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Home of the Yellow Jackets



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

JUNE 30, 2019

INTRODUCTORY SECTION

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CLAYTON MUNICIPAL SCHOOLS
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CLAYTON MUNICIPAL SCHOOLS
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**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
OFFICIAL ROSTER
JUNE 30, 2019**

Board of Education

<u>Name</u>	<u>Title</u>
Patrick Riley	President
Kim Leal	Vice - President
Dan Hutchinson	Secretary
Levi Irwin	Member
Jody Reeser	Member

Audit Committee

Stacy Diller	Superintendent
Myah Crisp	Business Manager
Jody Reeser	Audit Committee Member
Patrick Riley	Audit Committee Member
Craig Reeves	Community Member
Cheryl Garcia	Community 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
Mr. Brian Colón, Esq.
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 and major special revenue funds of Clayton Municipal Schools (the District) as of and for the year ended June 30, 2019, 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
Mr. Brian Colón, Esq.
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, 2019, 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 45-49 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
Mr. Brian Colón, Esq.
New Mexico State Auditor

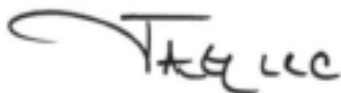
Other Information

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 nonmajor fund financial statements, and the schedules required by NMAC 2.2.2 (Statement of Changes in Assets and Liabilities – Agency Funds, Schedule of Collateral Pledged by Depository, Schedule of Deposit and Investment Accounts, and the Schedule of Cash Reconciliations), and other information, such as the Introductory Section, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements, and the schedules required by NMAC 2.2.2 (Statement of Changes in Assets and Liabilities – Agency Funds, Schedule of Collateral Pledged by Depository, Schedule of Deposit and Investment Accounts, and the Schedule of Cash Reconciliations) 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 nonmajor fund financial statements, and the schedules required by NMAC 2.2.2 (Statement of Changes in Assets and Liabilities – Agency Funds, Schedule of Collateral Pledged by Depository, Schedule of Deposit and Investment Accounts, and the Schedule of Cash Reconciliations) 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 11, 2019 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 11, 2019

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,921,524
Restricted cash	2,929,976
Receivables, net	408,779
Inventory	3,096
Total current assets	5,263,375
Capital assets	
Capital assets, net of depreciation	9,481,451
Total assets	14,744,826
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions and OPEB	3,846,768
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	189,564
Accrued interest	66,803
Accrued compensated absences	21,101
Bonds payable, current	525,000
Total current liabilities	802,468
Non-current liabilities	
Accrued compensated absences	32,544
Bonds payable	6,375,000
Net OPEB liability	3,239,959
Net pension liability	11,938,896
Total non-current liabilities	21,586,399
Total liabilities	22,388,867
DEFERRED INFLOWS OF RESOURCES	
Related to pensions and OPEB	1,323,618
NET POSITION	
Net investment in capital assets	2,581,451
Restricted for	
Special Revenue Funds	156,250
Capital Projects Funds	3,729,750
Debt Service Funds	344,774
Unrestricted	(11,933,116)
Total net position (deficit)	\$ (5,120,891)

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Functions/Programs</u>	Program Revenues				Net (Expenses)
Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position	
Governmental Activities					
Instruction	\$ 4,571,781	\$ 10,300	\$ 661,825	\$ -	\$ (3,899,656)
Support services					
Students	620,367	-	-	-	(620,367)
Instruction	83,618	-	-	-	(83,618)
General administration	325,186	-	-	-	(325,186)
School administration	438,690	-	-	-	(438,690)
Central services	182,954	111,957	-	-	(70,997)
Operation & maintenance of plant	639,229	60,659	-	16,837	(561,733)
Student transportation	640,154	-	-	566,111	(74,043)
Other support services	378	-	-	-	(378)
Food services	248,439	30,401	174,668	-	(43,370)
Capital outlay	989,952	-	-	-	(989,952)
Interest on long-term debt	207,231	-	-	-	(207,231)
Total governmental activities	\$ 8,947,978	\$ 213,317	\$ 836,493	\$ 582,948	(7,315,220)
			General Revenues		
			Property taxes		
			Levied for general purposes	63,132	
			Levied for debt service	759,886	
			Levied for capital projects	268,677	
			State equalization guarantee	4,733,613	
			Unrestricted investment earnings	91,606	
			Miscellaneous	4,934	
			Total general revenues	5,921,848	
			Change in net position		(1,393,372)
			Net position (deficit) - beginning		(3,727,519)
			Net position (deficit) - ending		\$ (5,120,891)

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund			
	11000	13000	14000	24101
	Operational	Transportation	Instructional Materials	Title I IASA
ASSETS				
Current Assets				
Cash, cash equivalents, and restricted cash	\$ 599,220	\$ 158	\$ 29,488	\$ -
Accounts receivable				
Taxes	3,451	-	-	-
Due from other governments	-	-	-	122,191
Other accounts receivable	-	-	-	-
Interfund receivable	358,402	1,500	-	-
Prepaid assets	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 961,073</u>	<u>\$ 1,658</u>	<u>\$ 29,488</u>	<u>\$ 122,191</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 75,275	\$ -	\$ -	\$ -
Accrued salaries and benefits	94,114	-	-	-
Interfund payable	1,500	-	-	122,191
Unearned revenue	-	-	-	-
Total liabilities	<u>170,889</u>	<u>-</u>	<u>-</u>	<u>122,191</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	1,071	-	-	-
FUND BALANCES				
Non-spendable	-	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Committed for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Assigned for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned for:				
General Fund	789,113	1,658	29,488	-
Total fund balances	<u>789,113</u>	<u>1,658</u>	<u>29,488</u>	<u>-</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 961,073</u>	<u>\$ 1,658</u>	<u>\$ 29,488</u>	<u>\$ 122,191</u>

See Accompanying Notes.

STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019

	24106 Entitlement IDEA B	31100 Capital Improvements Bond Building	31701 Capital Improvements SB-9 Local	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Assets					
Cash, cash equivalents, and restricted cash	\$ -	\$ 2,929,976	\$ 809,655	\$ 483,003	\$ 4,851,500
Accounts receivable					
Taxes	-	-	15,730	39,911	59,092
Due from other governments	86,249	-	-	141,247	349,687
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	359,902
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	3,096	3,096
Total assets	<u>\$ 86,249</u>	<u>\$ 2,929,976</u>	<u>\$ 825,385</u>	<u>\$ 667,257</u>	<u>\$ 5,623,277</u>
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	\$ 20,175	\$ -	\$ -	\$ 95,450
Accrued salaries and benefits	-	-	-	-	94,114
Interfund payable	86,149	-	-	150,062	359,902
Unearned revenue	-	-	-	-	-
Total liabilities	<u>86,149</u>	<u>20,175</u>	<u>-</u>	<u>150,062</u>	<u>549,466</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	5,436	13,075	19,582
FUND BALANCES					
Non-spendable	-	-	-	3,096	3,096
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	156,250	156,250
Capital Projects Funds	-	2,909,801	819,949	-	3,729,750
Debt Service Funds	-	-	-	344,774	344,774
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	100	-	-	-	820,359
Total fund balances	<u>100</u>	<u>2,909,801</u>	<u>819,949</u>	<u>504,120</u>	<u>5,054,229</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 86,249</u>	<u>\$ 2,929,976</u>	<u>\$ 825,385</u>	<u>\$ 667,257</u>	<u>\$ 5,623,277</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

