

STATE OF NEW MEXICO

Town of Clayton



ANNUAL FINANCIAL REPORT

JUNE 30, 2008

(This page intentionally left blank.)

INTRODUCTORY SECTION

(This page intentionally left blank.)

STATE OF NEW MEXICO
TOWN OF CLAYTON
TABLE OF CONTENTS
June 30, 2008

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		i-ii
Official Roster		iii
FINANCIAL SECTION		
Independent Auditors' Report		iv-v
Management's Discussion and Analysis		vi-xii
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Statement of Net Assets	A-1	1
Statement of Activities	A-2	3
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	5
Reconciliation of the Balance Sheet to the statement of net Assets		6
Statement of revenues, Expenditures, and		
Changes in Fund Balances – Governmental Funds	B-2	7
Reconciliation of the Statement of Revenues, Expenditures,		
Changes in Fund Balance of Governmental Funds to the		
Statement of Activities		8
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Budget and Actual – General Fund	C-1	9
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Budget and Actual – Government Assistance Fund	C-2	10
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Budget and Actual – Street Fund	C-3	11
Statement of Net Assets-Proprietary Funds	D-1	12
Statement of Revenues, Expenses, and		
Changes in Net Assets-Proprietary Funds	D-2	13
Statement of Cash Flows –Proprietary Funds	D-3	14
NOTES TO THE FINANCIAL STATEMENTS		15
SUPPLEMENTARY INFORMATION		
Nonmajor Fund Descriptions	<u>Statement</u>	35
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	36
Combining Statement of Revenues, Expenditures, and Changes in		
Fund Balances – Nonmajor Governmental Funds	A-2	38
Statement of Revenues, Expenditures, and Changes in		
Fund Balances –		
Senior Citizens Special Revenue Fund	B-1	40
Library Special Revenue Fund	B-2	41
Cemetery Special Revenue Fund	B-3	42
Lodgers' Tax Fund Special Revenue Fund	B-4	43
Fire Special Revenue Fund	B-5	44

(This page intentionally left blank.)

STATE OF NEW MEXICO
TOWN OF CLAYTON
TABLE OF CONTENTS
June 30, 2008

	<u>Statement</u>	<u>Page</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (CONTINUED)		
Statement of Revenues, Expenditures, and Changes in Fund Balances -continued		
Recreation Special Revenue Fund	B-6	45
EMS Special Revenue Fund	B-7	46
Local Government Corrections Special Revenue Fund	B-8	47
Law Enforcement Protection Special Revenue Fund	B-9	48
Municipal Interest Income Special Revenue Fund	B-10	49
CDBG Special Revenue Fund	B-11	50
RUS Reserve Special Revenue Fund	B-12	51
Municipal Income Perm Fund	B-13	52
Joint Utility Proprietary Fund	B-14	53
	<u>Schedule</u>	<u>Page</u>
SUPPORTING SCHEDULES		
Schedule of Collateral Pledged by Depository for Public Funds	Schedule I	54
Schedule of Cash and Temporary Investment Accounts	Schedule II	55
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		56
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		58
Schedule of Expenditures of Federal Awards		60
Schedule of Findings and Questioned Costs		62
Other Disclosures		66

(This page intentionally left blank.)

STATE OF NEW MEXICO
TOWN OF CLAYTON
OFFICIAL ROSTER
June 30, 2008

TOWN TRUSTEES

Jack Chosvig	Mayor
Jimmie Taylor	Trustee
Noel Allen	Trustee
Coby Beckner	Trustee

TOWN OFFICIALS

Ferron Lucero	Town Manager
Theresa Gard	Clerk/Treasurer

HOUSING AUTHORITY

Y. Irene Gonzales	Chairperson
Eloy Gonzales	Vice- Chairperson
Becky Claycomb	Commissioner
Carrell R. Blakely	Commissioner
Reinaldo Sanchez	Commissioner

H A ADMINISTRATIVE STAFF

Ferdinand Garcia, III	Executive Director
-----------------------	--------------------

(This page intentionally left blank.)



Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Jack Chosvig, Mayor
Town Trustees
Town of Clayton
Clayton, New Mexico
and
Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton as of and for the year ended June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. We have also audited the financial statements of each of the Town's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. We did not audit the financial statements of the Town of Clayton Public Housing Authority, a component unit of the Town of Clayton which statements reflect total assets of \$1,338,150 as of June 30, 2008, and net operating revenues of \$274,028 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Town of Clayton, is based solely on the report of the other auditors. These financial statements are the responsibility of Town of Clayton's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the general fund and major special revenue funds, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town of Clayton as of June 30, 2008 and the respective changes in financial position, thereof, and the respective budgetary comparisons for the nonmajor governmental funds, the Municipal Income Perm Fund and the proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

P.O. Box 37379 • Albuquerque, NM 87176-7379
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112
Phone (505) 856-2741 - Fax (505) 856-7510

(This page intentionally left blank.)

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008 on our consideration of the Town of Clayton'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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages vi through xii is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as "Supporting Schedules" and the Schedule of Expenditures of Federal Awards in the table of contents are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 23, 2008

(This page intentionally left blank.)

**Town of Clayton
Management's Discussion and Analysis
June 30, 2008**

As management of Town of Clayton, we offer readers of Town of Clayton financial statements this narrative overview and analysis of the financial activities of Town of Clayton for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements of Town of Clayton and additional information provided.

FINANCIAL HIGHLIGHTS

- The assets of Town of Clayton exceeded its liabilities at the close of the most recent fiscal year by \$19,903,147 (*net assets*). Of this amount, \$4,694,848 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,083,379 during the fiscal year. The majority of this increase is due to the gross receipts tax revenue the Town recognized from the \$77,585,000 jail facility construction.
- As of June 30, 2008, the Town's governmental funds reported combined ending fund balances of \$4,080,708. The total amount is unreserved.
- At the close of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$2,038,070, or 50 percent of total general fund expenditures.
- The Town of Clayton's total debt decreased by \$444,981, as a result of payments of principal, during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Town of Clayton's basic financial statements. Town of Clayton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Town of Clayton's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Town of Clayton's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Town of Clayton is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Town of Clayton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Town of Clayton include general government, public safety, public works, culture and recreation, and health and welfare. The business-type activities of the Town include joint utilities.

The government-wide financial statements can be found at Exhibits A-1 and A-2 of this report.

Town of Clayton
Management's Discussion and Analysis
June 30, 2008

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Town of Clayton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Town of Clayton can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Town's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Town of Clayton maintains sixteen individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Government Assistance Fund, Street Fund, and Municipal Income Perm Fund, all of which are considered to be major funds. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Town of Clayton adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Government Assistance Fund, Street Fund, and Municipal Income Perm Fund to demonstrate compliance with this budget. In addition, the individual financial statements of the nonmajor governmental fund types include budgetary comparison data.

The basic governmental fund financial statements can be found at exhibits B-1 through C-3 of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the Town charges customers – either outside customers or internal units or departments of the Town. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The Town maintains one type of proprietary fund: joint utility.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-32 of this report.

Combining statements. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 40-51 of this report.

**Town of Clayton
Management's Discussion and Analysis
June 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB #34), *Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. Comparative analysis of government-wide data has been included in this report.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$19,903,147 at the close of the most recent fiscal year.

The largest portion, 80.5%, of the Town's net assets (\$16,559,488) represents its investment in capital assets (e.g., land, buildings, improvements, infrastructure, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets reflects the balances of its unrestricted net assets (\$3,910,237) which may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**TOWN OF CLAYTON'S NET ASSETS
(AMOUNTS IN THOUSANDS)**

	Governmental Activities		Business-type Activities		Total Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS						
Current and other assets	\$4,709	\$3,804	\$678	\$599	\$ 5,387	\$ 4,403
Capital assets	<u>4,909</u>	<u>3,773</u>	<u>11,650</u>	<u>11,698</u>	<u>16,559</u>	<u>15,471</u>
Total assets	<u>\$9,618</u>	<u>\$7,577</u>	<u>\$12,328</u>	<u>\$12,297</u>	<u>\$21,946</u>	<u>\$19,874</u>
LIABILITIES						
Current and other liabilities	\$796	\$302	\$99	\$149	\$ 895	\$ 451
Long-term liabilities	<u>85</u>	<u>156</u>	<u>1,063</u>	<u>1,449</u>	<u>1,148</u>	<u>1,605</u>
Total liabilities	<u>\$881</u>	<u>\$458</u>	<u>\$1,162</u>	<u>\$1,598</u>	<u>\$ 2,043</u>	<u>\$ 2,056</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$4,827	\$3,651	\$11,228	\$10,848	\$ 16,055	14,499
Restricted net assets	-	4	-	-	-	4
Unrestricted net assets	<u>3,910</u>	<u>3,464</u>	<u>(62)</u>	<u>(149)</u>	<u>3,848</u>	<u>3,315</u>
Total net assets	<u>\$8,737</u>	<u>\$7,119</u>	<u>\$11,166</u>	<u>\$10,699</u>	<u>19,903</u>	<u>17,818</u>

**Town of Clayton
Management's Discussion and Analysis
June 30, 2008**

Analysis of Changes in Net Assets

Overall net assets increased by \$2,083,379. This increase was an 11.6% increase from prior year. These increases are also explained in the government and business-type activities discussion below, and are due to the gross receipts tax revenue the Town recognized from the \$77,585,000 jail facility construction.

**TOWN OF CLAYTON 'S CHANGES IN NET ASSETS
(AMOUNTS IN THOUSANDS)**

	Governmental Activities		Business-type Activities		Total Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
REVENUES						
Program revenues						
Charges for services	\$ 229	\$ 267	\$1,015	\$820	\$1,244	\$1,087
Operating and capital grants	2,421	720	-	16	2,421	736
General Revenues						
Property taxes	114	106	-	-	114	106
Gross receipts taxes	2,512	1,730	-	-	2,512	1,730
Public service taxes	269	221	-	-	269	221
Other	<u>499</u>	<u>791</u>	<u>-</u>	<u>-</u>	<u>499</u>	<u>791</u>
Total Revenues	<u>6,044</u>	<u>3,835</u>	<u>1,015</u>	<u>836</u>	<u>7,059</u>	<u>4,671</u>
EXPENSES						
General government	956	1,225	-	-	956	1,225
Public safety	1,503	1,142	-	-	1,503	1,142
Public works	655	555	1,201	832	1,856	1,387
Culture and recreation	439	456	-	-	439	456
Health and welfare	204	138	-	-	204	138
Interest on long-term debt	<u>19</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>5</u>
Total Expenses	<u>3,776</u>	<u>3,521</u>	<u>1,201</u>	<u>832</u>	<u>4,977</u>	<u>4,353</u>
Increase in Net Assets Before Transfers	2,268	314	(186)	4	2,082	318
Transfers	<u>(652)</u>	<u>22</u>	<u>652</u>	<u>(22)</u>	<u>-</u>	<u>-</u>
Increase in Net Assets	<u>1,616</u>	<u>336</u>	<u>466</u>	<u>(18)</u>	<u>2,082</u>	<u>318</u>
Net Assets, 06/30/07	7,119	6,512	10,699	10,714	17,818	17,226
Prior Period Adjustment	-	<u>271</u>	-	<u>3</u>	-	<u>274</u>
Net Assets, 06/30/07 Restated	<u>7,119</u>	<u>6,783</u>	<u>10,699</u>	<u>10,717</u>	<u>17,818</u>	<u>17,500</u>
Net Assets, 06/30/08	<u>\$8,735</u>	<u>\$7,119</u>	<u>\$11,165</u>	<u>\$10,699</u>	<u>\$19,900</u>	<u>\$17,818</u>

Governmental activities. Governmental activities increased Town of Clayton's net assets by \$1,616,997. The key element of this increase is improvements.

Business-type activities. Business-type activities increased the Town's net assets by \$466,382. The key element of this decrease was due to transporting service fees for solid waste during the interim period of post-closure of our landfill, and the establishment of a new landfill.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, Town of Clayton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Town of Clayton's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Town of Clayton's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the Town include the General Fund, Special Revenue Funds, and Capital Project Funds.

**Town of Clayton
Management's Discussion and Analysis
June 30, 2008**

As of the end of the current fiscal year, Town of Clayton's governmental funds reported combined ending fund balances of \$4,080,708, an increase of \$434,042 in comparison with the prior year. The increase is primarily due to cumulative due to an increase in gross receipts tax revenues due to the jail facility construction. 100 percent of this total amount, \$4,080,708, constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

Revenues for governmental functions overall totaled approximately \$6,045,175 in the fiscal year ended June 30, 2008, which represents an increase of \$2,209,854 from the fiscal year ended June 30, 2007. Expenditures for governmental functions, totaling \$4,958,962, increased by approximately \$1,462,168 from the fiscal year ended June 30, 2007. In the fiscal year ended June 30, 2008, revenues for governmental functions exceeded expenditures by \$1,086,483.

