

STATE OF NEW MEXICO

Town of Clayton



ANNUAL FINANCIAL REPORT

JUNE 30, 2009

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
TOWN OF CLAYTON
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TOWN OF CLAYTON
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STATE OF NEW MEXICO
TOWN OF CLAYTON
OFFICIAL ROSTER
June 30, 2009

TOWN TRUSTEES

Jack Chosvig	Mayor
Noel Allen	Mayor Pro-tem
Jimmie Taylor	Trustee
Leroy Montoya	Trustee
Coby Beckner	Trustee

TOWN OFFICIALS

Ferron Lucero	Town Manager
Karen Bray	Finance Director/Treasurer
Nikki Crisman	Town Clerk

HOUSING AUTHORITY

Y. Irene Gonzales	Chairperson
Alan Dunaway	Vice- Chairperson
Carrell R.Blakely	Commissioner
Rick Hood	Commissioner
Tammy Kear	Commissioner

H A ADMINISTRATIVE STAFF

Angela Lucero	Executive Director
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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, 2009, 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, 2009 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 \$1,313,704 as of June 30, 2009, and net operating revenues of \$316,823 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, 2009, 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, 2009 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

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009 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.

Town of Clayton has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 additional schedules listed as "Supporting Schedules" 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.



Albuquerque, New Mexico
December 4, 2009

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

Exhibit A-1

Town of Clayton
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Current Assets				
Cash and cash equivalents	\$ 3,416,736	\$ 608,423	\$ 4,025,159	\$ 104,752
Investments	-	-	-	-
Accounts and taxes receivable, net of allowances	555,843	19,480	575,323	5,378
Inventories, net of allowance	-	-	-	12,330
Prepaid Expenses	-	-	-	4,205
Total Current Assets	3,972,579	627,903	4,600,482	126,665
Noncurrent Assets				
Restricted cash and cash equivalents	-	-	-	4,075
Capital assets	9,202,807	19,439,526	28,642,333	3,029,488
Less: accumulated depreciation	(4,311,991)	(6,890,675)	(11,202,666)	(1,846,524)
Total Noncurrent Assets	4,890,816	12,548,851	17,439,667	1,187,039
Total Assets	\$ 8,863,395	\$ 13,176,754	\$ 22,040,149	\$ 1,313,704

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, 2009

	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Current Liabilities				
Accounts payable	\$ 80,526	\$ 47,118	\$ 127,644	\$ 7,257
Accrued salaries and wages	13,165	18,325	31,490	783
Accrued compensated absences	132,114	-	132,114	646
Accrued interest payable	4,303	-	4,303	-
Deferred revenue	-	-	-	-
Deposits payable	-	-	-	4,075
Current portion of notes payable	116,509	42,215	158,724	-
Total Current Liabilities	346,617	107,658	454,275	12,761
Noncurrent Liabilities				
Accrued compensated absences	44,995	74,740	119,735	-
Landfill closure and post closure	-	1,539,491	1,539,491	-
Loans and notes payable	500,805	338,599	839,404	-
Total Noncurrent Liabilities	545,800	1,952,830	2,498,630	-
Total Liabilities	892,417	2,060,488	2,952,905	12,761
Net Assets				
Invested in capital assets, net of related debt	4,273,502	12,168,037	16,441,539	1,182,964
Restricted for:				
Capital projects	-	-	-	-
Unrestricted	3,697,476	(1,051,771)	2,645,705	117,979
Total Net Assets	7,970,978	11,116,266	19,087,244	1,300,943
Total Liabilities and Net Assets	\$ 8,863,395	\$ 13,176,754	\$ 22,040,149	\$ 1,313,704

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, 2009

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	\$ 1,315,709	\$ 9,879	\$ 429,973	\$ -
Public safety	1,590,012	113,450	453,437	-
Public works	946,530	-	28,131	1,169,225
Culture and recreation	501,214	-	2,000	-
Health and welfare	171,343	-	60,707	-
Interest on long-term debt	3,935	-	-	-
<i>Total governmental activities</i>	<u>4,528,743</u>	<u>123,329</u>	<u>974,248</u>	<u>1,169,225</u>
Business-type Activities:				
Joint Utility	1,229,425	728,780	-	-
Solid Waste	187,176	375,757	-	-
<i>Total business type activities</i>	<u>1,416,601</u>	<u>1,104,537</u>	<u>-</u>	<u>-</u>
Component Unit				
Housing Authority	341,700	105,980	114,490	85,037
<i>Total</i>	<u>\$ 5,945,344</u>	<u>\$ 1,227,866</u>	<u>\$ 974,248</u>	<u>\$ 1,169,225</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