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

Fund balances - total governmental funds	\$ 5,054,229
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	9,481,451
Defined benefit pension and OPEB plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	3,846,768
Revenues that do not provide current financial resources are not reported as revenues in the fund statements but are reporting in the Statement of Activities	
Change in unavailable revenue related to property tax receivable	19,582
Other liabilities are not due and payable in the current period and, therefore, are not reported in the funds - accrued interest payable	(66,803)
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>(23,456,118)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ (5,120,891)</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, 2019**

	General Fund			
	11000	13000	14000	24101
	Operational	Transportation	Instructional Materials	Title I
REVENUES				
Taxes				
Taxes levied/assessed	\$ 62,061	\$ -	\$ -	\$ -
Local sources				
Investment income	10,832	-	-	-
Food services	-	-	-	-
District activities	10,300	-	-	-
Other revenue	4,944	158	-	-
State sources				
Unrestricted Grants	4,733,613	-	-	-
Restricted Grants	-	566,111	15,925	-
Federal sources				
Unrestricted Grants	-	-	-	-
Unrestricted - state passthrough	-	-	-	-
Restricted Grants	-	-	-	-
Restricted - state passthrough	-	-	-	185,029
Other items	10,509	-	-	-
Total revenues	<u>4,832,259</u>	<u>566,269</u>	<u>15,925</u>	<u>185,029</u>
EXPENDITURES				
Current				
Instruction	2,647,234	-	8,517	170,110
Support services				
Students	492,545	-	-	5,507
Instruction	76,467	-	-	-
General administration	295,810	-	-	-
School administration	420,367	-	-	9,413
Central services	182,954	-	-	-
Operation & maintenance of plant	636,038	-	-	-
Student transportation	10,299	628,611	-	-
Other support services	378	-	-	-
Operation of non-instructional services				
Food services operations	12,892	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>4,774,984</u>	<u>628,611</u>	<u>8,517</u>	<u>185,029</u>
Excess (deficiency) of revenues over (under) expenditures	<u>57,275</u>	<u>(62,342)</u>	<u>7,408</u>	<u>-</u>
Other financing sources				
Remittal of cash balances to NMPED	-	-	-	-
Transfers	-	-	-	-
Bond proceeds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	57,275	(62,342)	7,408	-
Fund balances - beginning of year	731,838	64,000	22,080	-
Fund balances - end of year	<u>\$ 789,113</u>	<u>\$ 1,658</u>	<u>\$ 29,488</u>	<u>\$ -</u>

See Accompanying Notes.

**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, 2019**

	24106 IDEA-B Entitlement	31100 Capital Improvements Bond Building	31701 Capital Improvements SB-9 Local	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ 263,241	\$ 746,811	\$ 1,072,113
Local sources					
Investment income	-	70,392	7,673	3,189	92,086
Food services	-	-	-	30,710	30,710
District activities	-	-	-	177,789	188,089
Other revenue	-	-	912	18,599	24,613
State sources					
Unrestricted Grants	-	-	-	-	4,733,613
Restricted Grants	-	-	-	91,070	673,106
Federal sources					
Unrestricted Grants	-	-	-	93,253	93,253
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted - state passthrough	188,815	-	-	246,313	620,157
Other items	-	-	-	-	10,509
Total revenues	<u>188,815</u>	<u>70,392</u>	<u>271,826</u>	<u>1,407,735</u>	<u>7,538,249</u>
EXPENDITURES					
Current					
Instruction	157,102	-	-	309,846	3,292,809
Support services					
Students	24,370	-	-	92,294	614,716
Instruction	-	-	-	7,141	83,608
General administration	-	-	2,552	7,088	305,449
School administration	7,342	-	-	14	437,135
Central services	-	-	-	-	182,954
Operation & maintenance of plant	-	-	-	-	636,038
Student transportation	-	-	-	-	638,911
Other support services	-	-	-	-	378
Operation of non-instructional services					
Food services operations	-	-	-	232,720	245,612
Capital outlay	-	457,759	214,338	-	672,098
Debt service					
Principal	-	-	-	525,000	525,000
Interest	-	-	-	140,428	140,428
Total expenditures	<u>188,815</u>	<u>457,759</u>	<u>216,890</u>	<u>1,314,531</u>	<u>7,775,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(387,367)</u>	<u>54,936</u>	<u>93,204</u>	<u>(236,886)</u>
Other financing sources					
Remittal of cash balances to NMPED	-	-	-	-	-
Transfers	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>(387,367)</u>	<u>54,936</u>	<u>93,204</u>	<u>(236,886)</u>
Fund balances - beginning of year	100	3,297,168	765,013	410,916	5,291,115
Fund balances - end of year	<u>\$ 100</u>	<u>\$ 2,909,801</u>	<u>\$ 819,949</u>	<u>\$ 504,120</u>	<u>\$ 5,054,229</u>

See Accompanying Notes.

**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, 2019**

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

Net changes in fund balances - total governmental funds	\$ (236,886)
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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	226,032
Depreciation expense	(403,618)

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

Property taxes	19,582
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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.

Change in accrued compensated absences	519
Change in accrued interest payable	(66,803)
Principal payments on bonds	525,000
Contributions to pension and OPEB plans subsequent to measurement date	485,146
Pension and OPEB expenses	<u>(1,942,344)</u>

Changes in Net Position of Governmental Activities	<u>\$ (1,393,372)</u>
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**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
OPERATIONAL FUND (FUND 11000)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Local and county sources	\$ 67,101	\$ 67,101	\$ 91,888	\$ 24,787
State sources	4,691,346	4,727,390	4,733,613	6,223
Federal sources	-	-	-	-
Interest	3,000	3,000	-	-
Other	32,119	32,119	10,509	(21,610)
Total revenues	<u>4,793,566</u>	<u>4,829,610</u>	<u>4,836,010</u>	<u>9,400</u>
EXPENDITURES				
Current				
Instruction	2,938,126	2,906,466	2,647,234	259,232
Support services				
Students	592,884	600,384	492,746	107,638
Instruction	59,738	65,962	76,467	(10,505)
General administration	386,141	387,641	305,868	81,773
School administration	476,177	481,953	420,367	61,586
Central services	194,420	197,420	183,023	14,397
Operation & maintenance of plant	673,328	673,372	637,081	36,291
Student transportation	16,795	16,795	10,299	6,496
Other support services	11,168	11,168	378	10,790
Operation of non-instructional services				
Food services operations	-	43,660	12,928	30,732
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>5,348,777</u>	<u>5,384,821</u>	<u>4,786,391</u>	<u>598,430</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(555,211)</u>	<u>(555,211)</u>	<u>49,619</u>	<u>(589,030)</u>
Other financing sources				
Operating transfers	-	-	-	-
Designated cash	555,211	555,211	-	(555,211)
Total other financing sources	<u>555,211</u>	<u>555,211</u>	<u>-</u>	<u>(555,211)</u>
Net change in fund balances	-	-	49,619	(1,144,241)
Cash balances - beginning of year	-	-	770,131	(460,971)
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 819,750</u>	<u>\$ (1,605,212)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 49,619	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			7,656	
Net change in fund balance (GAAP Basis)			<u>\$ 57,275</u>	