The General Fund is the chief operating fund of Town of Clayton. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$2,038,070.

The fund balance of Town of Clayton's general fund increased by \$257,801 during the current fiscal year, due to an increase in municipal taxes in the amount of \$442,626 (mostly from gross receipts tax revenues). Overall, the general fund's performance resulted in revenues over expenditures in the fiscal year ended June 30, 2008 of \$604,707.

Proprietary Fund. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for Joint Utility were \$11,166,175. The total increase in net assets for the enterprise funds was \$466,382. Factors concerning the finances of this fund have been addressed previously in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The Statement of Revenues, Expenses, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual for the General Fund can be found on page 9 of this report. Budgets for the revenues were increased by \$13,296 during the year to account for expected increases in revenue. Actual revenue was recorded at \$3,232,317 (cash basis) which approximated original budgeted amounts due to increased revenues not coming to fruition during 2008. Expense budgets were increased from \$3,355,430 to \$3,373,187 with an actual expenditure amount of \$2,574,518. This left a budget balance of approximately \$798,669. Expenditures followed a linear relationship with revenues and the Town maintained control over expenditures as actual revenues did not accumulated in the amounts estimated in the final budget.

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 3,480,649	\$ 3,232,317	(248,332)
Expenditures	3,373,187	2,574,518	798,669
Other financing sources	(107,462)	(346,906)	(239,444)

The Town Council, Manager and Clerk-Treasurer have considered several factors in establishing the 2009 budget. The most major impact is the tax revenue that will be provided from the Northeast New Mexico Detention Facility operations. It is estimated that this project will provide nearly \$2 million dollars in gross receipts to the Town. The Town will receive over \$500,000 in annual revenue from gross receipts and payment in lieu of taxes. An ancillary effect from this 200 job facility is the increased revenue from gross receipts due to the increase in population and annual visitors to the facility.

The highway improvement project has brought in a labor force that is temporarily helping to increase revenue, as are new CO2 well developments. New power line installation and future wind farm development in the area. Several developers are interested in installing new housing developments, a large truck stop and a high tech manufacturing company and will substantially increase revenues. Our neighboring Texas community of Dalhart has constructed a large cheese plant, creating nearly 6000 direct and indirect jobs. Clayton hopes to participate in this population increase through a comprehensive housing development program and expect to entice more people to reside in Clayton, thereby helping our revenue stream.

**Town of Clayton
Management's Discussion and Analysis
June 30, 2008**

We have been witnessing a steady increase in traffic volume on US 87 as a direct result of the Ports to Plains initiative that has widened this highway for a substantial length, and will eventually be completed into a four-lane highway from Interstate 40 to Interstate 25. Because of this project, the cheese plant and jail project, the Town has been in contact with various developers and businesses interested in locating in Clayton.

Because of these trends and revenue streams, the Town is looking into investment accounts where the interest earnings can be used to offset general expenditures. This will help in decreasing our reliance on general fund dollars. More grants are being pursued to also help reduce our reliance of Town funds for needed improvements. We are witnessing the beginnings of a small explosion in Clayton and are optimistic about future revenues.

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

GASB Statement No. 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement.

The Town's final budget differs from the original budget due to budget increases and decreases that were made during the fiscal year.

The Capital Project Funds (nonmajor) are not included in the original budget which is submitted to the Department of Finance and Administration (DFA). These funds are spent on a project-by-project basis so the budgets are constantly changing. Instead, the budgets for these funds are created during the year through budget adjustment requests (BAR's).

Capital Asset and Debt Administration

Capital assets. Town of Clayton's capital assets for its governmental and business-type activities as of June 30, 2008 amount to \$16,559,488 (net of accumulated depreciation). Capital assets include land improvements, buildings, and machinery & equipment. The total increase in the Town's capital assets (excluding accumulated depreciation) for the current fiscal year was \$1,343,879 for governmental activities. The increase in business-type capital assets during the current fiscal year was \$313,043.

**Capital Assets, Net of Depreciation
June 30, 2008**

	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
Land and Land Improvements	\$ 104,584	\$ 745,966	\$ 850,550
Water Utility System	—	8,191,743	8,191,743
Sewer Utility System	—	8,442,082	8,442,082
Buildings and improvements	6,170,455	—	6,170,455
Furniture, Fixtures and Equipment	2,365,189	694,436	3,059,625
Construction in Progress	298,344	—	298,344
Total Capital Assets	8,938,572	18,074,227	27,012,799
Accumulated Depreciation	(4,029,552)	(6,423,758)	(10,453,310)
Capital Assets, net of Accumulated Depreciation	<u>\$ 4,909,020</u>	<u>\$ 11,650,469</u>	<u>\$ 16,559,489</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from their acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Current year purchases consisted mainly of equipment for both the governmental and business-type activities. See Note 5 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

**Town of Clayton
Management's Discussion and Analysis
June 30, 2008**

Debt Administration. At the end of the current fiscal year, Town of Clayton had total long-term obligations outstanding of \$504,071.

**Town of Clayton's Outstanding Debt
As of June 30, 2008**

	Governmental Activities	Business-like Activities	Total
Notes Payable	\$ 48,548	\$ 421,786	\$ 470,334
Lease Purchase Payable	33,737	-	33,737
Total long-term liabilities	\$ 82,285	\$ 421,786	\$ 504,071

The Town did not enter into debt obligations during fiscal year 2008. As a result, the Town was able to retire \$82,285 (32.2%) of the debt within the governmental activities and \$421,786 (50.9%) of debt related to the business-type activities. In addition, the Town entered into \$77,585,000 of conduit debt for the construction of a jail facility within the City limits. The debt is not an obligation of the Town and will be paid from revenues generated by the facility once it is operational.

See Note 6 in the accompanying Notes to the Financial Statements for further information regarding Town of Clayton's long-term debt.

Economic Factors and Next Year's Budgets and Rates

The Town of Clayton has a 660 bed jail facility that will lease bed space to the State for medium level security inmates. This was a revenue bond transaction with no recourse or obligation of Town funds. The Town contracted with a private company, The GEO Group of Boca Raton, Florida, to construct and operate the facility. As such, the revenue for the leased bed space is a taxable income thereby benefiting Clayton in an amount estimated at \$250,000 annually. In addition, the Town will see a Payment in Lieu of Taxes estimated to be \$280,000 annually. Once the revenue bond term of twenty-two (22) years is fulfilled, all of the lease payment beyond operating expenses will be directed to the Town of Clayton.

The Town has structured increases on all utility rates with a step increase for the next four consecutive years instituted through ordinance to help deter rising operating costs. The Town has implemented use of the multiple utility system improvement grants for improvements on our water system. A comprehensive plan is in the works for upgrades to the Town's sewer system and Clayton has been awarded grants for Main Street improvements and infrastructure for an Industrial Park. With recent activities in and around Clayton, we have seen an increase in our gross receipts revenue and do not see an end to this trend for the next couple of years.

In addition to these variables, the Town has been aggressively looking at reducing spending through consolidations and streamlining delivery of services. All of these factors indicate a positive impact on our budget.

- Inflationary trends in the region compare favorably to national indices.

The above factors were considered in preparing Town of Clayton's budget for the 2009 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Town of Clayton's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Clayton Administration, Town of Clayton, 1 Chestnut, Clayton NM 88415. Questions concerning any of the information regarding the Town of Clayton Housing Authority report, requests for additional financial information or to review a copy of the financial statements should be addressed to the Executive Director, Town of Clayton Housing Authority, 200 Aspen, Clayton, NM 88415.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

Exhibit A-1

Town of Clayton
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,105,090	\$ 240,267	\$ 1,345,357	\$ 100,366
Investments	2,623,141	400,000	3,023,141	-
Accounts and taxes receivable, net of allowances	981,240	38,196	1,019,436	1,822
Inventories, net of allowance	-	-	-	3,572
Prepaid Expenses	-	-	-	4,962
Total Current Assets	4,709,471	678,463	5,387,934	110,722
Noncurrent Assets				
Restricted cash and cash equivalents	-	-	-	4,175
Capital assets	8,938,572	18,074,226	27,012,798	2,965,573
Less: accumulated depreciation	(4,029,552)	(6,423,758)	(10,453,310)	(1,742,320)
Total Noncurrent Assets	4,909,020	11,650,468	16,559,488	1,227,428
Total Assets	\$ 9,618,491	\$ 12,328,931	\$ 21,947,422	\$ 1,338,150

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit A-1

Town of Clayton
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Current Liabilities				
Accounts payable	\$ 566,054	\$ 31,662	\$ 597,716	\$ 7,089
Accrued salaries and wages	62,709	26,723	89,432	366
Accrued compensated absences	126,050	-	126,050	-
Accrued interest payable	1,490	-	1,490	-
Deferred revenue	-	-	-	700
Deposits payable	-	-	-	4,175
Current portion of notes payable	40,453	40,972	81,425	-
Total Current Liabilities	796,756	99,357	896,113	12,330
Noncurrent Liabilities				
Accrued compensated absences	42,931	65,485	108,416	-
Landfill closure and post closure	-	617,100	617,100	-
Loans and notes payable	41,832	380,814	422,646	-
Total Noncurrent Liabilities	84,763	1,063,399	1,148,162	-
Total Liabilities	881,519	1,162,756	2,044,275	12,330
Net Assets				
Invested in capital assets, net of related debt	4,826,735	11,228,682	16,055,417	1,223,253
Restricted for:				
Capital projects	-	-	-	-
Unrestricted	3,910,237	(62,507)	3,847,730	102,567
Total Net Assets	8,736,972	11,166,175	19,903,147	1,325,820
Total Liabilities and Net Assets	\$ 9,618,491	\$ 12,328,931	\$ 21,947,422	\$ 1,338,150

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Clayton
Statement of Activities
For the Year Ending June 30, 2008

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government	\$ 956,472	\$ 10,640	\$ 243,599	\$ -
Public safety	1,503,052	218,789	315,172	-
Public works	653,412	-	25,000	1,715,762
Culture and recreation	439,252	-	2,000	-
Health and welfare	204,467	-	119,821	-
Interest on long-term debt	19,082	-	-	-
<i>Total governmental activities</i>	<u>3,775,737</u>	<u>229,429</u>	<u>705,592</u>	<u>1,715,762</u>
Business-type Activities:				
Joint Utility	897,116	663,699	-	-
Solid Waste	304,096	351,454	-	-
<i>Total business type activities</i>	<u>1,201,212</u>	<u>1,015,153</u>	<u>-</u>	<u>-</u>
Component Unit				
Housing Authority	332,004	108,977	102,298	59,926
<i>Total</i>	<u>\$ 4,976,949</u>	<u>\$ 1,244,582</u>	<u>\$ 705,592</u>	<u>\$ 1,715,762</u>

General Revenues:

Taxes

Property taxes

Franchise taxes

Gross receipts taxes

Public service taxes

Interest income

Miscellaneous income

Transfers

Total General Revenues and Transfers

Excess (deficiency) of revenues over expenses

Change in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Clayton
Statement of Activities
For the Year Ending June 30, 2008

Exhibit A-2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (702,233)	\$ -	\$ (702,233)	\$ -
(969,091)	-	(969,091)	-
1,087,350	-	1,087,350	-
(437,252)	-	(437,252)	-
(84,646)	-	(84,646)	-
(19,082)	-	(19,082)	-
<u>(1,124,954)</u>	<u>-</u>	<u>(1,124,954)</u>	<u>-</u>
-	(233,417)	(233,417)	
-	47,358	47,358	
<u>-</u>	<u>(186,059)</u>	<u>(186,059)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,803)</u>
(1,124,954)	(186,059)	(1,311,013)	(60,803)
113,771	-	113,771	-
99,905	-	99,905	-
2,512,159	-	2,512,159	-
268,759	-	268,759	-
120,813	-	120,813	2,548
278,985	-	278,985	279
(652,441)	652,441	-	-
<u>2,741,951</u>	<u>652,441</u>	<u>3,394,392</u>	<u>2,827</u>
<u>1,616,997</u>	<u>466,382</u>	<u>2,083,379</u>	<u>(57,976)</u>
1,616,997	466,382	2,083,379	(57,976)
<u>7,119,975</u>	<u>10,699,793</u>	<u>17,819,768</u>	<u>1,383,796</u>
<u>\$ 8,736,972</u>	<u>\$ 11,166,175</u>	<u>\$ 19,903,147</u>	<u>\$ 1,325,820</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Clayton
Balance Sheet
Governmental Funds
June 30, 2008

