial statements omitted debt in the amount of \$3,450,460 and the undrawn restricted cash in escrow from the 2017 bond issue.

**RECOMMENDATION**

The District's financial close and reporting controls should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the District's general ledger.



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-001 RESTATEMENT OF JUNE 30, 2017 FINANCIAL STATEMENTS INTERNAL CONTROL OVER FINANCIAL CLOSE AND REPORTING (CONTINUED)**

- Preparing PBCs in the format of the financial statement requirements.
- Providing all cash to modified accrual basis journal entries for the fund financial statements.
- Providing cash to full accrual for the government-wide financial statements.
- Establishing and implementing procedures and records to initiate, authorize, record, process, correct, transfer to the general ledger, and report in the financial statements the District's transactions.
- Monitoring the non-audit services provided by the external auditor and reviewing and approving the services provided.
- Reviewing in detail the financial statements and related reports and not releasing them to the Office of the State Auditor until completely accurate.

**MANAGEMENT RESPONSE**

**Corrective Action:** The Business Manager will correct the Bond fund to reflect cash proceeds rather than a line of credit. In the future all invoices for Bond expenditures will be sent to New Mexico Finance Authority to pay directly to the vendor and accordingly a journal entry will be made.

**Due Date of Completion:** December 31, 2018

**Responsible Party:** Business Manager

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-002 BANK RECONCILIATIONS**

**TYPE OF FINDING:** Significant Deficiency

**CONDITION**

During the year ended June 30, 2018, the Business Manager identified a \$29,300 error that carried forward during the last few months of the fiscal year 2018 but did not clear the error from the bank reconciliation. There was an additional \$3,872 error in the bank reconciliation that was not identified or corrected.

During our cash testing, we also noted six checks in the operational bank reconciliation (\$756) and five checks in the activity fund bank reconciliation (\$489), dated before fiscal year 2017, that have not yet cleared the bank.

**CRITERIA**

NMSA 1978 Section 6-10-57: whenever “any warrant issued by the state, county, municipality, school district, or special district is unpaid for one year after it becomes payable, the fiscal officer shall cancel it.”

NMSA 1978 Section 7-8A-7d: requires the District to provide information about the payees and the related funds (by November 1 of each year and covering the twelve-month period preceding July 1 of that year) to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year. Additionally, per Section 7-8A7f, NMSA 1978, the District shall send a written notice to the apparent owner, not more than one hundred twenty days or less than sixty days before filing the report.

**EFFECT**

Cash reconciliations and the related general ledger accounts were not as accurate as they could be during the year. There could be funds which may need to be escheated to the state.

**CAUSE**

The District was in the process of identifying corrections and had not completed the process at the time of the audit.

**RECOMMENDATION**

We recommend the District continue to reconcile bank accounts monthly to the general ledger. As an additional step, errors should be identified, and adjusted in the bank reconciliation or general ledger accordingly. We also recommend that stale dated checks be removed timely.

**MANAGEMENT'S RESPONSE**

**Corrective Action:** Bank statements are reconciled to the monthly ledger. In June 2017, the District transitioned to a bi-monthly payroll as required by the FY16 audit. However, only 9-month employees were transitioned to pre-pay of benefits in August 2017. The issue of the variance on the bank reconciliations was identified in the spring of 2018 and the Business Manager attempted to correct. At this time the District has one employee that

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-002 BANK RECONCILIATIONS (CONTINUED)**

has not completely transitioned to pre-pay, which will be corrected this month. The November Bank Statement and the November Monthly Ledger will be balanced. Going forward, monthly bank statements will reconcile with the monthly ledger.

The stale dated checks were cleaned up in early August. Moving forward the Business Manager will clear stale dated checks in a timely manner.

**Due Date of Completion:** December 31, 2018

**Responsible Party:** Business Manager

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-003 INTERNAL CONTROLS OVER JOURNAL ENTRIES**

**TYPE OF FINDING:** Significant Deficiency

**CONDITION**

We randomly selected 31 journal entries for testing and noted the following:

1. 11 of the 31 journal entries lacked enough supporting documentation for an independent reviewer to conclude the journal entry was completed properly. The journal entry description, account, and amount appeared reasonable.
2. 2 of the 31 journal entries were not reviewed. The journal entry description, account, and amount appeared reasonable.
3. 3 of the 31 journal entries recorded revenue on bonds for each draw. As noted in finding 2018-001, all bond revenue should be recorded at time of the bond issuance. The impact of these three entries were corrected through an audit journal entry.

**CRITERIA**

Per NMAC 6.20.2.11, Internal Control Structure Standards, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with GAAP.

**EFFECT**

Without proper supporting documentation, errors or fraud could occur. It also makes verification and approvals and audit testing difficult.

**CAUSE**

Management knows what the entries are for and did not always attach supporting documentation.