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
TRANSPORTATION FUND (FUND 13000)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Local and county sources	\$ -	\$ -	\$ 158	\$ 158
State sources	566,111	566,111	566,111	-
Federal sources	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>566,111</u>	<u>566,111</u>	<u>566,269</u>	<u>158</u>
EXPENDITURES				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	566,111	566,111	566,111	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>566,111</u>	<u>566,111</u>	<u>566,111</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>158</u>	<u>158</u>
Other financing sources				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	158	158
Cash balances - beginning of year	-	-	(1,888)	(34,292)
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,730)</u>	<u>\$ (34,134)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 158	
Adjustment to revenues for accruals and other deferrals			(62,500)	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (62,342)</u>	

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
INSTRUCTIONAL MATERIALS FUND (FUND 14000)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	15,924	16,242	15,925	(317)
Federal sources	-	-	-	-
Interest	-	-	-	-
Total revenues	<u>15,924</u>	<u>16,242</u>	<u>15,925</u>	<u>(317)</u>
EXPENDITURES				
Current				
Instruction	21,086	21,404	8,517	12,887
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	-	-	-	-
Total expenditures	<u>21,086</u>	<u>21,404</u>	<u>8,517</u>	<u>12,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,162)</u>	<u>(5,162)</u>	<u>7,408</u>	<u>(13,204)</u>
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	5,162	5,162	-	(5,162)
Total other financing sources (uses)	<u>5,162</u>	<u>5,162</u>	<u>-</u>	<u>(5,162)</u>
Net change in fund balances	-	-	7,408	(18,366)
Cash balances - beginning of year	-	-	22,080	22,080
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,488</u>	<u>\$ 3,714</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 7,408	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ 7,408</u>	

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
TITLE I FUND (FUND 24101)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	120,956	194,195	98,955	(95,240)
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	<u>120,956</u>	<u>194,195</u>	<u>98,955</u>	<u>(95,240)</u>
EXPENDITURES				
Current				
Instruction	114,765	183,707	170,428	13,279
Support services				
Students	-	5,507	5,507	-
Instruction	-	-	-	-
General administration	1,210	-	-	-
School administration	4,981	9,413	9,413	-
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	-	-	-	-
Total expenditures	<u>120,956</u>	<u>198,627</u>	<u>185,348</u>	<u>13,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(4,432)</u>	<u>(86,393)</u>	<u>(108,519)</u>
Other financing sources				
Operating transfers	-	-	-	-
Designated cash	-	4,432	-	(4,432)
Total other financing sources	<u>-</u>	<u>4,432</u>	<u>-</u>	<u>(4,432)</u>
Net change in fund balances	-	-	(86,393)	(112,951)
Cash balances - beginning of year	-	-	770,131	(460,971)
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683,738</u>	<u>\$ (573,922)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (86,393)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			86,393	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
ENTITLEMENT IDEA-B FUND (FUND 24106)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
REVENUES				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	203,727	134,693	(69,034)
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	<u>-</u>	<u>203,727</u>	<u>134,693</u>	<u>(69,034)</u>
EXPENDITURES				
Current				
Instruction		170,605	157,102	13,503
Support services				
Students	-	25,709	24,383	1,326
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	7,413	7,342	71
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	-	-	-	-
Total expenditures	<u>-</u>	<u>203,727</u>	<u>188,827</u>	<u>14,900</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(54,134)</u>	<u>(83,934)</u>
Other financing sources				
Operating transfers	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(54,134)	(83,934)
Cash balances - beginning of year	-	-	770,131	(460,971)
Cash balances - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 715,997</u>	<u>\$ (544,905)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (54,134)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			54,134	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

See Accompanying Notes.

STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2019

ASSETS

Current assets

Cash \$ 12,289

Total Assets \$ 12,289

LIABILITIES

Current liabilities

Deposits held in trust for others \$ 12,289

Total Liabilities \$ 12,289

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019**

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, 2019**

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 (11000)* 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 (13000)* 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 (14000)* 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 *Title I Fund (24101)* is used 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.

The *Entitlement IDEA-B Fund (24106)* is used 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.

The *Capital Improvements Bond Building Fund (31100)* is used to account for funds received from a General Obligation Bond passed in September 2016, restricted to capital improvements of the facilities. Authority for this fund is section 22-26-1, NMSA 1978.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Capital Improvements SB-9 Capital Projects Fund (31701)* 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.

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, 2019.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the New Mexico Public Education Department "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. The districts are allowed to carry forward unused allocations from year to year.

Inventory: Inventory is valued at cost utilizing the purchase basis of accounting. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as expenditures at the time individual inventory items are consumed. The U.S.D.A. commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Donated commodities for the year ended June 30, 2019 were \$17,306.

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 District does not capitalize historical treasures or works of art. The District has loaned the Herzstein Memorial Museum its collection of art and furniture created for or provided to the District during the Works Progress Administration (WPA) an American New Deal Agency in the mid-to-late 1930s.

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:

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. 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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

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. 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 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 at the function (or 'series') level. 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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

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

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

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

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, 2019.

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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

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 types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico.

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

Deposits

New Mexico 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 provides detail of bank balances, FDIC insurance coverage, and pledged collateral:

Type	First National Bank	Farmers & Stockman's Bank	Total	NMFA Escrow Account*	Grand Total
Checking	\$ 196,520	\$ 2,189,722	\$ 2,386,242	\$ -	\$ 2,386,242
Certificate of deposit	14,607	-	14,607	-	14,607
Restricted cash in escrow	-	-	-	<u>2,929,976</u>	<u>2,929,976</u>
Total deposits	<u>211,127</u>	<u>2,189,722</u>	<u>2,400,849</u>	<u>\$ 2,929,976</u>	<u>\$ 5,330,825</u>
FDIC Coverage	211,127	250,000	461,127		
Uninsured Amount	-	<u>1,939,722</u>	<u>1,939,722</u>		
50% Collateral requirement	-	969,861	969,861		
Pledged Securities	<u>127,063</u>	<u>1,250,000</u>	<u>1,377,063</u>		
(Over) under collateralized	<u>\$ (127,063)</u>	<u>\$ (280,139)</u>	<u>\$ (407,202)</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, 2019, \$689,722 of the District's bank balance of \$1,939,722 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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Custodial Credit Risk-Deposits	
Account Balance	\$ 2,400,849
FDIC Insured	(461,127)
Collateral	
Collateral held in the pledging bank, not in the District's name	(1,250,000)
Uninsured and uncollateralized	-
Total deposits with custodial credit risk	<u><u>\$ 689,722</u></u>

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet	
Cash, cash equivalents, and temporary investments	\$ 4,851,500
Statement of Fiduciary Assets and Liabilities - Agency Funds	
Cash, cash equivalents, and temporary investments	12,289
	4,863,789
Outstanding checks and other reconciling items	467,036
Bank balance of deposits	<u><u>\$ 5,330,825</u></u>

Custodial Credit Risk- Investments

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

At June 30, 2019, 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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

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, 2019.

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.