	General Fund	Government Assistance Fund	Street Fund	Municipal Income Perm Fund	Other Governmental Fund	Total
<i>Assets</i>						
Cash and cash equivalents	\$ 785,203	\$ -	\$ 133,925	\$ -	\$ 185,962	\$ 1,105,090
Investments	900,000	-	-	1,220,351	502,790	2,623,141
Accounts and taxes receivable	421,333	473,557	74,842	-	11,508	981,240
Due from other funds	9,259	-	-	-	-	9,259
<i>Total assets</i>	<u>\$ 2,115,795</u>	<u>\$ 473,557</u>	<u>\$ 208,767</u>	<u>\$ 1,220,351</u>	<u>\$ 700,260</u>	<u>\$ 4,718,730</u>
<i>Liabilities and fund balances</i>						
<i>Liabilities</i>						
Accounts payable	\$ 26,410	\$ 529,007	\$ 5,151	\$ -	\$ 5,486	\$ 566,054
Accrued salaries and wages	51,315	-	5,680	-	5,714	62,709
Due to other funds	-	-	-	-	9,259	9,259
<i>Total liabilities</i>	<u>77,725</u>	<u>529,007</u>	<u>10,831</u>	<u>-</u>	<u>20,459</u>	<u>638,022</u>
<i>Fund balances</i>						
Unreserved:						
Undesignated, reported in:						
General fund	2,038,070	-	-	-	-	2,038,070
Special revenue funds	-	(55,450)	197,936	1,220,351	679,801	2,042,638
<i>Total fund balances</i>	<u>2,038,070</u>	<u>(55,450)</u>	<u>197,936</u>	<u>1,220,351</u>	<u>679,801</u>	<u>4,080,708</u>
<i>Total liabilities and fund balances</i>	<u>\$ 2,115,795</u>	<u>\$ 473,557</u>	<u>\$ 208,767</u>	<u>\$ 1,220,351</u>	<u>\$ 700,260</u>	<u>\$ 4,718,730</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Clayton

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2008

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$	4,080,708
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		4,909,020
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		(82,285)
Accrued interest payable		(1,490)
Accrued compensated Absences		<u>(168,981)</u>
Net assets of governmental activities	\$	<u><u>8,736,972</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Clayton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending June 30, 2008

	General Fund	Government Assistance Fund	Street Fund	Municipal Income Perm Fund	Other Governmental Funds	Total
<i>Revenues:</i>						
Municipal Taxes	\$ 1,517,327	\$ -	\$ 266,741	\$ -	\$ 159,394	\$ 1,943,462
Licenses and Fees	9,075	-	-	-	-	9,075
State Shared Taxes	945,174	-	104,334	-	1,624	1,051,132
Charges for Services	131,704	-	-	-	-	131,704
Fines	73,572	-	-	-	15,078	88,650
Miscellaneous Income	128,514	-	62,938	-	75,855	267,307
Interest Income	47,813	-	711	46,184	26,105	120,813
State Grants	61,089	860,189	-	-	333,103	1,254,381
Federal Grants	48,794	828,447	-	-	22,176	899,417
Agreement Revenues	279,234	-	-	-	-	279,234
	<u>3,242,296</u>	<u>1,688,636</u>	<u>434,724</u>	<u>46,184</u>	<u>633,335</u>	<u>6,045,175</u>
<i>Expenditures:</i>						
<i>Current:</i>						
General Government	917,322	-	-	-	-	917,322
Public Safety	1,275,076	-	-	-	125,291	1,400,367
Public Works	-	348,322	232,189	-	364	580,875
Culture and Recreation	346,013	-	-	-	84,868	430,881
Health and Welfare	-	-	-	-	139,617	139,617
Capital Outlay	99,178	1,206,008	19,971	-	121,135	1,446,292
<i>Debt Service:</i>						
Principal	-	-	15,622	-	23,581	39,203
Interest	-	-	2,581	-	1,554	4,135
	<u>2,637,589</u>	<u>1,554,330</u>	<u>270,363</u>	<u>-</u>	<u>496,410</u>	<u>4,958,692</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>604,707</u>	<u>134,306</u>	<u>164,361</u>	<u>46,184</u>	<u>136,925</u>	<u>1,086,483</u>
<i>Other financing sources (uses)</i>						
Transfers In	38,074	23,730	-	-	76,251	138,055
Transfers (Out)	(384,980)	(182,699)	-	(52,090)	(170,727)	(790,496)
<i>Total other financing sources (uses)</i>	<u>(346,906)</u>	<u>(158,969)</u>	<u>-</u>	<u>(52,090)</u>	<u>(94,476)</u>	<u>(652,441)</u>
<i>Net change in fund balance</i>	257,801	(24,663)	164,361	(5,906)	42,449	434,042
<i>Fund balance - beginning of year</i>	<u>1,780,269</u>	<u>(30,787)</u>	<u>33,575</u>	<u>1,226,257</u>	<u>637,352</u>	<u>3,646,666</u>
<i>Fund balance - end of year</i>	<u>\$ 2,038,070</u>	<u>\$ (55,450)</u>	<u>\$ 197,936</u>	<u>\$ 1,220,351</u>	<u>\$ 679,801</u>	<u>\$ 4,080,708</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Clayton
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ending June 30, 2008

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

Net change in fund balances - total governmental funds	\$	434,042
--	----	---------

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		1,367,131
Depreciation expense		(231,178)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of issuance costs, premiums, discounts, and similar items when
debt is first issued, whereas these amounts are deferred and amortized in the
statement of activities:

Principal payments on notes payable		39,203
Decrease in accrued interest payable		675
Increase in accrued compensated absences		7,124
		7,124

Change in net assets of governmental activities	\$	1,616,997
---	----	-----------

(This page intentionally left blank.)

STATE OF NEW MEXICO

Exhibit C-1

Town of Clayton

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ending June 30, 2008

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
	<i>Revenues:</i>			
Municipal Taxes	\$ 1,796,752	\$ 1,796,752	\$ 1,701,748	\$ (95,004)
Licenses and Fees	9,450	9,450	9,075	(375)
State Shared Taxes	799,324	799,324	748,578	(50,746)
Charges for Services	138,750	138,750	131,704	(7,046)
Fines	26,900	26,900	73,572	46,672
Miscellaneous Income	131,200	131,200	130,556	(644)
Interest Income	54,250	54,250	47,813	(6,437)
State Grants	127,279	140,575	61,089	(79,486)
Federal Grants	53,123	53,123	48,794	(4,329)
Agreement Revenues	330,325	330,325	279,388	(50,937)
<i>Total revenues</i>	<u>3,467,353</u>	<u>3,480,649</u>	<u>3,232,317</u>	<u>(248,332)</u>
<i>Expenditures:</i>				
Current:				
General Government	1,069,199	1,069,459	861,949	207,510
Public Safety	1,484,742	1,505,959	1,273,543	232,416
Public Works	-	-	-	-
Culture and Recreation	429,028	429,154	339,848	89,306
Health and Welfare	-	-	-	-
Capital Outlay	372,481	368,615	99,178	269,437
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,355,450</u>	<u>3,373,187</u>	<u>2,574,518</u>	<u>798,669</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>111,903</u>	<u>107,462</u>	<u>657,799</u>	<u>550,337</u>
<i>Other financing sources (uses)</i>				
Designated Cash	243,054	247,495	-	(247,495)
Transfers In	38,619	38,619	38,074	(545)
Transfers Out	<u>(393,576)</u>	<u>(393,576)</u>	<u>(384,980)</u>	<u>8,596</u>
<i>Total other financing sources (uses)</i>	<u>(111,903)</u>	<u>(107,462)</u>	<u>(346,906)</u>	<u>(239,444)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	310,893	310,893
<i>Fund Balance - Beginning of Year</i>	-	-	1,374,310	1,374,310
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,685,203</u>	<u>\$ 1,685,203</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			5,705	
Expenditure accruals			<u>(58,797)</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 257,801</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Town of Clayton

Governmental Assistance Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	-	-	-	-
Grants	2,378,697	2,446,197	1,215,079	(1,231,118)
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>2,378,697</u>	<u>2,446,197</u>	<u>1,215,079</u>	<u>(1,231,118)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	608,364	608,364	397,295	211,069
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	2,834,908	2,834,908	844,991	1,989,917
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,443,272</u>	<u>3,443,272</u>	<u>1,242,286</u>	<u>2,200,986</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,064,575)</u>	<u>(997,075)</u>	<u>(27,207)</u>	<u>969,868</u>
<i>Other financing sources (uses)</i>				
Designated Cash	1,010,762	917,518	-	(917,518)
Transfers In	66,685	66,685	23,730	(42,955)
Transfers Out	(12,872)	12,872	(169)	(13,041)
<i>Total other financing sources (uses)</i>	<u>1,064,575</u>	<u>997,075</u>	<u>23,561</u>	<u>(973,514)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(3,646)	(3,646)
<i>Fund Balance - Beginning of Year</i>	-	-	3,646	3,646
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			473,557	
Expenditure accruals			(494,574)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (24,663)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-3

Town of Clayton

Street Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
	<i>Revenues:</i>			
Municipal Taxes	\$ 274,801	\$ 274,801	\$ 256,775	\$ (18,026)
Licenses and Fees	-	-	-	-
State Shared Taxes	100,055	100,055	91,274	(8,781)
Charges for Service	600	600	-	(600)
Fines	-	-	-	-
Miscellaneous Income	115,393	115,393	62,938	(52,455)
Interest Income	-	-	711	711
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>490,849</u>	<u>490,849</u>	<u>411,698</u>	<u>(79,151)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	411,416	411,510	240,899	170,611
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	20,000	20,000	19,971	29
Debt Service:				
Principal	-	-	15,622	(15,622)
Interest	-	-	2,581	(2,581)
<i>Total expenditures</i>	<u>431,416</u>	<u>431,510</u>	<u>279,073</u>	<u>149,856</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>59,433</u>	<u>59,339</u>	<u>132,625</u>	<u>70,705</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(61,833)	(61,739)	-	61,739
Transfers In	2,400	2,400	-	(2,400)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(59,433)</u>	<u>(59,339)</u>	<u>-</u>	<u>59,339</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	132,625	130,044
<i>Fund Balance - Beginning of Year</i>	-	-	1,348	1,348
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,973</u>	<u>\$ 131,392</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			27,662	
Expenditure accruals			4,074	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 164,361</u>	

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank.)

STATE OF NEW MEXICO

Town of Clayton
Proprietary Funds
Statement of Net Assets
June 30, 2008

	<u>Joint Utility</u>
<i>Assets</i>	
<i>Current assets</i>	
Cash	\$ 240,267
Investments	400,000
Accounts receivable (less allowance for doubtful accounts of \$0)	38,196
Taxes receivable	-
<i>Total current assets</i>	<u>678,463</u>
<i>Non-current assets</i>	
Capital assets	18,074,226
Accumulated depreciation	<u>(6,423,758)</u>
<i>Total Capital assets</i>	<u>11,650,468</u>
<i>Total Assets</i>	<u>\$ 12,328,931</u>
<i>Liabilities and Net Assets</i>	
<i>Liabilities:</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 31,662
Accrued salaries and wages	26,723
Due to other funds	-
Current maturity of notes payable	<u>40,972</u>
<i>Total current liabilities</i>	<u>99,357</u>
<i>Noncurrent liabilities</i>	
Landfill closure and post closure liability	617,100
Compensated absences	65,485
Notes payable	<u>380,814</u>
<i>Total noncurrent liabilities</i>	<u>1,063,399</u>
<i>Total liabilities</i>	<u>1,162,756</u>
<i>Net Assets:</i>	
Unreserved	
Unreserved, undesignated	<u>11,166,175</u>
<i>Total net assets</i>	<u>11,166,175</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 12,328,931</u>

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank.)

STATE OF NEW MEXICO
Town of Clayton
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Joint Utility</u>
<i>Operating revenues:</i>	
Charges for services	\$ 874,064
<i>Total operating revenues</i>	874,064
<i>Operating expenses:</i>	
Depreciation expense	316,843
Personal services	346,198
Contractual services	327,321
Materials & Supplies	81,898
Fixed Charges	96,070
Miscellaneous	10,758
<i>Total operating expenses</i>	1,179,088
<i>Operating income (loss)</i>	(305,024)
<i>Non-operating revenues (expenses):</i>	
Taxes	91,534
Miscellaneous income	27,431
<i>Total non-operating revenues (expenses)</i>	118,965
Transfers	652,441
<i>Change in net assets</i>	466,382
<i>Total net assets, beginning of year</i>	10,699,793
<i>Total net assets, end of year</i>	\$ 11,166,175

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank.)