**RECOMMENDATION**

Management should design and implement stronger controls over journal entries to ensure all journal entries are reviewed, supported, and in alignment with GAAP.

**MANAGEMENT'S RESPONSE**

**Corrective Action:** The Business Manager will add supporting detail to all journal entries and will ensure all journal entries are approved by the Superintendent.

**Due Date of Completion:** Immediately

**Responsible Party:** Business Manager

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-004 PROCUREMENT CODE**

**TYPE OF FINDING:** Non-Compliance

**CONDITION**

The purpose of the State’s Procurement Code is to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and integrity. During our testing of compliance over the State’s Procurement Code, we noted one violation:

- 1) Legal services – one contract for legal services totaled \$69,987. The vendor was paid over \$60,000; however, the District did not go out to bid as required since they did not expect to go over the threshold.

Additionally, we noted the District has an internal procurement policy for purchases below \$60,000. The Board has not reviewed or formally adopted this policy.

**CRITERIA**

NMSA 1978 Section 13-1-74 NMSA 1978: “Procurement” means A. purchasing, renting, leasing, lease purchasing or otherwise acquiring items of tangible personal property, services or construction; and B. all procurement functions, including but not limited to preparation of specifications, solicitation of sources, qualification or disqualification of sources, preparation and award of contract and contract administration.

Competitive Sealed Bids: As per 13-1-102, all procurement shall be achieved by competitive sealed bid pursuant to Sections 13-1-103 through 13-1-110 NMSA 1978, except procurement achieved pursuant to the following sections of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978]:

- A. Sections 13-1-111 through 13-1-122 NMSA 1978, competitive sealed proposals;
- B. Section 13-1-125 NMSA 1978, small purchases;
- C. Section 13-1-126 NMSA 1978, sole source procurement;
- D. Section 13-1-127 NMSA 1978, emergency procurements;
- E. Section 13-1-129 NMSA 1978, existing contracts;
- F. Section 13-1-130 NMSA 1978, purchases from antipoverty program businesses; and
- G. the Educational Facility Construction Manager At Risk Act [13-1-124.1 NMSA 1978].

As per 13-1-125. Small purchases:

- A. A central purchasing office shall procure services, construction or items of tangible personal property having a value not exceeding sixty thousand dollars (\$60,000), excluding applicable state and local gross receipts taxes, in accordance with the applicable small purchase rules adopted by the secretary, a local public body or a central purchasing office that has the authority to issue rules.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-004 PROCUREMENT CODE (CONTINUED)**

- B. Notwithstanding the requirements of Subsection A of this section, a central purchasing office may procure professional services having a value not exceeding sixty thousand dollars (\$60,000), excluding applicable state and local gross receipts taxes, except for the services of landscape architects or surveyors for state public works projects or local public works projects, in accordance with professional services procurement rules promulgated by the department of finance and administration, the general services department or a central purchasing office with the authority to issue rules.
- C. Notwithstanding the requirements of Subsection A of this section, a state agency or a local public body may procure services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars (\$20,000), excluding applicable state and local gross receipts taxes, by issuing a direct purchase order to a contractor based upon the best obtainable price.
- D. Procurement requirements shall not be artificially divided so as to constitute a small purchase under this section.

**EFFECT**

The District violated the State of New Mexico's procurement code and may not have received the "best obtainable price" for the services.

**CAUSE**

Legal costs increased substantially during 2018 as the prior board used a substantial amount of legal services. The legal services used was far more than previous years and far more than was budgeted.

**RECOMMENDATION**

We recommend the District take appropriate action to remain in compliance with the current requirements related to 13-1-95.2. Chief procurement officers; reporting requirement; training; certification which states in part that "on and after July 1, 2015, only certified chief procurement officers may do the following, except that persons using procurement cards may continue to issue purchase orders and authorize small purchases:

- (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code;
- (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and
- (3) approve procurement pursuant to the Procurement Code."

We recommend the District continue to perform risk assessment, implement new policies and procedures, and monitor thoroughly for compliance. Additionally, the District should consider going through a formal RFP for any professional service contracts that have the potential to exceed \$60,000 in a fiscal year.

We also recommend the Board review the current internal policy and determine if the policy as written is acceptable or if modifications are warranted.

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-004 PROCUREMENT CODE (CONTINUED)**

**MANAGEMENT RESPONSE**

**Corrective Action:** The District will consider going out to RFP for the 2019-2020 school year for legal services pending the legal expenses for 2018-2019. The Board will adopt a board policy regulation defining process for procurement.