The composition of interfund balances during the year ended June 30, 2019 is as follows:

	Interfund Receivable	Interfund Payable
Operational Fund	\$ 358,402	\$ 1,500
Transportation Fund	1,500	
Food Service		11,419
Title I	-	122,191
IDEA B Entitlement	-	86,149
IDEA B Preschool	-	12,383
IDEA-B Risk Pool		1,140
Teacher Principal Training	-	15,087
Rural & Low Income Schools		15,936
Title IV		9,784
Medicaid Title XIX	-	41,567
2012 GO Bond	-	7,141
NM Reads to Lead	-	35,605
Total	<u>\$ 359,902</u>	<u>\$ 359,902</u>

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019 are as follows:

	General Fund	Capital Improvements SB-9 (Local)	Capital Improvements Bond Building	Other Governmental Funds	Total
Property Taxes	\$ 3,451	\$ 15,730	\$ 39,911	\$ -	\$ 59,092
Due from other governments	-	-	-	349,687	349,687
Total	<u>\$ 3,451</u>	<u>\$ 15,730</u>	<u>\$ 39,911</u>	<u>\$ 349,687</u>	<u>\$ 408,779</u>

The above receivables are deemed 100% uncollectible.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5. ACCOUNTS RECEIVABLE (CONTINUED)

Unearned Revenues

Unearned revenue represents advances on grants which have not been earned at June 30, 2019.

NOTE 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows:

	Balance				Balance
	June 30, 2018	Additions	Deletions	Transfers	June 30, 2019
Capital assets not being depreciated					
Land	\$ 467,890	\$ -	\$ -		\$ 467,890
Construction in progress	<u>179,031</u>	<u>129,892</u>	<u>-</u>	<u>-</u>	<u>308,923</u>
Total capital assets not being depreciated	<u>646,921</u>	<u>129,892</u>	<u>-</u>	<u>-</u>	<u>776,813</u>
Capital assets being depreciated					
Land improvements	625,330	-	-	-	625,330
Building and improvements	11,749,670	-	-	-	11,749,670
Equipment, fixtures and furniture	1,425,096	55,884	-	-	1,480,980
Vehicles	<u>1,223,018</u>	<u>40,256</u>	<u>-</u>	<u>-</u>	<u>1,263,274</u>
Total capital assets being depreciated	<u>15,023,114</u>	<u>96,140</u>	<u>-</u>	<u>-</u>	<u>15,119,254</u>
Total capital assets	<u>15,670,035</u>	<u>226,032</u>	<u>-</u>	<u>-</u>	<u>15,896,067</u>
Less accumulated depreciation					
Land improvements	(281,216)	(29,774)	-	-	(310,990)
Buildings and improvements	(3,757,000)	(294,802)	-	-	(4,051,802)
Equipment, fixtures and furniture	(1,235,124)	(20,590)	-	-	(1,255,714)
Vehicles	<u>(737,658)</u>	<u>(58,452)</u>	<u>-</u>	<u>-</u>	<u>(796,110)</u>
Total accumulated depreciation	<u>(6,010,998)</u>	<u>(403,618)</u>	<u>-</u>	<u>-</u>	<u>(6,414,616)</u>
Total capital assets net of depreciation	<u>\$ 9,659,037</u>	<u>\$ (177,586)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,481,451</u>

Capital assets, net of accumulated depreciation, at June 30, 2019 appear in the Statement of Net Position as follows:

Governmental activities	\$ 9,481,451
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**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2019 was charged to the following functions and funds:

Governmental activities	
Capital outlay	\$ 317,854
Student transportation	1,243
Unallocated	<u>84,521</u>
Total	<u>\$ 403,618</u>

NOTE 7. LONG-TERM DEBT

The following is a summary of the long-term debt and the activity for the year ended June 30, 2019:

	Balance			Balance	Due Within
	<u>June 30, 2018</u>	Additions	Deletions	<u>June 30, 2019</u>	<u>One Year</u>
GO Bonds Series 2017A	\$ 3,475,000	\$ -	\$ (275,000)	\$ 3,200,000	\$ 275,000
GO Bonds Series 2017B	3,950,000	-	(250,000)	3,700,000	250,000
Accrued compensated absences	<u>54,164</u>	<u>20,582</u>	<u>(21,101)</u>	<u>53,645</u>	<u>21,101</u>
Total	<u>\$ 7,479,164</u>	<u>\$ 20,582</u>	<u>\$ (546,101)</u>	<u>\$ 6,953,645</u>	<u>\$ 546,101</u>

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	470,000	101,255	571,255
2025-2029	2,525,000	343,614	2,868,614
2030-2034	<u>1,935,000</u>	<u>45,746</u>	<u>1,980,746</u>
Total	<u>\$ 6,900,000</u>	<u>\$ 977,842</u>	<u>\$ 7,877,842</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

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8. RISK MANAGEMENT (CONTINUED)

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, 2019, there have been no claims that have exceeded insurance coverage.

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 \$570.

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.

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is a pension trust fund of the State of New Mexico. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the plan. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined in Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Pension benefit. A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

Summary of Plan Provisions for Retirement Eligibility. For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 was refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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 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%.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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.

Contributions. For the fiscal years ended June 30, 2019 and 2018, 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 Year
2019	7-1-18 to 6-30-19	Over \$20K	10.70%	13.90%	24.60%	0.00%
2019	7-1-18 to 6-30-19	\$20K or less	7.90%	13.90%	21.80%	0.00%
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$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, 2019 and 2018, the District paid employee and employer contributions of \$745,536 and \$684,853, 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, 2019, the District reported a liability of \$11,938,896 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 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, 2018. Therefore, the District’s portion was established as of the measurement date of June 30, 2018. 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, at June 30, 2018 actuarially determined. At June 30, 2018, the District’s proportion was 0.10040%, which was a decrease of 0.00116% from its proportion measured at June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,356,927. At June 30, 2019, 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, 2019**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,713	\$ 227,216
Changes of assumptions	2,460,550	-
Net difference between projected and actual earnings on pension plan investments	26,430	-
Changes in proportion and differences between contributions and proportionate share of contributions	66,722	259,257
District contributions subsequent to the measurement date	424,180	-
Total	\$ 2,986,595	\$ 486,473

\$424,180 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2018 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	\$ 1,255,187
2020	822,214
2021	(1,807)
2022	348
2023	-
Thereafter	-

Actuarial assumptions. The total pension liability in the June 30, 2018 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, 2019**

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;">2018</td> <td style="text-align: center;">2017</td> <td style="text-align: center;">2016</td> <td style="text-align: center;">2015</td> <td style="text-align: center;">2014</td> </tr> <tr> <td style="text-align: right;">Service life in years</td> <td style="text-align: center;">3.56</td> <td style="text-align: center;">3.65</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	2018	2017	2016	2015	2014	Service life in years	3.56	3.65	3.77	3.92	3.88
Fiscal year	2018	2017	2016	2015	2014								
Service life in years	3.56	3.65	3.77	3.92	3.88								
Mortality	<p>Healthy males: 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>Healthy females: 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>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: 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 NMERB Board on April 21, 2017 in conjunction with the six-year experience study for the period ending June 30, 2016.												
Cost-of-living increases	1.90% per year, compounded annually; increases deferred until July 1 following the year a member retires, or the year in which a member attains the age of 65 (67 for Tier 3), whichever is later or, for disabled retirees, until July 1 of the third year following retirement.												
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, 2019**

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%	
Total	100%	7.25%

Discount rate. A single discount rate of 5.69% was used to measure the total pension liability as of June 30, 2018. This rate is .21% less than the 5.90% discount rate used for June 30, 2017.

The June 30, 2018 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 3.62%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2050. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2050 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

The projections of cash flows used to determine the June 30, 2018 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, 2019**

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 5.69%, 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 (4.69%) or 1-percentage-point higher (6.69%) than the current rate.