STATE OF NEW MEXICO
Town of Clayton
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2008

	<u>Joint Utility</u>
<i>Cash flows from operating activities:</i>	
Cash received from user charges	\$ 864,754
Cash payments to employees and suppliers	<u>(876,436)</u>
<i>Net cash used for operating activities</i>	<u>(11,682)</u>
<i>Cash flows from noncapital financing activities:</i>	
Miscellaneous income	27,431
State appropriation of taxes	91,534
Transfer to the General Fund	652,441
Increase in liability for landfill closure and post-closure	(15,100)
Additions to capital assets	<u>(268,806)</u>
<i>Net cash provided from noncapital financing activities:</i>	<u>487,500</u>
<i>Cash flows from capital and related financing activities:</i>	
Principal payments on bonds payable	<u>(405,777)</u>
<i>Net cash provided from capital and related financing activities:</i>	<u>(405,777)</u>
<i>Net increase in cash and cash equivalents</i>	70,041
<i>Cash and cash equivalents - beginning of year</i>	<u>570,226</u>
<i>Cash and cash equivalents - end of year</i>	<u><u>\$ 640,267</u></u>
<i>Reconciliation of operating income (loss) to net cash provided (used)</i>	
<i>by operating activities</i>	
Operating income (loss)	(305,024)
Adjustments to reconcile operating (loss) to net cash (used)	
by operating activities	
Depreciation	316,843
Changes in assets and liabilities	
Receivables	(9,310)
Accrued compensated absences	10,342
Accrued salaries and wages	6,704
Accounts payable	<u>(31,237)</u>
<i>Net cash (used) by operating activities</i>	<u><u>\$ (11,682)</u></u>

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank.)

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies

The Town of Clayton (Town) was incorporated under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The Town operates under a Trustee-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The Town of Clayton is a body politic and corporate under the name and form of government selected by its qualified electors. The Town may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

The financial statements of Town of Clayton have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Town, 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-14. 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 Town of Clayton and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town of Clayton and is generally available to 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 Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the Town has a Housing Authority that will be considered a component unit, however, the Town was not a component unit of another governmental agency during the fiscal year ended June 30, 2008. Questions concerning any of the information regarding the Town of Clayton Housing Authority report, requests for additional financial information or to review a copy of the financial statements should be addressed to the Executive Director, Town of Clayton Housing Authority, 200 Aspen, Clayton, NM 88415.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

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 assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary 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 Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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 are the proprietary fund and fiduciary fund financial statements. 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 levied. 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.

The Town follows FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The Town has elected to apply FASB statements and interpretations issued after November 30, 1989 for the government-wide, business-type activities and proprietary funds, unless those pronouncements conflict with GASB pronouncements.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the Town's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the Town except for items included in other funds.

Under the requirements of GASB No. 34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund) which include funds that were not required to be presented as major but were at the discretion of management:

The *Government Assistance Capital Project Fund* is used to account for funds from federal, state and local sources for capital projects throughout the Town.

The *Street Special Revenue Fund* is used to account for the Town's streets and highway improvements not funded by special sources. Financing is provided by the state gasoline tax. (Section 7-1-6.27 NMSA 1978) The fund was created by local ordinance pursuant to Section 3-34-1 NMSA 1978.

The *Municipal Income Permanent Fund* is used to account for cash received from the sale of the Town's electric utility. The fund was established by local ordinance 548 on February 17, 1984 in accordance with Section 6-6-19, NMSA 1978.

The government reports its proprietary fund as a major governmental fund.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The Town's fiduciary funds are used to account for the collection and payment of motor vehicle fees to other governmental agencies

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *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. 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services at the Town's Utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments: The Town's and proprietary fund'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 Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the Town are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 1 Summary of Significant Accounting Policies (continued)

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

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds or internal balances” (i.e., the current portion of interfund loans) or “advances to/from other funds or internal balances” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Town may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Union County bills, collects and remits the Town of Clayton’s share of property taxes.

Inventories: The inventory held consists of expendable supplies held for consumption and recorded at cost. The cost is recorded as expenditure at the time of consumption. Inventory for the Authority is valued at cost.

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 proprietary financial statements.

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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Utility Systems	10-100
Infrastructure	20-75
Buildings & improvements	20-100
Furniture, fixtures & equipment	5-10
Sewer System	10-100

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets: *Continued*

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Equipment & Furniture	5
Vehicles	10

Deferred 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 deferred revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as deferred revenue.

Compensated Absences: Town employees may accumulate limited amounts of vacation. Vested or accumulated vacation leave that is expected to be liquidated within the next twelve months with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated within the next twelve months are reported in the government-wide statement of net assets.

Normally, vacation time is not cumulative from year to year. Qualified employees unable to utilize all their accumulated vacation pay on their anniversary date may petition the Town Manager for permission to carry over the vacation hours for three additional months or request payment in the form of wages. Vacation leave is accrued as follows:

- 40 hours after 1 full year of employment
- 80 hours after the 2nd year through the 5th year of employment
- 120 hours after the 6th year and thereafter

Qualified employees are entitled to accumulate sick leave at a rate of one day per month for full time employees up to ninety days cumulative maximum. Excess sick leave over ninety days will be paid at one-half rate on the anniversary date of the employee. Sick leave reserves are payable upon separation as follows:

- 20% in the sixth year of employment
- 40% in the seventh year of employment
- 60% in the eighth year of employment
- 80% in the ninth year of employment
- 100% in the tenth year of employment

Vested or accumulated vacation leave that is expected to be liquidated within the next twelve months with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated within the next twelve months are reported in the government-wide statement of net assets.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Fund equity was reserved or designated for:

Reserved for non-appropriable permanent reserve- The Board of Trustees passed local ordinance 548 on February 17, 1984 to legally restrict the cash received from the sale of the electric utility.

Reserved for perpetual care- The Board of Trustees have legally restricted the used of funds within the cemetery fund for the perpetual care of the Town's Cemetery.

Unreserved, undesignated- Amounts that have not been reserved or designated for any purpose. These funds are available for use by the Town.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the Town are prepared prior to June 1 and must be approved by resolution of the Town Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Town Councilors and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

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.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (Continued)

The Town 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.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2008 is presented under each budgetary statement.

NOTE 3. Cash and Investments

State statutes authorize the investment of Town 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 Town properly followed State investment requirements as of June 30, 2008.

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 Town. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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

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

The collateral pledged is listed on Schedule 1 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the Town's deposits:

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 3. Cash and Investments (continued)

	First National Bank	Farmers & Stockmans Bank	Total
Total of deposit in bank	\$ 1,534,358	\$ 3,033,311	\$ 4,567,669
Less: FDIC Coverage	200,000	200,000	400,000
Uninsured public funds	1,334,358	2,833,311	4,167,669
 Pledged Collateral held by pledging bank's trust department or agent but not in the agency's name	 (738,617)	 (1,491,990)	 (2,230,607)
Uninsured and uncollateralized	\$ 595,741	\$ 1,341,321	\$ 1,937,062
 50% pledged collateral requirement per statute	 \$ 667,179	 \$ 1,416,656	 \$ 2,083,835
Total pledged collateral	(738,617)	(1,491,990)	(2,230,607)
Pledged collateral (over) under the requirement	\$ (71,438)	\$ (75,334)	\$ (146,772)

Custodial Credit Risk – *Deposits*. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Sections 6-10-1 to 6-10-3, NMSA 1978). At June 30, 2008, \$4,167,669 of the Town's bank balance of \$4,567,669 was exposed to custodial credit risk because it was uninsured and the collateral was held by the pledging bank's trust department, not in the Town's name. At June 30, 2008 the carrying amount of those deposits was \$4,637,519. All investments are cash or certificates of deposit whose fair market value approximates face value plus any accrued interest. The Town has no investments that are highly sensitive to changes in interest rates. The Town's policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

NOTE 4. Receivables

Accounts receivable at June 30, 2008, consisted of the following:

	Governmental Activities	Business-Type Activities
Other Accounts Receivable	\$ <u>561,812</u>	<u>\$38,196</u>
Net Accounts Receivable	\$ <u>561,812</u>	<u>\$38,196</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 4. Receivables (continued)

Taxes Receivable

Amounts due from Municipal and State Shared taxes at June 30, 2008, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Municipal Taxes	\$ 113,124	\$ —
State Shared Taxes	<u>306,304</u>	<u>—</u>
Net Taxes Receivable	<u>\$ 419,428</u>	<u>\$ —</u>

The above governmental receivables are deemed 100% collectible.

NOTE 5. Interfund Receivables, Payables, and Transfers

Net operating transfers, made to supplement other funding sources, were as follows:

Governmental Activities:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 38,074	\$ 384,980
Governmental Assistance Fund	23,730	182,699
Municipal Income Perm Fund	—	52,090
Senior Citizens Fund	29,341	—
Lodgers' Tax Fund	—	38,076
Recreation Fund	24,918	—
Municipal Income Interest Fund	52,090	80,525
CDBG Fund	3,024	52,126
RUS Reserve	<u>351,576</u>	<u>384,698</u>
Total Governmental Activities	<u>\$ 522,753</u>	<u>\$ 1,175,194</u>
 Business-Type Activities:		
Joint Utility to General Fund	<u>\$ 652,441</u>	<u>\$ —</u>
Total Business-Type Activities	<u>\$ 652,441</u>	<u>\$ —</u>
Total Primary Government	<u>\$ 1,175,194</u>	<u>\$ 1,175,194</u>

Receivables and payables from interfund transactions as of June 30, 2008 are listed below. Interfund receivables and payables represent short-term loans and are expected to be repaid within one year.

Governmental Activities:	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General Fund	9,259	—
Nonmajor Funds:		
Municipal Interest Income Fund	<u>—</u>	<u>9,259</u>
Total Governmental Activities	<u>\$ 9,259</u>	<u>\$ 9,259</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2008 follows. Land is not subject to depreciation.

Governmental Activities:

	Balance <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2008</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 104,584	\$ —	\$ —	\$ —	\$ 104,584
Construction in Progress	<u>—</u>	<u>298,344</u>	<u>—</u>	<u>—</u>	<u>298,344</u>
Net Capital Assets, Not Being Depreciated:	<u>104,584</u>	<u>298,344</u>	<u>—</u>	<u>—</u>	<u>402,928</u>
Capital Assets, Being Depreciated:					
Governmental Activities					
Buildings & Improvements	5,265,503	904,952	—	—	6,170,455
Furniture, Fixture & Equipment	<u>2,217,138</u>	<u>148,051</u>	<u>—</u>	<u>—</u>	<u>2,365,189</u>
Total Governmental Assets	<u>7,587,225</u>	<u>1,351,347</u>	<u>—</u>	<u>—</u>	<u>8,938,572</u>
Accumulated Depreciation:					
Buildings & Improvements	2,069,250	112,785	—	—	2,182,035
Furniture & Equipment	<u>1,744,908</u>	<u>118,393</u>	<u>15,784</u>	<u>—</u>	<u>1,847,517</u>
Total Accumulated Depreciation	<u>3,814,158</u>	<u>231,178</u>	<u>15,784</u>	<u>—</u>	<u>4,029,552</u>
Net Book Value	<u>\$ 3,773,067</u>	<u>\$ 1,120,169</u>	<u>\$ (15,784)</u>	<u>\$ —</u>	<u>\$ 4,909,020</u>

Depreciation expense for the year ended June 30, 2008 was charged to the following functions and funds:

Public Safety	\$ 78,029
Public Works	72,901
Health & Welfare	7,255
General Government	<u>72,993</u>
Total depreciation expense: governmental activities	<u>\$ 231,178</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 6. Capital Assets (continued)

Business-Type Activities:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital Assets, Not Being Depreciated:					
Land	\$ 745,966	—	—	—	745,966
Construction in Process	37,098	—	37,098	—	—
Net Capital Assets, Not Being Depreciated:	<u>783,064</u>	<u>—</u>	<u>37,098</u>	<u>—</u>	<u>745,966</u>
Capital Assets, Being Depreciated:					
Business-Type Activities					
Water Utility System	7,900,987	290,755	—	—	8,191,742
Sewer Utility System	8,419,795	22,287	—	—	8,442,082
Furniture & Equipment	701,574	—	7,138	—	694,436
Total Business-Type Assets	<u>17,805,420</u>	<u>313,042</u>	<u>44,236</u>	<u>—</u>	<u>18,074,226</u>
Accumulated Depreciation:					
Water Utility System	2,613,249	139,486	—	—	2,752,735
Sewer Utility System	3,073,784	120,336	—	—	3,194,120
Furniture & Equipment	419,882	57,021	—	—	476,903
Total Accumulated Depreciation	<u>6,106,915</u>	<u>316,843</u>	<u>—</u>	<u>—</u>	<u>6,423,758</u>
Net Book Value	<u>\$ 11,698,505</u>	<u>\$ (3,801)</u>	<u>\$ 44,236</u>	<u>\$ —</u>	<u>\$ 11,650,468</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2008 totaled \$316,843.