Prior period adjustment

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, 2009

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>
\$ (875,857)	\$ -	\$ (875,857)	\$ -
(1,023,125)	-	(1,023,125)	-
250,826	-	250,826	-
(499,214)	-	(499,214)	-
(110,636)	-	(110,636)	-
(3,935)	-	(3,935)	-
<u>(2,261,941)</u>	<u>-</u>	<u>(2,261,941)</u>	<u>-</u>
-	(500,645)	(500,645)	-
-	188,581	188,581	-
<u>-</u>	<u>(312,064)</u>	<u>(312,064)</u>	<u>-</u>
-	-	-	(36,193)
(2,261,941)	(312,064)	(2,574,005)	(36,193)
122,018	-	122,018	-
61,570	-	61,570	-
1,690,897	-	1,690,897	-
235,981	-	235,981	-
68,369	-	68,369	1,409
545,769	-	545,769	9,907
(1,228,657)	1,228,657	-	-
<u>1,495,947</u>	<u>1,228,657</u>	<u>2,724,604</u>	<u>11,316</u>
(765,994)	916,593	150,599	(24,877)
(765,994)	916,593	150,599	(24,877)
8,736,972	11,166,175	19,903,147	1,325,820
-	(966,502)	(966,502)	-
<u>\$ 7,970,978</u>	<u>\$ 11,116,266</u>	<u>\$ 19,087,244</u>	<u>\$ 1,300,943</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, 2009

	General Fund	Government Assistance Fund	Municipal Income Perm Fund	Other Governmental Funds	Total
<i>Assets</i>					
Cash and cash equivalents	\$ 1,328,404	\$ 48,981	\$ 1,133,260	\$ 955,072	\$ 3,465,717
Investments	-	-	-	-	-
Accounts and taxes receivable	446,549	-	-	109,294	555,843
Due from other funds	13,789	-	39,600	300	53,689
<i>Total assets</i>	<u>\$ 1,788,742</u>	<u>\$ 48,981</u>	<u>\$ 1,172,860</u>	<u>\$ 1,064,666</u>	<u>\$ 4,075,249</u>
<i>Liabilities and fund balances</i>					
<i>Liabilities</i>					
Accounts payable	41,040	16,086	-	23,400	80,526
Accrued salaries and wages	5,637	-	-	7,528	13,165
Due to other funds	-	39,600	-	63,070	102,670
<i>Total liabilities</i>	<u>46,677</u>	<u>55,686</u>	<u>-</u>	<u>93,998</u>	<u>196,361</u>
<i>Fund balances</i>					
Unreserved:					
Undesignated, reported in:					
General fund	1,742,065	-	-	-	1,742,065
Special revenue funds	-	(6,705)	1,172,860	970,668	2,136,823
<i>Total fund balances</i>	<u>1,742,065</u>	<u>(6,705)</u>	<u>1,172,860</u>	<u>970,668</u>	<u>3,878,888</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,788,742</u>	<u>\$ 48,981</u>	<u>\$ 1,172,860</u>	<u>\$ 1,064,666</u>	<u>\$ 4,075,249</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, 2009

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	\$	3,878,888
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		4,890,816
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		(617,314)
Accrued interest payable		(4,303)
Accrued compensated Absences		<u>(177,109)</u>
Net assets of governmental activities	\$	<u><u>7,970,978</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, 2009

	General Fund	Government Assistance Fund	Municipal Income Perm Fund	Other Governmental Funds	Total
<i>Revenues:</i>					
Municipal Taxes	\$ 1,284,140	\$ -	\$ -	\$ 457,242	\$ 1,741,382
Licenses and Fees	8,288	-	-	-	8,288
State Shared Taxes	284,926	-	-	84,158	369,084
Charges for Services	59,266	-	-	-	59,266
Fines	43,914	-	-	11,861	55,775
Miscellaneous Income	217,100	-	192,234	135,443	544,777
Interest Income	29,097	-	18,650	20,622	68,369
State Grants	54,099	797,290	-	710,260	1,561,649
Federal Grants	184,329	3,739	-	-	188,068
Agreement Revenues	394,748	-	-	-	394,748
Lease Proceeds	76,125	278,110	248,526	-	602,761
	<u>2,636,032</u>	<u>1,079,139</u>	<u>459,410</u>	<u>1,419,586</u>	<u>5,594,167</u>
<i>Expenditures:</i>					
<i>Current:</i>					
General Government	931,631	-	440,760	-	1,372,391
Public Safety	1,266,450	-	-	150,105	1,416,555
Public Works	-	46,924	-	381,780	428,704
Culture and Recreation	365,210	-	-	103,519	468,729
Health and Welfare	-	-	-	163,249	163,249
Capital Outlay	407,335	(273,976)	-	560,141	693,500
<i>Debt Service:</i>					
Principal	-	-	-	24,202	24,202
Interest	-	-	-	-	-
	<u>2,970,626</u>	<u>(227,052)</u>	<u>440,760</u>	<u>1,382,996</u>	<u>4,567,330</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(334,594)</u>	<u>1,306,191</u>	<u>18,650</u>	<u>36,590</u>	<u>1,026,837</u>
<i>Other financing sources (uses)</i>					
Transfers In	82,536	80,360	-	138,757	301,653
Transfers (Out)	(43,947)	(1,337,806)	(66,141)	(82,416)	(1,530,310)
<i>Total other financing sources (uses)</i>	<u>38,589</u>	<u>(1,257,446)</u>	<u>(66,141)</u>	<u>56,341</u>	<u>(1,228,657)</u>
<i>Net change in fund balance</i>	(296,005)	48,745	(47,491)	92,931	(201,820)
<i>Fund balance - beginning of year</i>	<u>2,038,070</u>	<u>(55,450)</u>	<u>1,220,351</u>	<u>877,737</u>	<u>4,080,708</u>
<i>Fund balance - end of year</i>	<u>\$ 1,742,065</u>	<u>\$ (6,705)</u>	<u>\$ 1,172,860</u>	<u>\$ 970,668</u>	<u>\$ 3,878,888</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	\$	(201,820)
--	----	-----------