	1 % Decrease 4.69%	Current Discount Rate 5.69%	1 % Increase 6.69%
District's proportionate share of the net pension liability	\$ 15,515,993	\$ 11,938,896	\$ 9,020,209

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in separately issued NMERB’S financial reports. The reports can be found on NMERB’s Web site at 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, 2019**

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

Employees covered by benefit terms. At June 30, 2018, 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	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	<u>93,349</u>
	<u>156,025</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>93,349</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 \$60,966 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At June 30, 2019, the District reported a liability of \$3,239,959 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2018. At June 30, 2018, the District’s proportion was 0.07451%.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$165,017. At June 30, 2019, 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
Differences between expected and actual experience	\$ -	\$ 191,826
Net Difference between actual and projected earnings on OPEB plan investments	-	40,433
Changes of assumptions	-	604,886
Change in proportion	799,207	-
Contributions made after the measurement date	<u>60,966</u>	<u>-</u>
Total	<u>\$ 860,173</u>	<u>\$ 837,145</u>

Deferred outflows of resources totaling \$60,966 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ (43,377)
2020	(43,377)
2021	(43,377)
2022	5,065
2023	<u>87,128</u>
Total	<u>\$ (37,938)</u>

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2018
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%	2.1%
U.S. equity - large cap	20%	7.7%
Non U.S. - emerging markets	15%	10.2%
Non U.S. - developed equities	12%	7.8%
Private equity	10%	11.8%
Credit and structured finance	10%	5.3%
Real estate	5%	4.9%
Absolute return	5%	4.1%
U.S. equity - small/mid cap	3%	7.1%

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 4.08% as of June 30, 2018. 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, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% 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 (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

1% Decrease (3.08%)	Current Discount (4.08%)	1% Increase (5.08%)
\$ 3,921,114	\$ 3,239,959	\$ 2,703,058

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 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
\$ 2,738,901	\$ 3,239,959	\$ 3,632,800

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, 2018.

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, 2019**

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

At June 30, 2019, the District had the following two commitments for construction:

Cooperative Education Services (J3 Systems, Inc.)	\$ 654,763
Stoven Construction	\$1,295,862

NOTE 15. TAX ABATEMENTS

Abatements of Other Governments. The District is not subject to tax abatements granted by the Counties through the Industrial Revenue Bond Act. This program has the stated purposes of promoting industry and trade other than retail trade in the county and municipalities.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

STATE OF NEW MEXICO
 CLAYTON MUNICIPAL SCHOOLS
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN
 FOR THE YEARS ENDED JUNE 30, 2019-2015
 LAST 10 FISCAL YEARS* (UNAUDITED)

	Fiscal Year		2018		2017		2016		2015		2014	
	2019	2018	2018	2017	2016	2016	2015	2015	2014	2014	2014	2014
	Measurement Date		2017		2016		2015		2014		2014	
District's proportion of net pension liability	0.10040%	0.09924%	0.10735%	0.10851%	0.11415%							
District's proportionate share of the net pension liability	\$ 11,938,896	\$ 11,029,006	\$ 7,725,371	\$ 7,028,482	\$ 6,513,085							
District's covered employee payroll	\$ 3,058,848	\$ 2,803,439	\$ 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	390.31%	393.41%	273.35%	237.23%	207.00%							
Plan fiduciary net position as a percentage of the total pension liability	52.17%	52.95%	61.58%	63.97%	66.54%							

* Governmental Accounting Standards Board Statement No. 68 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
 FOR THE YEARS ENDED JUNE 30, 2019-2015
 LAST 10 FISCAL YEARS* (UNAUDITED)

	June 30,				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 424,180	\$ 389,606	\$ 392,840	\$ 422,922	\$ 424,136
Contributions in relation to the contractually required contribution	\$ 424,180	\$ 389,606	\$ 392,840	\$ 422,922	\$ 424,136
Annual contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -

* Governmental Accounting Standards Board Statement No. 68 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 YEARS ENDED JUNE 30, 2019 - 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

	Fiscal Year Measurement Date	2019 2018	2018 2017
		<u> </u>	<u> </u>
District's proportion of the net OPEB liability		0.07451%	0.05710%
District's proportionate share of the net OPEB liability		\$ 3,239,959	\$ 2,587,585
District's covered employee payroll		\$ 3,196,939	\$ 2,378,585
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll		101.35%	108.79%
RHCA Plan fiduciary net position as a percentage of the total pension liability		13.14%	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years. 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 YEARS ENDED JUNE 30, 2019 - 2018
LAST 10 FISCAL YEARS* (UNAUDITED)

	June 30,	
	2019	2018
Contractually required contribution	\$ 116,434	\$ 181,319
Contributions in relation to the contractually required contribution	<u>\$ 115,013</u>	<u>\$ 91,002</u>
Contribution deficiency (excess)	<u><u>\$ 1,422</u></u>	<u><u>\$ 90,317</u></u>
Employer's covered-employee payroll	\$ 3,196,939	\$ 2,378,585
Contributions as a percentage of covered-employee payroll	3.60%	3.83%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years. 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, 2019

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, 2018.

Changes in assumptions and methods. There were no modifications to the actuarial assumptions and methods reflected in the actuarial valuation at June 30, 2018.

RHCA Plan

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

Changes in assumptions and methods. The actuary removed 4,010 members that were deemed participants of non-participating employers. There were no other modifications to the assumptions and methods that were reflected in the actuarial valuation at June 30, 2018.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NON-MAJOR FUNDS DESCRIPTIONS
JUNE 30, 2019**

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.

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.

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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
NON-MAJOR FUNDS DESCRIPTIONS
JUNE 30, 2019**

SPECIAL REVENUE FUNDS (CONTINUED)