NOTE 7. Long-term Debt

During the year ended June 30, 2008, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

Governmental Long-Term Debt:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u> <u>Maturities</u>
Loan Payable – NMFA	\$ 72,129	\$ —	\$ 23,581	\$ 48,548	\$ 24,014
Lease Payable – Sweeper	49,359	—	15,622	33,737	16,439
Compensated Absences	176,105	124,241	131,365	168,981	126,051
Total Long-Term Debt	<u>\$ 297,593</u>	<u>\$ 124,241</u>	<u>\$ 170,568</u>	<u>\$ 251,266</u>	<u>\$ 166,504</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the long term debt to NMFA as of June 30, 2008, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 24,014	\$ 1,122
2010	<u>24,534</u>	<u>604</u>
Total	<u>\$ 48,548</u>	<u>\$ 1,726</u>

The annual requirements to amortize the loan payable for the Sweeper as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 16,439	\$ 1,764
2010	<u>17,298</u>	<u>905</u>
Total	<u>\$ 33,737</u>	<u>\$ 2,669</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Business-Type Long-Term Debt

The Water and Sewer fund has incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2008:

Governmental Long-Term Debt:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u> <u>Maturities</u>
Loan Payable – RUS	\$ 366,000	\$ —	\$ 366,000	\$ —	\$ —
Loan Payable – RIP	116,352	—	17,988	98,364	18,527
Loan Payable – NMFA	279,644	—	16,822	262,822	17,464
Loan Payable – NMFA	65,568	—	4,968	60,600	4,981
Compensated Absences	<u>55,143</u>	<u>29,411</u>	<u>19,069</u>	<u>65,485</u>	<u>22,646</u>
Total Long-Term Debt	<u>\$ 882,707</u>	<u>\$ 29,411</u>	<u>\$ 424,847</u>	<u>\$ 487,271</u>	<u>\$ 63,618</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE.7. Long-Term Debt (continued)

The annual requirements to amortize the loan payable to RIP as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 18,527	\$ 2,951
2010	19,083	3,185
2011	19,656	3,185
2012	20,245	1,232
2013	<u>20,853</u>	<u>625</u>
Total	<u>\$ 98,364</u>	<u>\$ 11,178</u>

The annual requirements to amortize the loan payable to NMFA as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 17,464	\$ 10,882
2010	18,139	10,208
2011	18,844	9,504
2012	19,586	8,762
2013	20,370	7,980
2014-2018	115,192	26,582
2019-2023	<u>53,227</u>	<u>3,495</u>
Total	<u>\$ 262,822</u>	<u>\$ 77,413</u>

The annual requirements to amortize the loan payable to NMFA as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 4,981	\$ 152
2010	4,993	139
2011	5,006	126
2012	5,018	114
2013	5,031	102
2014-2018	25,344	280
2019-2023	<u>10,227</u>	<u>77</u>
Total	<u>\$ 60,600</u>	<u>\$ 990</u>

Conduit Debt

The Town maintains debt entered as Jail Project Revenue Bonds, Series 2007 bond agreements which reflect conduit debt. As reflected in the bond agreement, the bonds do not constitute an indebtedness to the Town within the meaning of any constitutional, charter or statutory provision or limitation, are not general obligations of the Town and are payable and collectable solely from revenues from the net revenues derived from the projected jail facilities to be constructed. According to the bond agreement, the owners of the bonds may not look to any general or other fund of the Town for the payment of the bonds. The total amount of debt related to the bonds totaled \$77,585,000 at June 30, 2008. The bond proceeds, including an offering premium of \$2,627,241, have been deposited with an escrow agent pending the construction of the facility.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 8. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The Town of Clayton participates in the New Mexico Self-Insurer's Fund risk pool. Listed below is a summary of insurance coverage in force for the fiscal year ended June 30, 2008:

The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2008, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the Town of Clayton. New Mexico Self-Insurers' Fund has not provided information or an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements - Overview of certain information concerning individual funds including:

Deficit fund balance of individual funds: The funds with deficit fund balances as of June 30, 2008 were as follows

Government Assistance Fund	55,450
Senior Citizens Fund	81
Recreation Fund	2,973
Law Enforcement Fund	<u>201</u>
Total Governmental Funds	<u>58,705</u>

NOTE 10. Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the Town place a final cover on landfills when closed and perform certain maintenance and monitoring functions at the site for a period of 30 years. The Town originally estimated these costs and recorded a liability of \$310,500. In July 2005, the Town re-evaluated the Closure and Post Closure Costs and arrived at a new estimated liability for landfill closure and post closure care costs is \$662,400. In 2008, the Town was consistent in its estimate of reduction of the liability and again reduced the liability in the amount of \$15,100. The roll forward from prior year is as follows:

Landfill post-closure costs (2007 f/s)	\$632,200
Current year reduction	<u>15,100</u>
Balance at 6/30/08	<u>\$617,100</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 11. Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the Agency’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Agency is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Agency are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Agency’s contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$172,022, \$170,921 and \$120,188, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 12. Post-Employment Benefits

The Retiree Health Care Act (the “Act”) (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out-of-pocket payments to eligible retirees. The Town has elected not to participate in the post employment health insurance plan

NOTE 13. Contingent Liabilities

The Town is party to various claims and lawsuits arising in the normal course of business.

Management and the Town’s attorney are unaware of any material pending or threatened litigation, claims or assessments against the Town which are not covered by the Town’s insurance as described in Note 8.

NOTE 14. Federal and State Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 15. Subsequent Accounting Standard Pronouncements

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, which is effective for financial statements for periods beginning after December 15, 2007.

This statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees’ years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The Town is analyzing the effect that this standard will have on its financial statements.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 15. Subsequent Accounting Standard Pronouncements (continued)

In June 2005, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 47, Accounting for Termination Benefits, which is effective for financial statements for periods beginning after June 15, 2005 or in conjunction with implementation of GASB No. 45. This statement establishes accounting standards for termination benefits. The Town is analyzing the effect that this standard will have on its financial statements.

In September 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, which is effective for financial statements for periods beginning after December 15, 2007. This statement establishes the criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The Town is analyzing the effect that this standard will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In November 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which is effective for financial statements for periods beginning after December 15, 2008. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current and potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The Town is analyzing the effect that this standard will have on its financial statements.

In May 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 50, Pension Disclosures, which is effective for financial statements for periods beginning after June 15, 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits. The Town is analyzing the effect that this standard will have on its financial statements.

In June 2008, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which is effective for financial statements for periods beginning after June 15, 2009. This statement requires that all intangible assets not specifically excluded by its scope provision be classified as capital assets. The Town is analyzing the effect that this standard will have on its financial statements.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 16. Joint Powers Agreements

Joint Communications Agreement

Purpose

To establish, operate and maintain a consolidated communication center.

Participants

Town of Clayton, Union County and the Clayton Consolidated School District

Responsible Party for Operation and Audit

Town of Clayton

Beginning and Ending Date of Agreement

August 1, 2004 until terminated

Total Estimated Amount of Project and Actual Amount Contributed

Total contribution for the year ended June 30, 2008 - \$101,930

Fairgrounds Memorandum of Understanding

Purpose

To provide the development and implementation of long range planning for improving and maintaining the facilities at the Fairgrounds complex

Participants

Union County and Town of Clayton

Responsible Party for Operation and Audit

County

Beginning and Ending Date of Agreement

July 1, 2002 until terminated

Total Estimated Amount of Project and Actual Amount Contributed

Total contribution for the year ended June 30, 2008 - \$10,000

Jail Operation Agreement

Purpose

To establish, operate and maintain a jail and detention operations.

Participants

Town of Clayton and Union County

Responsible Party for Operation and Audit

Third party administrator

Beginning and Ending Date of Agreement

July 2007 until terminated

Total Estimated Amount of Project and Actual Amount Contributed

Total contribution for the year ended June 30, 2008 - \$81,607

NOTE 17. Component Unit

The Town of Clayton Public Housing Authority is presented as discrete component unit of the Town of Clayton.

The following are summarized details of the Housing Authority's balances and transactions as of June 30, 2008 and for the year then ended:

A. Cash and Temporary Investments

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. All deposits are insured by the Federal Deposit Insurance Corporation.

According to the Federal Deposit Insurance Corporation, the public unit owns public unit deposits. Time deposits, saving deposits and interest-bearing money market accounts at a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 17. Component Unit (Continued)

A. Cash and Temporary Investments (Continued)

	First National Bank	Farmers & Stockmans Bank	Total
Total of deposit in bank	\$ 41,028	\$ 66,505	\$ 107,533
Less: FDIC Coverage	41,028	66,505	107,533
Uninsured public funds	-	-	-
Pledged Collateral held by pledging bank's trust department or agent but not in the agency's name	-	-	-
Uninsured and uncollateralized	\$ -	\$ -	\$ -
50% pledged collateral requirement per statute	\$ -	\$ -	\$ -
Total pledged collateral	-	-	-
Pledged collateral (over) under the requirement	\$ -	\$ -	\$ -

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2008, all of the Authority's deposits were insured and the Authority was not exposed to custodial credit risk.

B. Capital Assets

	Balance June 30, 2007	Additions	Deletions	Transfers	Balance June 30, 2008
Capital Assets, Not Being Depreciated:					
Land	\$ 51,294	\$ —	\$ —	\$ —	\$51,294
Net Capital Assets, Not Being Depreciated:	51,294	—	—	—	51,294
Capital Assets, Being Depreciated:					
Buildings	1,805,791	—	—	—	1,805,791
Building Improvements	560,763	—	—	—	560,763
Equipment & Furniture	466,778	48,623	—	—	515,401
Vehicles	32,324	—	—	—	32,324
Total Business-Type Assets	2,865,656	48,623	—	—	2,914,279

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2008

NOTE 17. Component Unit (Continued)

B. Capital Assets (Continued)

Accumulated Depreciation:

Buildings	1,101,110	37,247	—	—	1,138,357
Building Improvements	262,231	38,430	—	—	300,661
Equipment & Furniture	269,280	21,927	—	—	291,207
Vehicles	<u>8,881</u>	<u>3,214</u>	<u>—</u>	<u>—</u>	<u>12,095</u>
Total Accumulated Depreciation	<u>1,641,502</u>	<u>100,818</u>	<u>—</u>	<u>—</u>	<u>1,742,320</u>
Net Book Value	<u>\$ 1,275,448</u>	<u>\$ (52,195)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,223,253</u>

Depreciation expense relating to operating activities for the year ended June 30, 2008 totaled \$100,818.

C. Educational Retirement Act (ERA), and Retiree Health Care (RHC) Contributions

The Authority's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$6,443, \$5,861, and \$5,167, respectively, which equal the amount of the required contributions for each fiscal year.

The Authority has elected not to participate in the post-employment health insurance plan.

SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

NONMAJOR GOVERNMENTAL FUNDS

(This page intentionally left blank.)

Fund Descriptions

Senior Citizen's Fund – To account for the operation and maintenance of the senior citizen's meal program. Funding is provided by federal, state and local sources. The federal funding sources are: Cash in Lieu of Commodities, authorized by the Older Americans Act of 1965, Titles III-B, III-C III-O and III-F, and the United States Department of Agriculture. The state funds are authorized by the New Mexico General Appropriations Act (Chapter 3, 1999 Laws of New Mexico). The fund was established by local ordinance

Library Fund – To account for the State Grants- In-Aid to public libraries, to be used for the acquisition of library materials. (NMSL Rule 92-1). The Fund was established by local ordinance in accordance with Section 3-18-14, NMSA 1978.

Cemetery Fund – To account for funds received from sale of lots and donations for the purpose of maintaining a community cemetery. The fund was established by local ordinance authorized by 3-40-1, NMSA 1978.

Lodgers' Tax Fund – To account for funds received from a special local lodger's tax that is to be used for promotion of the Town. The fund was established by local ordinance authorized by Section 3-38-13 through 3-38-24, NMSA 1978.

Fire Fund – To account for the proceeds of the state fire allotment, and the expenditures for public safety there from. New Mexico state law requires that these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with Section 979, Article 52, of the New Mexico State Insurance Code.

Recreation Fund – To account for receipts, such as the cigarette tax revenue, this is restricted for use in recreation areas only. Funding source is one-third of the cigarette tax. The fund was established by local ordinance. The cigarette tax is imposed and collected as authorized by Section 7/12-1 through 7-12-17, NMSA 1978.

EMS Fund – To account for the State Emergency Medical Services grant, to be used for specific medical services provided through fire department activities. This state grant comes through the New Mexico Department of Health per EMS Regulation DOH 94-11. The fund was created by local ordinance. Section 24-10A-1 to 24-10A-10, NMSA 1978 provides funds to municipalities for use in the establishment and enhancement of local emergency medical services.