**Date of Completion:** June 30, 2019

**Responsible Party:** Superintendent

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-005 COMPLIANCE WITH SCHOOL PERSONNEL ACT**

**TYPE OF FINDING:** Non-Compliance

**CONDITION**

During our testing of the School Personnel Act, we noted the following:

- 1 of 5 substitute teachers selected for testing did not have a license per the NM PED website.
- We were unable to obtain a copy of the letter that parents were notified of the professional qualifications of their children’s teachers instructional support providers and school Principals.

**CRITERIA**

NMSA 1978 Section 22-10A-15: The department shall provide by rule for the qualifications for a substitute teacher certificate. Substitute teacher certificates shall be issued by the department.

NMSA 1978 Section 22-10-A-16: Within sixty calendar days from the beginning of each school year, every school district shall issue a notice to parents that they may obtain information regarding the professional qualifications of their children's teachers, instructional support providers and school principals. At a minimum, the information shall include:

- (1) whether the teacher has met state qualifications for licensure for the grade level and subjects being taught by the teacher;
- (2) whether the teacher is teaching under a teaching or assignment waiver;
- (3) the teacher's degree major and any other license or graduate degree held by the teacher; and
- (4) the qualifications of any instructional support providers if the student is served by educational assistants or other instructional support providers.

**EFFECT**

Parents may not have full knowledge about the qualifications of various employees that serve their children. One temporary substitute did not have NM licensure as required, causing non-compliance.

**CAUSE**

The District did not check the required language was complete and did not withhold payment from the substitute until they received the license.

**RECOMMENDATION**

There are many provisions under the New Mexico School Personnel Act that a District must follow. The District should put together a detailed ticker system of the applicable provisions and ensure the provisions are completed by the required time frame.

**MANAGEMENT RESPONSE**

**Corrective Action:** A teacher with a license from another state was hired to substitute prior to the license being issued from the NMPED. He then was hired in Texas for a full-time position and did not finalize the acquisition of his teaching license. In the future, the District will withhold payment from individuals until their license is in place.



**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-005 COMPLIANCE WITH SCHOOL PERSONNEL ACT (CONTINUED)**

A letter was sent to parents notifying them all staff were highly qualified, but it did not contain the required verbiage. In the future, the District will add the correct verbiage to the Parent/Student Handbook at the beginning of each school year.

**Due Date of Completion:** June 30, 2019

**Responsible Party:** Superintendent

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-006 ILLEGAL BOARD OF EDUCATION IN PLACE FROM MAY 5, 2018 TO AUGUST 17, 2018**

**TYPE OF FINDING:** Material Non-Compliance

**CONDITION**

The Board of Education (Board) operates as the over-arching internal control and compliance framework of the District.

On May 5, 2018, certain members of the Board were illegally appointed by the Board in place at that time. Thus, for the period of May 5, 2018 until the New Mexico Public Education Department stepped in and replaced the illegal board members with new board members on August 17, 2018, all actions were the actions of an illegal board.

All decisions and actions by the Board during this time period were deemed to be void and unenforceable as ordered, adjudged, and decreed by District Judge Jeff McElroy of the Eighth Judicial District Court on October 12, 2018.

**CRITERIA**

Open Meetings Act NMSA 1978, Chapter 10, Article 15, “meeting” means a gathering of a quorum of the members of a standing committee or conference committee held for the purpose of taking any action within the authority of the committee or body. 10-15-3. Invalid Actions; Standing. A. No resolution, rule, regulation, ordinance or action of any board, commission, committee or other policymaking body shall be valid unless taken or made at a meeting held in accordance with the requirements of NMSA 1978, Section 10-15-1. Every resolution, rule, regulation, ordinance or action of any board, commission, committee or other policymaking body shall be presumed to have been taken or made at a meeting held in accordance with the requirements of NMSA 1978, Section 10-15-1.

**EFFECT**

It was reported to us that this had a damaging effect to the community, the other Board members, the Administration and the Staff of the District. Morale suffered as well as the finances of the District to pay for legal expenses and other costs.

**CAUSE**

It was reported to us that two Board members held an emergency meeting without a quorum and appointed other Board members without remaining in compliance with all laws, regulations, and policies.

**RECOMMENDATION**

We recommend that individuals serving in an elected or hired position for the District make legal and ethical choices.

**MANAGEMENT’S RESPONSE**

**Corrective Action:** The two members who held an “emergency” meeting and appointed two other members did attend all New Mexico School Board Association trainings. In addition, the contracted law firm provided a three-hour onsite training for the Board on July 5, 2017. The District will continue to provide these learning opportunities to all Board members.

**Due Date of Completion:** Ongoing

**Responsible Party:** Superintendent

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-007 DISPOSALS OF OLD TECHNOLOGY ITEMS**

**TYPE OF FINDING:** Other Matter

**CONDITION**

The District has many old or obsolete capital assets that are either not used or may have been disposed of in previous years. There are many items under the current \$5,000 capitalization threshold, including over 300 laptop and desktop computers on its capital asset listing that are over 15 years old some of which date back to the early 1980s.