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, 2019**

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, 2019**

	21000	22000	23000	24109	24118
	Food	Athletics	Non- Instructional	IDEA-B	Fresh Fruits
	Service	Athletics	Support	Preschool	& Vegetables
ASSETS					
Current Assets					
Cash	\$ -	\$ 13,726	\$ 139,119	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	12,614	-	-	12,383	-
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	3,096	-	-	-	-
	<u>3,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 15,710</u>	<u>\$ 13,726</u>	<u>\$ 139,119</u>	<u>\$ 12,383</u>	<u>\$ -</u>
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	11,419	-	-	12,383	-
Unearned revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>11,419</u>	<u>-</u>	<u>-</u>	<u>12,383</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Non-spendable	3,096	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	1,195	13,726	139,119	-	-
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,291</u>	<u>13,726</u>	<u>139,119</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 15,710</u>	<u>\$ 13,726</u>	<u>\$ 139,119</u>	<u>\$ 12,383</u>	<u>\$ -</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	24120 IDEA-B Risk Pool	24154 Teacher Principal Training	24160 Rural & Low Income Schools	24189 Title IV	25153 Medicaid Title XIX
ASSETS					
Current Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	1,140	16,999	15,936	9,784	29,645
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	<u>\$ 1,140</u>	<u>\$ 16,999</u>	<u>\$ 15,936</u>	<u>\$ 9,784</u>	<u>\$ 29,645</u>
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	1,140	15,087	15,936	9,784	41,567
Unearned revenue	-	-	-	-	-
Total liabilities	<u>1,140</u>	<u>15,087</u>	<u>15,936</u>	<u>9,784</u>	<u>41,567</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	-	-	-
FUND BALANCES					
Non-spendable	-	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	1,912	(0)	-	(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	-	-	-	-	-
Total fund balances	<u>-</u>	<u>1,912</u>	<u>(0)</u>	<u>-</u>	<u>(11,922)</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,140</u>	<u>\$ 16,999</u>	<u>\$ 15,936</u>	<u>\$ 9,784</u>	<u>\$ 29,645</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	26191	27103	27107	27114	27125
	ENMR Plateau	Dual Credit	2012	NM Reads	Excellence
	School	Fund	GO Bond	to Lead	in Teaching
	Grant	Fund	GO Bond	to Lead	in Teaching
ASSETS					
Current Assets					
Cash	\$ 5	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	7,141	35,605	-
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 7,141</u>	<u>\$ 35,605</u>	<u>\$ -</u>
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	-	-	7,141	35,605	-
Unearned revenue	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>-</u>	<u>7,141</u>	<u>35,605</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES					
Non-spendable	-	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	5	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	-
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 7,141</u>	<u>\$ 35,605</u>	<u>\$ -</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	28145 DWI Local Grant	28201 CYFD & Adult Food Program	29102 Private Direct Grants	29107 Saturday School	31600 Capital Improvements HB-33
ASSETS					
Current Assets					
Cash	\$ 1,000	2,004	\$ 5,401	\$ 3,810	\$ 188,027
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	-	-	-
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Prepaid assets	-	-	-	-	-
Inventory	-	-	-	-	-
Total assets	<u>\$ 1,000</u>	<u>\$ 2,004</u>	<u>\$ 5,401</u>	<u>\$ 3,810</u>	<u>\$ 188,027</u>
LIABILITIES					
Current Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	-	-	-
FUND BALANCES					
Non-spendable	-	-	-	-	-
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	1,000	2,004	5,401	3,810	-
Capital Projects Funds	-	-	-	-	-
Debt Service Funds	-	-	-	-	188,027
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	-	-	-
Total fund balances	<u>1,000</u>	<u>2,004</u>	<u>5,401</u>	<u>3,810</u>	<u>188,027</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,000</u>	<u>\$ 2,004</u>	<u>\$ 5,401</u>	<u>\$ 3,810</u>	<u>\$ 188,027</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET (CONTINUED)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019**

	31700 Capital Impr SB-9	41000 Debt Service	Total Non-Major Governmental Funds
ASSETS			
Current Assets			
Cash	\$ -	\$ 129,911	\$ 483,003
Investments	-	-	-
Accounts receivable			
Taxes	-	39,911	39,911
Due from other governments	-	-	141,247
Other accounts receivable	-	-	-
Interfund receivable	-	-	-
Prepaid assets	-	-	-
Inventory	-	-	3,096
	<u>-</u>	<u>-</u>	<u>3,096</u>
Total assets	<u>\$ -</u>	<u>\$ 169,822</u>	<u>\$ 667,257</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued salaries and benefits	-	-	-
Interfund payable	-	-	150,062
Unearned revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>150,062</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>150,062</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	-	13,075	13,075
	<u>-</u>	<u>13,075</u>	<u>13,075</u>
FUND BALANCES			
Non-spendable	-	-	3,096
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	-	-	156,250
Capital Projects Funds	-	-	-
Debt Service Funds	-	156,747	344,774
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>156,747</u>	<u>504,120</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ -</u>	<u>\$ 169,822</u>	<u>\$ 667,257</u>

See Accompanying Notes.

**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, 2019**

	21000	22000	23000	24109	24118
	Food Service	Athletics	Non- Instructional Support	IDEA-B Preschool	Fresh Fruits & Vegetables
REVENUES					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Investment income	23	154	1,099	-	-
Food services	30,710	-	-	-	-
District activities	-	30,682	147,107	-	-
Other revenue	-	230	14,949	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted - state passthrough	174,668	-	-	17,447	-
Other items	-	-	-	-	-
Total revenues	<u>205,401</u>	<u>31,066</u>	<u>163,155</u>	<u>17,447</u>	<u>-</u>
EXPENDITURES					
Current					
Instruction	-	30,839	119,067	17,447	-
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	232,720	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>232,720</u>	<u>30,839</u>	<u>119,067</u>	<u>17,447</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,319)</u>	<u>227</u>	<u>44,088</u>	<u>-</u>	<u>-</u>
Other financing sources					
Transfers	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>(27,319)</u>	<u>227</u>	<u>44,088</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	<u>31,610</u>	<u>13,499</u>	<u>95,031</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ 4,291</u>	<u>\$ 13,726</u>	<u>\$ 139,119</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes.

**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, 2019**

	24120 IDEA-B Risk Pool	24154 Teacher Principal Training	24160 Rural & Low Income Schools	24189 Title IV	25153 Medicaid Title XIX
REVENUES					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Investment income	-	-	-	-	-
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other revenue	-	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	93,253
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted - state passthrough	1,140	26,966	16,307	9,784	-
Other items	-	-	-	-	-
Total revenues	<u>1,140</u>	<u>26,966</u>	<u>16,307</u>	<u>9,784</u>	<u>93,253</u>
EXPENDITURES					
Current					
Instruction	-	26,952	16,308	9,784	2,099
Support services					
Students	1,140	-	-	-	91,154
Instruction	-	-	-	-	-
General administration	-	-	-	-	-
School administration	-	14	-	-	-
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	-	-	-	-	-
Total expenditures	<u>1,140</u>	<u>26,966</u>	<u>16,308</u>	<u>9,784</u>	<u>93,253</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>-</u>	<u>-</u>
Other financing sources					
Transfers	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>-</u>	<u>-</u>
Fund balances - beginning of year	-	1,912	-	-	(11,922)
Fund balances - end of year	<u>\$ -</u>	<u>\$ 1,912</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ (11,922)</u>

See Accompanying Notes.

**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, 2019**

	26191 ENMR Plateau School Grant	27103 Dual Credit Fund	27107 2012 GO Bond	27114 NM Reads to Lead	27125 Excellence in Teaching
REVENUES					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Investment income	-	-	-	-	-
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other revenue	3,420	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	1,523	7,141	77,042	5,365
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted - state passthrough	-	-	-	-	-
Other items	-	-	-	-	-
Total revenues	<u>3,420</u>	<u>1,523</u>	<u>7,141</u>	<u>77,042</u>	<u>5,365</u>
EXPENDITURES					
Current					
Instruction	3,420	1,523	-	77,042	5,365
Support services					
Students	-	-	-	-	-
Instruction	-	-	7,141	-	-
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	-	-	-	-	-
Total expenditures	<u>3,420</u>	<u>1,523</u>	<u>7,141</u>	<u>77,042</u>	<u>5,365</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources					
Transfers	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	-	-	-	-
Fund balances - beginning of year	5	-	-	-	-
Fund balances - end of year	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes.

**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, 2019**

	28145 DWI Local Grant	28201 CYFD & Adult Food Program	29102 Private Direct Grants	29107 Saturday School	31600 Capital Improvements HB-33
REVENUES					
Taxes					
Taxes levied/assessed	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources					
Investment income	-	-	-	-	1,913
Food services	-	-	-	-	-
District activities	-	-	-	-	-
Other revenue	-	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted - state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	-
Restricted - state passthrough	-	-	-	-	-
Other items	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,913</u>
EXPENDITURES					
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	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,913</u>
Other financing sources					
Transfers	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances		-	-	-	1,913
Fund balances - beginning of year	1,000	2,004	5,401	3,810	186,114
Fund balances - end of year	<u>\$ 1,000</u>	<u>\$ 2,004</u>	<u>\$ 5,401</u>	<u>\$ 3,810</u>	<u>\$ 188,027</u>

See Accompanying Notes.