Local Government Correction Fund – To account for the fees collected by the municipal judge, which are legally restricted to expenditures for jail related costs. The fund was established by local ordinance in order to comply with Section 35-14-11, NMSA 1978.

Law Enforcement Fund – To account for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law, Section 29-13.1 through 29-13.9, NMSA 1978. The fund was established by local ordinance to comply with state statutes.

Municipal Income Interest Fund – To account for the interest income earned in the Town's Permanent Fund. The fund was established by local ordinance 548 on February 17, 1984. The fund is in compliance with Section 6-19, NMSA 1978.

CDBG Fund – To account for the proceeds of a Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development. The grant is being used for water and sewer improvements. Grant proceeds flow through the State Department of Finance and Administration. Pass thru #95-C-RS-I-1-H-56.

RUS Reserve Fund – To account for funds set aside as a reserve for future payments on the U.S. Department of Agriculture Rural Utilities Services loan.

STATE OF NEW MEXICO

Town of Clayton

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2008

Statement A-1

Page 1 of 2

	Senior Citizens			Lodgers' Tax		
	Fund	Library Fund	Cemetery Fund	Fund	Fire Fund	
<i>Assets</i>						
Cash and cash equivalents	\$ 2,450	\$ 9,752	\$ 22,638	\$ 77,502	\$ 34,857	
Investments	-	111,000	100,009	24,000	1	
Accounts and taxes receivable	-	-	-	-	-	
Other receivables	-	-	-	11,508	-	
Due from other governments	-	-	-	-	-	
Inventory	-	-	-	-	-	
Prepaid insurance	-	-	-	-	-	
Due from other funds	-	-	-	-	-	
<i>Total assets</i>	<u>\$ 2,450</u>	<u>\$ 120,752</u>	<u>\$ 122,647</u>	<u>\$ 113,010</u>	<u>\$ 34,858</u>	
<i>Liabilities</i>						
Accounts payable	\$ -	\$ 500	\$ 26	\$ 72	\$ 1,285	
Accrued expenses	2,531	-	-	-	295	
Accrued compensated absences	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	
Due to other funds	-	-	-	-	-	
<i>Total liabilities</i>	<u>2,531</u>	<u>500</u>	<u>26</u>	<u>72</u>	<u>1,580</u>	
<i>Fund balances</i>						
Unreserved						
Designated for subsequent year	-	-	-	-	-	
Unreserved, undesignated	(81)	120,252	122,621	112,938	33,278	
<i>Total fund balances</i>	<u>(81)</u>	<u>120,252</u>	<u>122,621</u>	<u>112,938</u>	<u>33,278</u>	
<i>Total liabilities and fund balances</i>	<u>\$ 2,450</u>	<u>\$ 120,752</u>	<u>\$ 122,647</u>	<u>\$ 113,010</u>	<u>\$ 34,858</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Clayton

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2008

Statement A-1

Page 2 of 2

Recreation Fund	EMS Fund	Local Government Correction Fund	Law Enforcement Fund	Municipal Income Interest Fund	CDBG Fund	RUS Reserve	Total Nonmajor Governmental Funds
\$ 2,772	\$ 892	\$ 35,094	\$ 4	\$ 1	\$ -	\$ -	\$ 185,962
-	-	217,780	-	50,000	-	-	502,790
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	11,508
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 2,772</u>	<u>\$ 892</u>	<u>\$ 252,874</u>	<u>\$ 4</u>	<u>\$ 50,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,260</u>
\$ 2,857	\$ 521	\$ 20	\$ 205	\$ -	\$ -	\$ -	\$ 5,486
2,888	-	-	-	-	-	-	5,714
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	9,259	-	-	9,259
<u>5,745</u>	<u>521</u>	<u>20</u>	<u>205</u>	<u>9,259</u>	<u>-</u>	<u>-</u>	<u>20,459</u>
-	-	-	-	-	-	-	-
(2,973)	371	252,854	(201)	40,742	-	-	679,801
<u>(2,973)</u>	<u>371</u>	<u>252,854</u>	<u>(201)</u>	<u>40,742</u>	<u>-</u>	<u>-</u>	<u>679,801</u>
<u>\$ 2,772</u>	<u>\$ 892</u>	<u>\$ 252,874</u>	<u>\$ 4</u>	<u>\$ 50,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,260</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Clayton

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2008

Statement A-2

Page 1 of 2

	Senior Citizens Fund	Library Fund	Cemetery Fund	Lodgers' Tax Fund	Fire Fund	Recreation Fund
<i>Revenues:</i>						
Municipal Taxes	\$ -	\$ -	\$ -	\$ 158,870	\$ -	\$ 524
Licenses and Fees	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	-	1,624
Charges for Services	-	-	-	-	-	-
Fines	-	-	-	-	-	-
Miscellaneous Income	38,731	14,955	19,417	2,421	2,329	9,612
Grants	131,499	-	-	-	130,876	-
Agreement Revenues	-	-	-	-	-	-
<i>Total revenues</i>	<u>170,230</u>	<u>14,955</u>	<u>19,417</u>	<u>161,291</u>	<u>133,205</u>	<u>11,760</u>
<i>Expenditures:</i>						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	94,505	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	871	-	45,364	-	38,633
Health and Welfare	136,791	-	2,826	-	-	-
Capital Outlay	57,595	-	-	8,371	4,175	-
Debt Service:						
Principal	-	-	-	-	23,581	-
Interest	-	-	-	-	1,554	-
<i>Total expenditures</i>	<u>194,386</u>	<u>871</u>	<u>2,826</u>	<u>53,735</u>	<u>123,815</u>	<u>38,633</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(24,156)</u>	<u>14,084</u>	<u>16,591</u>	<u>107,556</u>	<u>9,390</u>	<u>(26,873)</u>
<i>Other financing sources (uses)</i>						
Bond Proceeds	-	-	-	-	-	-
Transfers In	29,341	-	-	-	-	24,918
Transfers Out	-	-	-	(38,076)	-	-
<i>Total other financing sources (uses)</i>	<u>29,341</u>	<u>-</u>	<u>-</u>	<u>(38,076)</u>	<u>-</u>	<u>24,918</u>
<i>Net change in fund balances</i>	5,185	14,084	16,591	69,480	9,390	(1,955)
<i>Fund balances - beginning of year</i>	(5,266)	106,168	106,030	43,458	23,888	(1,018)
<i>Restatements</i>	-	-	-	-	-	-
<i>Fund balance restated, beginning of year</i>	<u>(5,266)</u>	<u>106,168</u>	<u>106,030</u>	<u>43,458</u>	<u>23,888</u>	<u>(1,018)</u>
<i>Fund balances - end of year</i>	<u>\$ (81)</u>	<u>\$ 120,252</u>	<u>\$ 122,621</u>	<u>\$ 112,938</u>	<u>\$ 33,278</u>	<u>\$ (2,973)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement A-2

Town of Clayton

Page 2 of 2

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2008

EMS Fund	Local Government Corrections	Law Enforcement Fund	Municipal Income Interest Fund	CDBG Fund	RUS Reserve	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,394
-	-	-	-	-	-	-
-	-	-	-	-	-	1,624
-	-	-	-	-	-	-
-	15,078	-	-	-	-	15,078
138	12,173	3	2,181	-	-	101,960
18,978	-	21,800	-	52,126	-	355,279
-	-	-	-	-	-	-
<u>19,116</u>	<u>27,251</u>	<u>21,803</u>	<u>2,181</u>	<u>52,126</u>	<u>-</u>	<u>633,335</u>
-	-	-	-	-	-	-
11,990	15,996	2,800	-	-	-	125,291
-	-	-	-	364	-	364
-	-	-	-	-	-	84,868
-	-	-	-	-	-	139,617
10,488	18,846	19,000	-	2,660	-	121,135
-	-	-	-	-	-	23,581
-	-	-	-	-	-	1,554
<u>22,478</u>	<u>34,842</u>	<u>21,800</u>	<u>-</u>	<u>3,024</u>	<u>-</u>	<u>496,410</u>
<u>(3,362)</u>	<u>(7,591)</u>	<u>3</u>	<u>2,181</u>	<u>49,102</u>	<u>-</u>	<u>136,925</u>
-	-	-	-	-	-	-
-	-	-	52,090	3,024	351,576	460,949
-	-	-	(80,525)	(52,126)	(384,698)	(555,425)
-	-	-	(28,435)	(49,102)	(33,122)	(94,476)
(3,362)	(7,591)	3	(26,254)	-	(33,122)	42,449
3,733	260,445	(204)	66,996	-	33,122	637,352
-	-	-	-	-	-	-
<u>3,733</u>	<u>260,445</u>	<u>(204)</u>	<u>66,996</u>	<u>-</u>	<u>33,122</u>	<u>637,352</u>
<u>\$ 371</u>	<u>\$ 252,854</u>	<u>\$ (201)</u>	<u>\$ 40,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679,801</u>

The accompanying notes are an integral part of these financial statements

(This page intentionally left blank.)

STATE OF NEW MEXICO

Statement B-1

Town of Clayton

Senior Citizens Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	37,225	37,225	38,731	1,506
Grants	60,667	128,516	131,499	2,983
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>97,892</u>	<u>165,741</u>	<u>170,230</u>	<u>4,489</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	128,434	150,947	139,591	11,356
Capital Outlay	17,000	62,403	57,595	4,808
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>145,434</u>	<u>213,350</u>	<u>197,186</u>	<u>16,164</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(47,542)</u>	<u>(47,609)</u>	<u>(26,956)</u>	<u>20,653</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(198)	(131)	-	131
Transfers In	47,740	47,740	29,341	(18,399)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>47,542</u>	<u>47,609</u>	<u>29,341</u>	<u>(18,268)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	2,385	2,385
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>65</u>	<u>65</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,450</u>	<u>\$ 2,450</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			<u>2,800</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 5,185</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

Town of Clayton

Library Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	12,184	12,184	14,955	2,771
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>12,184</u>	<u>12,184</u>	<u>14,955</u>	<u>2,771</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	12,184	12,184	11,301	883
Health and Welfare	-	-	-	-
Capital Outlay	2,862	2,862	-	2,862
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,046</u>	<u>15,046</u>	<u>11,301</u>	<u>3,745</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,862)</u>	<u>(2,862)</u>	<u>3,654</u>	<u>6,516</u>
<i>Other financing sources (uses)</i>				
Designated Cash	2,862	2,862	-	(2,862)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,862</u>	<u>2,862</u>	<u>-</u>	<u>(2,862)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	3,654	3,654
<i>Fund Balance - Beginning of Year</i>	-	-	93,047	93,047
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,701</u>	<u>\$ 96,701</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			10,430	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 14,084</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

Town of Clayton

Cemetery Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	14,185	14,185	24,079	9,894
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>14,185</u>	<u>14,185</u>	<u>24,079</u>	<u>9,894</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	16,100	16,100	2,826	13,274
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>16,100</u>	<u>16,100</u>	<u>2,826</u>	<u>13,274</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,915)</u>	<u>(1,915)</u>	<u>21,253</u>	<u>23,168</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	1,915	1,915	-	(1,915)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,915</u>	<u>1,915</u>	<u>-</u>	<u>(1,915)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	21,253	21,253
<i>Fund Balance - Beginning of Year</i>	-	-	110,718	110,718
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,971</u>	<u>\$ 131,971</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			788	
Adjustments to expenditures (liabilities)			(5,450)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 16,591</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

Town of Clayton

Lodgers' Tax Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ 130,134	\$ 130,134	\$ 148,670	\$ 18,536
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	1,800	1,800	2,421	621
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>131,934</u>	<u>131,934</u>	<u>151,091</u>	<u>19,157</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	135,696	135,696	45,370	90,326
Health and Welfare	-	-	-	-
Capital Outlay	-	-	8,371	(8,371)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>135,696</u>	<u>135,696</u>	<u>53,741</u>	<u>81,955</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,762)</u>	<u>(3,762)</u>	<u>97,350</u>	<u>101,112</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(34,857)	42,381	-	(42,381)
Transfers In	-	-	-	-
Transfers Out	38,619	(38,619)	(39,205)	(586)
<i>Total other financing sources (uses)</i>	<u>3,762</u>	<u>3,762</u>	<u>(39,205)</u>	<u>(42,967)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	58,145	183,067
<i>Fund Balance - Beginning of Year</i>	-	-	43,357	43,357
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,502</u>	<u>\$ 226,424</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			11,329	
Adjustments to expenditures (liabilities)			<u>6</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 69,480</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