**CRITERIA**

NMSA 1978 Section 12-6-10 requires an annual physical inventory of capital assets and the governing body to certify the correctness of the annual physical inventory at or around year-end.

**EFFECT**

The District's capital assets listing is not current. Not knowing and tracking what assets are still owned by the District and in use creates an environment higher risk for fraud or errors in capital assets.

**CAUSE**

There has been turnover in the business office in the past, which prevented certain tasks which were not pressing at the time.

**RECOMMENDATION**

We recommend all assets below \$5,000 be removed from the list and all items that are not in use be disposed of (following state statute requirements on disposal of assets) and removed from the list.

**MANAGEMENT'S RESPONSE**

**Corrective Action:** The Capital Asset listing will be reviewed and all assets below \$5,000 will be removed along with all items that are not in use. The items will be disposed of per state statute requirements on disposal of assets.

**Due Date of Completion:** June 30, 2019

**Responsible Party:** Business Manager

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-008 PURCHASE ORDERS CREATED AFTER THE PURCHASE**

**TYPE OF FINDING:** Other Matter

**CONDITION**

The District creates a new purchase order for all fuel purchases after the District receives an invoice.

**CRITERIA**

Per the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 4 – Federal and State Grants, the District must ensure that “purchase requisitions are made and approved prior to any purchase”. Per NMAC 6.20.2.11 (A) Internal Control Structure Standards, “every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of general-purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.”

**EFFECT**

Expenditures could go over budget if purchases are made before budget is approved and reserved.

**CAUSE**

The District chose not to issue purchase orders prior to purchases.

**RECOMMENDATION**

For the local vendors that sell fuel to the District, we recommend creating a blanket purchase order for the budget amount expected to be expended in the year.

A blanket order or blanket purchase agreement, is a purchase order which a customer places with its supplier to allow multiple delivery dates over a period of time, often negotiated to take advantage of predetermined pricing. It is normally used when there is a recurring need for expendable goods.

**MANAGEMENT’S RESPONSE**

**Corrective Action:** The Business Manager has moved all fuel purchases to a WEX card and a blanket purchase order will be put in place at the beginning of each fund year.

**Due Date of Completion:** June 30, 2019

**Responsible Party:** Business Manager

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
SCHEDULE FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2018**

**Section II – Financial Statement Findings (Continued)**

**2018-009 ACTUAL EXPENDITURES EXCEEDED BUDGETED EXPENDITURES**

**TYPE OF FINDING:** Non-Compliance

**CONDITION**

The District's total budgeted operating expenditures by major function were exceeded as follows:

Fund 41000	Debt Service Fund	Support Services	\$122
------------	-------------------	------------------	-------

**CRITERIA**

According to the New Mexico State Auditor Rule 2.2.2.10 (P)(1)(a), if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact must be reported in a finding.

**EFFECT**

The District could be overspending cash balances if budget adjustments are not made during the year.

**CAUSE**

Deadlines for Budget Adjustment Requests (BARs) are due June 1 and the information that caused these funds to be over budget was not available until after that date. Therefore, the budget could not be adjusted timely.

**RECOMMENDATION**

Establish adequate procedures to monitor budget compliance and prohibit exceeding budgeted amounts. Unfavorable variances should be investigated to ensure that the District is spending according to the adopted budget, and budget amendments should be pursued in instances where situations change during the year. For those areas which may change after BARs are due, consider increasing the estimated budget amounts.

**MANAGEMENT'S RESPONSE**

**Corrective Action:** The 1% Tax Collections budget needed to be increased, the Business Manager reached out the PED for guidance and did not receive any causing the function to end with a negative balance. In the future the Business Manager will be monitor all budget lines to ensure no deficits occur.

**Due Date of Completion:** June 30, 2019

**Responsible Party:** Business Manager

**STATE OF NEW MEXICO  
CLAYTON MUNICIPAL SCHOOLS  
EXIT CONFERENCE  
JUNE 30, 2018**

The contents of this report were discussed on November 14, 2018. The following individuals were in attendance:

Clayton Municipal Schools

Audit Committee

Patrick Riley, Board of Education President  
Jody Reeser, Board of Education Member  
Craig Reeves, President of First National Bank, Financial Representative  
Cheryl Garcia, Parent Representative

Administration

Stacy Diller, Superintendent  
Myah Crisp, Business Manager  
Beverly Reeser, Administrative Assistant  
Cassy Scott, Administrative Assistant  
Molly Crisp, Administrative Assistant

Jaramillo Accounting Group LLC (JAG)

Audrey Jaramillo, CPA, CFE, Managing Partner  
Scott Eliason, CPA, Partner

*Jaramillo Accounting Group LLC (JAG) assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.*