**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, 2019**

	31700	41000	Total
	Capital Impr	Debt	Non-Major
	SB-9	Service	Governmental
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes			
Taxes levied/assessed	\$ -	\$ 746,811	\$ 746,811
Local sources			
Investment income	-	-	3,189
Food services	-	-	30,710
District activities	-	-	177,789
Other revenue	-	-	18,599
State sources			
Unrestricted Grants	-	-	-
Restricted Grants	-	-	91,070
Federal sources			
Unrestricted Grants	-	-	93,253
Unrestricted - state passthrough	-	-	-
Restricted Grants	-	-	-
Restricted - state passthrough	-	-	246,313
Other items	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>-</u>	<u>746,811</u>	<u>1,407,735</u>
EXPENDITURES			
Current			
Instruction	-	-	309,846
Support services			
Students	-	-	92,294
Instruction	-	-	7,141
General administration	-	7,088	7,088
School administration	-	-	14
Central services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other support services	-	-	-
Operation of non-instructional services			
Food services operations	-	-	232,720
Capital outlay	-	-	-
Debt service			
Principal	-	525,000	525,000
Interest	<u>-</u>	<u>140,428</u>	<u>140,428</u>
Total expenditures	<u>-</u>	<u>672,516</u>	<u>1,314,531</u>
Excess (deficiency) of revenues			
over (under) expenditures	<u>-</u>	<u>74,295</u>	<u>93,204</u>
Other financing sources			
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	-	74,295	93,204
Fund balances - beginning of year	<u>-</u>	<u>82,452</u>	<u>410,916</u>
Fund balances - end of year	<u>\$ -</u>	<u>\$ 156,747</u>	<u>\$ 504,120</u>

See Accompanying Notes.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
AGENCY FUNDS DESCRIPTIONS
JUNE 30, 2019**

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, 2019**

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
ASSETS				
Junior High	\$ 1,527	\$ -	\$ (18)	\$ 1,509
High School	<u>17,112</u>	<u>45,419</u>	<u>(51,751)</u>	<u>10,780</u>
Total Assets	<u>\$ 18,639</u>	<u>\$ 45,419</u>	<u>\$ (51,769)</u>	<u>\$ 12,289</u>
LIABILITIES				
Deposits held for others	<u>\$ 18,639</u>	<u>\$ 45,419</u>	<u>\$ (51,769)</u>	<u>\$ 12,289</u>
Total Liabilities	<u>\$ 18,639</u>	<u>\$ 45,419</u>	<u>\$ (51,769)</u>	<u>\$ 12,289</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, 2019</u>	<u>Name and Location of Safekeeping</u>
Farmers & Stockmens Bank	FHLB LOC 3615000574 0% 8/28/2019	\$ 900,000	Federal Home Loan Bank of Irving, TX
Farmers & Stockmens Bank	FHLB LOC 361500084 0% 12/30/2019	<u>350,000</u>	Federal Home Loan Bank of Irving, TX
Total collateral pledged		<u><u>\$ 1,250,000</u></u>	

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
JUNE 30, 2019**

Deposit or Investment Account Type	Farmers & Stockmans Bank	First National Bank	NMFA	Total
Operational Interest Bearing Checking	\$ 2,175,996	\$ -	\$ -	\$ 2,175,996
Athletics Interest Bearing Checking	13,726	-	-	13,726
Certificate of Deposit	-	14,607	-	14,607
Now Interest Bearing Checking	-	54,252	-	54,252
Student Activity Interest Bearing Checking	-	142,268	-	142,268
Interest bearing cash in restricted escrow	-	-	2,929,976	2,929,976
Total on deposit	2,189,722	211,127	2,929,976	5,330,825
Reconciling items	(461,486)	(5,550)	-	(467,036)
Reconciled Balance June 30, 2019	<u>\$ 1,728,236</u>	<u>\$ 205,577</u>	<u>\$ 2,929,976</u>	<u>\$ 4,863,789</u>

Reconciliation to financial statements:

Cash and cash equivalents:

Total cash and cash equivalents per Statement of Net Position	\$ 4,851,500
Total cash and cash equivalents per Fiduciary Statement of Assets and Liabilities	<u>12,289</u>
	<u>\$ 4,863,789</u>

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION
JUNE 30, 2019**

	Operational Account	Transportation Account	Instructional Materials Account	Food Services Account
Cash, June 30, 2018	\$ 770,131	\$ -	\$ 22,080	\$ 22,020
Add:				
2018-19 revenues	4,836,010	566,269	15,925	175,481
Interfund balances	(358,402)	-	-	11,419
Held checks	151,017	-	-	-
Total cash available	<u>5,398,756</u>	<u>566,269</u>	<u>38,005</u>	<u>208,920</u>
Less:				
2018-19 expenditures	(4,799,536)	(566,111)	(8,517)	(208,920)
Transmittal of funds to PED	-	-	-	-
	<u>(4,799,536)</u>	<u>(566,111)</u>	<u>(8,517)</u>	<u>(208,920)</u>
Cash, June 30, 2019	<u>\$ 599,220</u>	<u>\$ 158</u>	<u>\$ 29,488</u>	<u>\$ -</u>

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
JUNE 30, 2019**

	Athletics Account	Fiduciary and Non- Instructional Account	Federal Flowthrough	State Flowthrough
Cash, June 30, 2018	\$ 13,499	\$ 113,670	\$ -	\$ -
Add:				
2018-19 revenues	31,066	208,574	234,505	51,749
Interfund balances	-	-	304,237	42,746
Held checks	-	-	-	-
Total cash available	<u>44,565</u>	<u>322,244</u>	<u>538,742</u>	<u>94,495</u>
Less:				
2018-19 expenditures	(30,839)	(170,836)	(538,742)	(94,490)
Transmittal of funds to PED	-	-	-	-
	<u>(30,839)</u>	<u>(170,836)</u>	<u>(538,742)</u>	<u>(94,490)</u>
Cash, June 30, 2019	<u>\$ 13,726</u>	<u>\$ 151,408</u>	<u>\$ -</u>	<u>\$ 5</u>

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
JUNE 30, 2019**

	<u>State Direct</u>	<u>Local Flowthrough</u>	<u>Capital Impr Bond Building</u>	<u>Capital Impr HB33</u>
Cash, June 30, 2018	\$ 3,004	\$ 9,211	\$ 3,647,944	\$ 186,114
Add:				
2018-19 revenues	-	-	70,392	1,913
Interfund balances	-	-	-	-
Held checks	-	-	-	-
Total cash available	<u>3,004</u>	<u>9,211</u>	<u>3,718,336</u>	<u>188,027</u>
Less:				
2018-19 expenditures	-	-	(788,360)	-
Transmittal of funds to PED	-	-	-	-
	<u>-</u>	<u>-</u>	<u>(788,360)</u>	<u>-</u>
Cash, June 30, 2019	<u><u>\$ 3,004</u></u>	<u><u>\$ 9,211</u></u>	<u><u>\$ 2,929,976</u></u>	<u><u>\$ 188,027</u></u>

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE OF CASH RECONCILIATION (CONTINUED)
JUNE 30, 2019**

	Capital Impr SB9 Local	Debt Service	Total
	<u> </u>	<u> </u>	<u> </u>
Cash, June 30, 2018	\$ 738,770	\$ 28,124	\$ 5,554,567
Add:			
2018-19 revenues	287,936	774,303	7,254,123
Interfund balances	-	-	-
Held checks	-	-	151,017
Total cash available	<u>1,026,706</u>	<u>802,427</u>	<u>12,959,707</u>
Less:			
2018-19 expenditures	(217,051)	(672,516)	(8,095,918)
Transmittal of funds to PED	-	-	-
	<u>(217,051)</u>	<u>(672,516)</u>	<u>(8,095,918)</u>
Cash, June 30, 2019	<u><u>\$ 809,655</u></u>	<u><u>\$ 129,911</u></u>	<u><u>\$ 4,863,789</u></u>

COMPLIANCE SECTION



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

The Board of Education
Clayton Municipal Schools
Clayton, New Mexico and
Mr. Brian Colón, Esq.
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, 2019, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated November 11, 2019.