Town of Clayton

Fire Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	1,000	1,000	2,511	1,511
Grants	130,876	130,876	130,876	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>131,876</u>	<u>131,876</u>	<u>133,387</u>	<u>1,511</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	122,633	146,798	118,922	27,876
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	33,811	9,646	4,175	5,471
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>156,444</u>	<u>156,444</u>	<u>123,097</u>	<u>33,347</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(24,568)</u>	<u>(24,568)</u>	<u>10,290</u>	<u>34,858</u>
<i>Other financing sources (uses)</i>				
Designated Cash	24,568	24,568	-	(24,568)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>24,568</u>	<u>24,568</u>	<u>-</u>	<u>(24,568)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	10,290	10,290
<i>Fund Balance - Beginning of Year</i>	-	-	24,568	24,568
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,858</u>	<u>\$ 34,858</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(182)	
Adjustments to expenditures (liabilities)			(718)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 9,390</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

Town of Clayton

Recreation Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ 300	\$ 300	\$ 524	\$ 224
Licenses and Fees	-	-	-	-
State Shared Taxes	1,900	1,900	1,624	(276)
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	6,600	6,600	9,613	3,013
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>8,800</u>	<u>8,800</u>	<u>11,761</u>	<u>2,961</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	42,065	42,086	34,156	7,930
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>42,065</u>	<u>42,086</u>	<u>34,156</u>	<u>7,930</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(33,265)</u>	<u>(33,286)</u>	<u>(22,395)</u>	<u>10,891</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	21	-	(21)
Transfers In	33,265	33,265	24,918	(8,347)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>33,265</u>	<u>33,286</u>	<u>24,918</u>	<u>(8,368)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	2,523	2,523
<i>Fund Balance - Beginning of Year</i>	-	-	249	249
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,772</u>	<u>\$ 2,772</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(1)	
Adjustments to expenditures (liabilities)			(4,477)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (1,955)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

Town of Clayton

EMS Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	300	300	138	(162)
Grants	14,473	18,999	18,999	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>14,773</u>	<u>19,299</u>	<u>19,137</u>	<u>(162)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	10,865	13,131	12,102	1,029
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	300	10,789	10,488	301
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,165</u>	<u>23,920</u>	<u>22,590</u>	<u>1,330</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,608</u>	<u>(4,621)</u>	<u>(3,453)</u>	<u>1,168</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(3,608)	4,621	-	(4,621)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(3,608)</u>	<u>4,621</u>	<u>-</u>	<u>(4,621)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(3,453)	(3,453)
<i>Fund Balance - Beginning of Year</i>	-	-	4,345	4,345
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 892</u>	<u>\$ 892</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(21)	
Adjustments to expenditures (liabilities)			112	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (3,362)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

Town of Clayton

Local Government Corrections Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	11,600	11,600	15,078	3,478
Miscellaneous Income	12,150	12,150	12,176	26
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>23,750</u>	<u>23,750</u>	<u>27,254</u>	<u>3,504</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	8,385	16,792	16,006	786
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	18,363	18,846	(483)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,385</u>	<u>35,155</u>	<u>34,852</u>	<u>303</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>15,365</u>	<u>(11,405)</u>	<u>(7,598)</u>	<u>3,807</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(15,365)	11,405	-	(11,405)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(15,365)</u>	<u>11,405</u>	<u>-</u>	<u>(11,405)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(7,598)	(7,598)
<i>Fund Balance - Beginning of Year</i>	-	-	260,472	260,472
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,874</u>	<u>\$ 252,874</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(1)	
Adjustments to expenditures (liabilities)			8	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (7,591)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

Town of Clayton

Law Enforcement Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	-	-	-	-
Grants	21,800	21,800	21,800	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>21,800</u>	<u>21,800</u>	<u>21,800</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	2,800	2,800	2,800	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	19,000	19,000	19,000	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,800</u>	<u>21,800</u>	<u>21,800</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			3	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 3</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

Town of Clayton

Municipal Income Interest Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	3,000	3,000	2,549	(451)
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>3,000</u>	<u>3,000</u>	<u>2,549</u>	<u>(451)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,000</u>	<u>3,000</u>	<u>2,549</u>	<u>(451)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(201,014)	64,196	-	(64,196)
Transfers In	65,409	65,409	52,090	(13,319)
Transfers Out	132,605	(132,605)	(80,525)	52,080
<i>Total other financing sources (uses)</i>	<u>(3,000)</u>	<u>(3,000)</u>	<u>(28,435)</u>	<u>(25,435)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(25,886)	(25,886)
<i>Fund Balance - Beginning of Year</i>	-	-	66,628	66,628
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,742</u>	<u>\$ 40,742</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(368)	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (26,254)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

Town of Clayton

CDBG Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	-	-	-	-
Grants	500,000	500,000	52,126	(447,874)
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>500,000</u>	<u>500,000</u>	<u>52,126</u>	<u>(447,874)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	364	(364)
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	525,000	525,000	54,786	470,214
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>525,000</u>	<u>525,000</u>	<u>55,150</u>	<u>469,850</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(3,024)</u>	<u>21,976</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	25,000	25,000	3,024	(21,976)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>25,000</u>	<u>25,000</u>	<u>3,024</u>	<u>(21,976)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	-	-
<i>Fund Balance - Beginning of Year</i>	-	-	-	-
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

Town of Clayton

RUS Reserve Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Basis)	(Unfavorable)
				Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	-	-	-	-
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	384,698	384,698	-	384,698
Interest	-	-	-	-
<i>Total expenditures</i>	<u>384,698</u>	<u>384,698</u>	<u>-</u>	<u>384,698</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(384,698)</u>	<u>(384,698)</u>	<u>-</u>	<u>384,698</u>
<i>Other financing sources (uses)</i>				
Designated Cash	33,122	33,122	-	(33,122)
Transfers In	351,576	351,576	351,576	-
Transfers Out	-	-	(384,698)	(384,698)
<i>Total other financing sources (uses)</i>	<u>384,698</u>	<u>384,698</u>	<u>(33,122)</u>	<u>(417,820)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(33,122)	(33,122)
<i>Fund Balance - Beginning of Year</i>	-	-	33,122	33,122
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (33,122)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

Town of Clayton

Municipal Income Perm Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	-	-	-	-
Interest Income	-	-	52,090	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	-	-	52,090	-
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	52,090	-
<i>Other financing sources (uses)</i>				
Designated Cash	(65,000)	65,000	-	(65,000)
Transfers In	-	-	-	-
Transfers Out	65,000	(65,000)	(52,090)	12,910
<i>Total other financing sources (uses)</i>	-	-	(52,090)	(52,090)
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	-	(52,090)
<i>Fund Balance - Beginning of Year</i>	-	-	1,220,351	1,220,351
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 1,220,351	\$ 1,168,261
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(5,906)	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ (5,906)	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

Town of Clayton

Joint Utility Proprietary Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Charges for Service	\$ 828,330	\$ 828,330	\$ 880,706	\$ 52,376
Taxes	88,245	88,245	91,534	3,289
Miscellaneous	28,500	28,500	27,431	(1,069)
<i>Total revenues</i>	<u>945,075</u>	<u>945,075</u>	<u>999,671</u>	<u>54,596</u>
<i>Expenditures:</i>				
Personnel services	367,213	367,378	345,654	21,724
Contractual services	391,637	416,869	369,802	47,067
Materials & supplies	77,515	77,515	81,898	(4,383)
Fixed charges	77,491	77,491	96,070	(18,579)
Miscellaneous	107,932	96,300	38,621	57,679
<i>Total expenditures</i>	<u>1,021,788</u>	<u>1,035,553</u>	<u>932,045</u>	<u>103,508</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(76,713)</u>	<u>(90,478)</u>	<u>67,626</u>	<u>158,104</u>
<i>Other financing sources (uses)</i>				
Designated Cash	92,394	106,159	-	(106,159)
Transfers In	-	-	-	-
Transfers Out	(15,681)	(15,681)	417,785	433,466
<i>Total other financing sources (uses)</i>	<u>76,713</u>	<u>90,478</u>	<u>417,785</u>	<u>327,307</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	485,411	485,411
<i>Fund Balance - Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>570,226</u>	<u>570,226</u>
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,055,637</u>	<u>\$ 1,055,637</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			9,310	
Adjustments to expenditures (liabilities)			<u>(28,339)</u>	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 466,382</u>	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

(This page intentionally left blank.)

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2008

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2008	Name and Location of Safekeeper
First National Bank of NM	FHLMC 31282U5A1 9/1/2008	\$ 114,281	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB 31391MDF7 11/1/2032	19,399	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	Eastern NM 27678NAK9 8/15/2011	76,482	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB 3133XBXY7 12/21/2008	50,531	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB 276785UA8 4/1/2014	53,945	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FNMA 31371NM81 8/1/2027	91,285	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB - Rio Rancho Sch Dist No. 94 767171FV8 8/1/2010	103,852	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB - Des Moines NM Sch Dist 250157BP9 10/1/2009	25,543	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB - Espanola NM Sch Dist 296628BK5 7/1/2012	203,299	Federal Home Loan Bank Dallas, Texas
Sub-total First National Bank of NM		<u>\$ 738,617</u>	
Farmers & Stockmens Bank	Federal FC Bank 3133XCSA 9/12/2008	501,998	Federal Home Loan Bank Dallas, Texas
Farmers & Stockmens Bank	Federal Home Loan Bank 3133XKTV7 6/13/2014	266,813	Federal Home Loan Bank Dallas, Texas
Farmers & Stockmens Bank	Federal Home Loan Bank 31331X2Q4 9/4/2013	723,179	Federal Home Loan Bank Dallas, Texas
Sub-total Farmers & Stockmans Bank		<u>\$ 1,491,990</u>	
Total		<u><u>\$ 2,230,607</u></u>	

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

(This page intentionally left blank.)

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2008

Schedule II

<u>Bank Account Type/Name</u>	<u>First National Bank of NM</u>	<u>Farmers & Stockmens Bank</u>	<u>Total</u>
Payroll	\$ 69,966	\$ -	\$ 69,966
Special Revenue	48,569	-	48,569
Money Market	241,717	-	241,717
Certificates of Deposit	1,174,106	-	1,174,106
Checking- Capital Projects	-	58,725	58,725
Checking- General	-	284,030	284,030
Checking- Library	-	208	208
Checking RUS	-	-	-
Checking Utility	-	43,768	43,768
Money Market	-	797,555	797,555
Certificates of Deposit	-	1,849,025	1,849,025
Total On Deposit	1,534,358	3,033,311	4,567,669
Reconciling Items	<u>(6,852)</u>	<u>(193,298)</u>	<u>(200,150)</u>
Total per bank, June 30, 2008	<u>\$ 1,527,506</u>	<u>\$ 2,840,013</u>	<u>4,367,519</u>
Plus petty cash			<u>979</u>
Total, all banks and petty cash			<u>\$ 4,368,498</u>

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

(This page intentionally left blank.)

COMPLIANCE SECTION

(This page intentionally left blank.)



Griego Professional Services, LLC

Certified Public Accountants

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

Jack Chosvig, Mayor
Town Trustees
Town of Clayton
Clayton, New Mexico
and
Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds, and the aggregate remaining fund information which collectively comprise the Town's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 23, 2008. We have also audited the financial statements of each of the Town's nonmajor governmental funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Town of Clayton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Town of Clayton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

P.O. Box 37379 • Albuquerque, NM 87176-7379
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112
Phone (505) 856-2741 - Fax (505) 856-7510

(This page intentionally left blank.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Clayton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 07-01, FS 08-01, FS 08-02, and FS 08-03.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of trustees, management, the Office of the State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 23, 2008

(This page intentionally left blank.)

FEDERAL FINANCIAL ASSISTANCE

(This page intentionally left blank.)



Griego Professional Services, LLC

Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Jack Chosvig, Mayor
Town Trustees
Town of Clayton
Clayton, New Mexico
and
Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the compliance of the Town of Clayton (the "Town"), New Mexico, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Town of Clayton, New Mexico's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Clayton, New Mexico's management. Our responsibility is to express an opinion on the Town of Clayton, New Mexico's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Clayton, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Clayton, New Mexico's compliance with those requirements.

In our opinion, the Town of Clayton, New Mexico complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Town of Clayton, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Clayton, New Mexico's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

P.O. Box 37379 • Albuquerque, NM 87176-7379
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112
Phone (505) 856-2741 - Fax (505) 856-7510

(This page intentionally left blank.)

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, Town council, Town management, others within the organization, the Office of the State Auditor, the New Mexico State Legislature and its committees, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grigo Professional Services, LLC

Albuquerque, New Mexico
December 23, 2008

(This page intentionally left blank.)