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 (internal control) 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

The Board of Education
Clayton Municipal Schools and
Mr. Brian Colón, Esq.
New Mexico State Auditor

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 instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* as findings 2019-001 to 2019-004.

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 11, 2019

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

2018-0010	Restatement of June 30, 2017 Financial Statements Internal Control over Financial Reporting	Resolved
2018-002	Bank Reconciliations	Resolved
2018-003	Internal Controls over Journal Entries	Resolved
2018-004	Procurement Code	Resolved
2018-005	Compliance with School Personnel Act	Resolved
2018-006	Not Duly Appointed Board of Education in Place from May 5, 2018 to August 17, 2018	Repeated and modified
2018-007	Disposals of Old Technology Items and Capital Assets Inventory	Repeated
2018-008	Purchase Orders Created after the Purchase	Resolved
2018-009	Actual Expenditures Exceeded Budgeted Expenditures	Repeated and modified

STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified not considered to be material weakness(es)? No
- Non-compliance material to financial statements noted? No

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 (PREVIOUSLY 2018-006) NOT DULY APPOINTED BOARD OF EDUCATION IN PLACE FROM MAY 5, 2018 TO AUGUST 17, 2018 - CONTRACTUAL NON-COMPLIANCE (REPEATED AND MODIFIED)

TYPE OF FINDING: Other 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 not duly appointed by the members of the Board of Education in place at that time. Thus, for the period of May 5, 2018 until the New Mexico Public Education Department (PED) stepped in and replaced the not duly appointed board members with new board members on August 17, 2018 (fiscal year 2019), all actions were the actions of a not duly appointed board (Not Duly Appointed Board). On September 8, 2018, the New Board ratified all contracts entered into during the period of May 5, 2018 to August 17, 2018.

Contract with law firm. There was no contract entered into with the law firm used by the Not Duly Appointed Board in fiscal year 2019 (this law firm's contract was canceled by the Board on March 21, 2018). On May 30, 2018, the Not Duly Appointed Board approved the use of this law firm). The action to use this law firm was not ratified by the New Board. The Not Duly Appointed Board voted on May 30, 2018 to terminate its relationships with all of the current law firms used and to use the law firm whose contract was terminated by the Board on March 21, 2018.

After the New Board was appointed by PED, the District ceased using this law firm. The law firm provided final billings totaling \$24,495 for its work with the Not Duly Appointed Board. At the Board meeting of October 17, 2018, the New Board voted to pay 25% of this total (\$6,123). The District subsequently paid the 25% of the final billing accompanied by a letter dated November 6, 2018 signed by the Board President and the Superintendent supporting the District's action to pay only 25% (with language stating that "The District considers this matter closed"); however, the remainder (\$18,372) remains as a disputed payable and is recorded in the Operational Fund (fund 11000).

The District made significant progress in fiscal year 2019 over this audit finding that originated in fiscal year 2018. The District, through the New Board, took action to ratify all other actions entered into by the Not Duly Appointed Board.

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.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-001 (PREVIOUSLY 2018-006) NOT DULY APPOINTED BOARD OF EDUCATION IN PLACE FROM MAY 5, 2018 TO AUGUST 17, 2018 - CONTRACTUAL NON-COMPLIANCE (REPEATED AND MODIFIED) (CONTINUED)

EFFECT

Services were performed by a law firm in fiscal year 2019, without a contract, to a Not Duly Appointed Board. The New Board voted to not pay the full invoiced amount to the District. A disputed payable is recorded in fund 11000.

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. The Not Duly Appointed Board did not complete a contract with the law firm.

RECOMMENDATION

Contracts should be entered into for all professional services. This is both best practices and required under the District's procurement policies

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, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002 (PREVIOUSLY 2018-007) DISPOSALS OF OLD TECHNOLOGY ITEMS AND CAPITAL ASSETS INVENTORY (REPEATED)

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.

The District did not make progress on this finding.

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. As a result, the board was unable to certify the listing at June 30, 2019.

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, 2020

Responsible Party: Business Manager

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003 (PREVIOUSLY 2018-009) ACTUAL EXPENDITURES EXCEEDED BUDGETED EXPENDITURES (REPEATED AND MODIFIED)

TYPE OF FINDING: Other Non-Compliance

CONDITION

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

Fund 41000	Debt Service Fund	Support Services	\$570
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The District did not make progress over the prior year.

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: Tax revenues came in higher than anticipated. Therefore, the offsetting 1% Tax Collections budget needed to be increased and was not. In the future the Business Manager will continue to monitor all budget lines to ensure no deficits occur.

Due Date of Completion: June 30, 2020

Responsible Party: Business Manager

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-004 ACTIVITY FUND CASH RECEIPTS

TYPE OF FINDING: Other Non-compliance

CONDITION

During our internal control testwork over a sample of forty activity fund daily deposit packets, we noted one deposit packets contained receipts totaling \$100 that were not deposited within 24 hours as required by state statute.

CRITERIA

Per NMAC 6.20.2.14,

- A. School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.
- B. The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book.
- C. Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference."

EFFECT

The District is not in compliance with NMAC 6.20.2.14.

CAUSE

Internal controls were not properly implemented to ensure all receipt were deposited within 24-hours. This occurrence appears to have occurred because the individual tasked with taking the deposit to the Bank was sick on the day the deposit was required to be made

RECOMMENDATION

We recommend continuing to assess risk over each cash receipts revenue stream at each school, frequently monitoring controls that are then implemented over activity funds and holding employees accountable for non-compliance with policies and procedures.

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
SCHEDULE FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-004 ACTIVITY FUND CASH RECEIPTS (CONTINUED)

MANAGEMENT RESPONSE

Corrective Action: We will continue to monitor all deposits to ensure they meet the 24-hour deposit rule. We will also ensure that an alternate individual is available make the deposit if the assigned individual is unavailable.

Due Date of Completion: November 8, 2019 and ongoing

Responsible Party: Business Manager

**STATE OF NEW MEXICO
CLAYTON MUNICIPAL SCHOOLS
EXIT CONFERENCE
JUNE 30, 2019**

The contents of this report were discussed on November 8, 2019. The following individuals were in attendance:

Clayton Municipal Schools

Audit Committee

Patrick Riley, Board of Education President
Cheryl Garcia, Parent Representative

Administration

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

Jaramillo Accounting Group LLC (JAG)

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.