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Schedule III
(Page 1 of 2)

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA	Federal Expenditures
U.S. Department of Health and Human Services			
<i>Passthrough Eastern NM Area Agency on Aging</i>			
Cash in Lieu of Commodities	03-03	10.550	\$ 11,678
Title IIB- Senior Citizen's	03-03	93.044	10,498
<i>Subtotal - Passthrough State of New Mexico Department of Health</i>			<u>22,176</u>
Total U.S. Department of Health and Human Services			<u>22,176</u>
U.S. Department of Justice			
Re-leaf Program	15-0405-0-1-754	16.726	<u>2,074</u>
<i>Subtotal - Direct U.S. Department of Justice</i>			<u>2,074</u>
U.S. Department of Homeland Security			
Homeland Security - Agriculture	12-0115-0-1-352	10.304	<u>46,720</u>
<i>Subtotal - Direct U.S. Department of Homeland Security</i>			<u>46,720</u>
U.S. Department of Transportation			
Airport Improvements Program (1)	3-35-0010-011-2007	20.106	<u>828,447</u>
<i>Subtotal - Direct U.S. Department of Education</i>			<u>828,447</u>
Total Federal Financial Assistance			<u><u>\$ 899,417</u></u>

(1) Denotes Major Federal Financial Assistance Program

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

(This page intentionally left blank.)

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Schedule III
(Page 2 of 2)

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Town of Clayton and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards.

3. Loans or Loan Guarantees

There were no loans or loan guarantees outstanding at year end.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 899,417
Total expenditures funded by other sources	<u>4,059,275</u>
Total expenditures	<u><u>\$ 4,958,692</u></u>

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

(This page intentionally left blank.)

STATE OF NEW MEXICO
Town of Clayton
Findings and Questioned Costs
June 30, 2008

Schedule IV

Section I – Summary of Audit Results

Financial Statements:

1.	Type of auditors’ report issued	Unqualified
	Internal control over financial reporting:	
	Material weakness identified?	No
	Significant deficiencies identified not considered to be material weaknesses?	Yes
	Control deficiencies identified not considered to be significant deficiencies?	No
	Noncompliance material to financial statements noted?	No

Federal Awards:

1.	Internal control over major programs:							
	Material weakness identified?	No						
	Significant deficiencies identified not considered to be material weaknesses?	No						
	Control deficiencies identified not considered to be significant deficiencies?	No						
2.	Type of auditors’ report issued on compliance for major programs	Unqualified						
3.	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No						
4.	Identification of major programs:							
	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA Number</td> <td style="padding: 0 20px;"></td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">20.106</td> <td></td> <td style="text-align: center;">Airport Improvement Program</td> </tr> </table>	CFDA Number		Federal Program	20.106		Airport Improvement Program	
CFDA Number		Federal Program						
20.106		Airport Improvement Program						
5.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000						
6.	Auditee qualified as low-risk auditee?	No						

STATE OF NEW MEXICO
Town of Clayton
Findings and Questioned Costs
June 30, 2008

Section II – Financial Statement Findings

FS 07-01 — Employee Personnel Files and Employee Time Sheets – (*Revised and repeated*)

Condition: Our audit procedures revealed that one out of the fifteen personnel files tested did not have an approved time card or sheet available for review.

Criteria: To ensure employees are paid the correct hourly or salary amount, contracts or documents supporting compensation must be included in the employee personnel files. Required documents include starting pay as well as increases or decreases in hourly or salary rate.

Effect: Personnel documentation is essential to ensure the Town does not encounter possible penalties and interest imposed by the internal revenue service, create possible liabilities relating to contract issues and/or possible fraudulent activities. Failure to maintain employee documentation requirements may also result in possible legal complications.

Cause: The Town has not properly maintained personnel files with the required employee documentation in all instances (for example, personnel action forms, time cards/sheets, contracts, hourly rate, and insurance waivers).

Auditor's Recommendation: The Town must include documentation for all employees whether it is an hourly or salary employee. In this instance, the Town must maintain approved time cards for all hourly employees. The Town must require employees to complete all necessary forms and retain the forms in the personnel file. The Town should make periodic checks to ensure all such information is being properly maintained.

Management's Response: The Town has experienced position vacancies in upper level management during the audited fiscal year. The Town will ensure compliance that all required employees complete a time card.

FS 08-01 – Internal Control Deficiencies

Condition: The policies and procedures in place did not address policies such as fraud, risk assessment and informational technology. In addition, the Town did not establish a disaster recovery plan.

Criteria: SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit, requires the auditor to evaluate control deficiencies to determine whether, individually or in combination, they are significant deficiencies or material weaknesses.

Effect: This inadequacy is a deficiency in internal control over financial reporting. Not maintaining up to date policies and procedures could cause errors, inconsistencies and omissions in the preparation of the financial statements.

Cause: The policies and procedures in place were adopted from the NM Department of Finance, Local Government Division manual, which do not include a fraud, risk assessment and informational technology policy.

Auditor's Recommendation: Management should assess the adequacy of the design of its policies and procedures related to preparation financial statements. When developing control policies and procedures for a process, management should consider where errors or fraud could occur that would cause a material misstatement in the financial statements and which policies or procedures, if operating properly would prevent or detect the error or fraud on a timely basis.

Management's Response: The Town has procedures in place for fraud and risk assessment that are exercised on a continual basis and were verbally explained to the auditors. The town will develop and adopt a written policy describing these processes. The Town will develop an information technology policy. The Town in connection with Union County has developed an Emergency Disaster Plan which was provided to the auditors. The Town will seek sources to aide in developing a Disaster Recovery Plan that is adequate.

STATE OF NEW MEXICO
Town of Clayton
Findings and Questioned Costs
June 30, 2008

FS 08-02 – Internal Control over Credit Card Usage

Condition: The policies and procedures in place relating to credit card usage did not address the usage and reimbursement of personal charges. During the year ended June 30, 2008, the Town's former Town Manager utilized the Town's credit card for miscellaneous personal charges. The charges appear to have been reimbursed to the Town.

Criteria: SAS No. 112, Communicating Internal Control Related Matters Identified in an Audit, requires the auditor to evaluate control deficiencies to determine whether, individually or in combination, they are significant deficiencies or material weaknesses. Policies must be established to protect the Town and employees from possible fraudulent activity or misuse of funds.

Effect: Not maintaining up to date policies and procedures could cause errors, inconsistencies and omissions in the preparation of the financial statements.

Cause: The Town's policies and procedures in place did not indicate that a credit card issued by the Town was not to be used for personal charges in any way, shape or form. As a result, an employee used a card issued by the Town for personal charges which were subsequently reimbursed to the Town.

Auditor's Recommendation: Management should assess the adequacy of the design of its policies and procedures related to credit card usage. When developing control policies and procedures for a process, management should consider where errors or fraud may occur and which policies or procedures, if operating properly would prevent or detect the error or fraud on a timely basis.

Management's Response: To address the issue of Internal Control over Credit Card Usage, management has implemented a policy on credit card usage, which is currently being enforced that protects the Town from errors or fraud of credit card usage and will prevent or detect an error or fraud on a timely basis. The policy in place restricts the usage of the credit card issued to the Town to be used SOLELY for holding lodging reservations for over night accommodations. The lodging reservations must be authorized by issuing a requisition for approval with two required signatures by management and a signed approval by the Mayor. The requisition request must detail the nature of the trip and the lodging facility. Restrictions for charges against the card to pay for lodging expenses are in place, with charges by the lodging facility to be paid with a Town of Clayton check. Should a charge inadvertently be made on the Town credit card, payment of such charge can only be paid by an approved motion of the Town Governing Board.

The ambulance department of the Town of Clayton holds a credit card account of which they use solely for travel expenses when emergency ambulance runs require transports to Amarillo TX, or Albuquerque, NM. The Town Governing Board has agreed to continue allowance for charges of this nature to be paid with a Town credit card for necessary out of town ambulance transports. Strict accountability for charges of this nature are in place.

FS 08-3 Audit Report

Condition: The Town's audit report for the year ended June 30, 2008 was not submitted to the State Auditor by the required due date, December 1, 2008. The audit report was submitted to the State Auditor's Office on January 16, 2009.

Criteria: Audit reports not received on or before the due date, December 1, are considered to be in non-compliance with requirements of Section 2.2.2.9.A of the State Audit Rule.

Effect: The result was the late submission of the Town's audit report for the year ended June 30, 2008. The late submission of the District's audit report not only results in non-compliance with State of New Mexico guidelines but also may affect the Town's borrowing capacity by affecting the bond ratings or other performance measures.

Cause: The Town and the audit firm experienced scheduling delays. The finalization of audit procedures were completed in December 2008.

Auditors' Recommendation: The Town submitted their audit report timely as of June 30, 2007, but the Town and the auditor experienced delays in the submission of the 2008 audit as documented above. Scheduling of the audit should be adjusted in the future to ensure timely submission.

Management's Response: In conjunction with the auditor the Town will ensure scheduling of the audit be adjusted in the future to ensure timely submission.

STATE OF NEW MEXICO
Town of Clayton
Findings and Questioned Costs
June 30, 2008

Separately Issued Housing Authority (Component Unit) Findings

Item 2008-03 — Tenant Eligibility (Component Unit)

Condition: During the course of our audit, we performed audit tests of the tenant files retained by the Authority. We selected twelve tenant files to test. Our tests revealed the following matters:

- Four occasions where, the applicant did not fill out Form 9886, *Authorization for the Release of Information/Privacy Act Notice*.
- Two occasions where the applicant did not fill out Form 214, *Personal Declaration of Status* correctly.
- Six occasions where the applicant did not fill out the *Community Service/Self Sufficiency* Policy.

Criteria: The Authority has established policies and procedures regarding the retention of tenant information in order to substantiate eligibility as required by the U.S. Department of Housing and Urban Development (24 CFR sections 5.230, 5.601, 5.609, 960.253, 960.255, and 960.259). 24 CFR section 5.230 states that *'as a condition of admission or continued occupancy, the Authority requires the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility'*.

24 CFR section 5.601 *et seq.* states that the Authority *'determines income eligibility and calculates the tenant's rent payment using the documentation from third party verification'*. Furthermore, 24 CFR sections 960.253, 960.257, and 960.259 states that the Authority *'reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification'*.

Furthermore, the Quality Housing and Work Responsibility Act of 1998 requires that *'all non- exempt public housing adult residents (18 or older) contribute eight (8) hours per month of community service (volunteer work) or participate in eight (8) hours of training, counseling, classes and other activities which help an individual toward self sufficiency and economic independence. This is a requirement of the Public Housing Lease.'*

Effect: Not complying with rules and regulations established by the U.S. Department of Housing and Urban Development could jeopardize funding from the federal agency. Further, the agency may have penalties regarding noncompliance with their rules and regulations.

Cause: The Authority failed to review all tenant files for completeness and accuracy upon the tenant's initial entrance into the Authority or the annual review of each of the tenants' files.

Recommendation: We suggest that Authority employees follow established rules and procedures regarding the completion of tenant files and the retention of the completed files.

Views of Responsible Officials and Planned Corrective Actions: This finding was caused by an oversight of not actually checking off the necessary paperwork required from each family. All 50 unit files have been checked and all proper documents are now in the files.

STATE OF NEW MEXICO
Town of Clayton
Findings and Questioned Costs
June 30, 2008

Prior Year Audit Findings – Town of Clayton

FS 07-01 — Employee Personnel Files and Employee Time Sheets. Revised and repeated.

Prior Year Audit Findings – Housing Authority

Item 2008-01 – Budget Authority – In the previous year’s audit report, it was noted that the Authority had unauthorized excess expenditures within the Low Rent Budget. During the fiscal year, the Authority approved budget adjustment resolutions as necessary. The finding is considered resolved.

Item 2008-02 – Davis-Bacon Act – In the previous year’s audit report, it was noted that the Housing Authority did not retain all documentation concerning contractor’s weekly wage reports for construction projects at the Authority. The project has been completed and the audit finding is considered resolved.

Item 2008-03 – Tenant Eligibility – In the previous year’s audit report, it was noted that the tenant files did not contain all of the information required by the United States Department of Housing and Urban Development. The finding has not been resolved and is repeated as 2008-03.

Item 2008-04 – Authority Credit Cards Expenditures – In the previous year’s audit report, it was noted that the Authority failed to retain all documentation concerning credit card expenditures. The Authority provided travel and lodging expenses for an individual who was not affiliated with the Authority. During the fiscal year, the Authority took additional steps to ensure all back up documentation was retained and only individuals authorized to travel on behalf of the Authority. The audit finding is considered resolved.

Other Disclosures

Exit conference

On December 23, 2008, an exit conference was held with JJ Griego, CPA of Griego Professional Services LLC, with Jack Chosvig, Mayor, Ferron Lucero, Town Manager and Theresa Gard, Town Clerk/Treasurer.

Preparation of Financial Statements

These financial statements have been prepared by the independent auditor, Griego Professional Services, LLC. The contents of these financial statements remain the responsibility of the Town.