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		264,235
Depreciation expense		(282,439)

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		67,732
Increase in accrued interest payable		(2,813)
Lease Proceeds		(602,761)
Increase in accrued compensated absences		(8,128)
		(8,128)

Change in net assets of governmental activities	\$	(765,994)
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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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ 1,179,772	\$ 1,179,772	\$ 1,089,941	\$ (89,831)
Licenses and Fees	9,620	9,620	8,288	(1,332)
State Shared Taxes	528,558	528,558	534,675	6,117
Charges for Services	182,100	182,100	132,370	(49,730)
Fines	210,800	210,800	43,914	(166,886)
Miscellaneous Income	342,726	342,726	176,356	(166,370)
Interest Income	31,690	31,690	29,097	(2,593)
State Grants	70,193	74,100	54,099	(20,001)
Federal Grants	5,824	185,824	131,661	(54,163)
Agreement Revenues	424,048	499,048	410,415	(88,633)
<i>Total revenues</i>	<u>2,985,331</u>	<u>3,244,238</u>	<u>2,610,816</u>	<u>(633,422)</u>
<i>Expenditures:</i>				
Current:				
General Government	945,738	994,273	843,480	150,793
Public Safety	1,342,446	1,367,547	1,268,860	98,687
Public Works	-	-	-	-
Culture and Recreation	358,685	359,833	369,438	(9,605)
Health and Welfare	-	-	-	-
Capital Outlay	241,652	475,969	407,335	68,634
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,888,521</u>	<u>3,197,622</u>	<u>2,889,113</u>	<u>308,509</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>96,810</u>	<u>46,616</u>	<u>(278,297)</u>	<u>(324,913)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(90,429)	(37,807)	-	37,807
Transfers In	60,619	60,619	82,536	21,917
Transfers Out	(67,000)	(69,428)	(43,947)	25,481
<i>Total other financing sources (uses)</i>	<u>(96,810)</u>	<u>(46,616)</u>	<u>38,589</u>	<u>85,205</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(239,708)	(239,708)
<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>\$ 1,134,602</u>	<u>\$ 1,134,602</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			20,942	
Expenditure accruals			(77,239)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (296,005)</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, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	-	-	-	-
Grants	2,689,089	2,689,069	1,552,696	(1,136,373)
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>2,689,089</u>	<u>2,689,069</u>	<u>1,552,696</u>	<u>(1,136,373)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	591,044	486,044	198,828	287,216
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	2,265,340	2,712,768	1,424,847	1,287,921
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,856,384</u>	<u>3,198,812</u>	<u>1,623,675</u>	<u>1,575,137</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(167,295)</u>	<u>(509,743)</u>	<u>(70,979)</u>	<u>438,764</u>
<i>Other financing sources (uses)</i>				
Designated Cash	114,559	274,579	-	(274,579)
Transfers In	52,736	235,164	80,360	(154,804)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>167,295</u>	<u>509,743</u>	<u>80,360</u>	<u>(429,383)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	9,381	9,381
<i>Fund Balance - Beginning of Year</i>	-	-	3,646	3,646
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,027</u>	<u>\$ 13,027</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			(473,557)	
Expenditure accruals			512,921	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 48,745</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Clayton
Proprietary Funds
Statement of Net Assets
June 30, 2009

	<u>Joint Utility</u>
<i>Assets</i>	
<i>Current assets</i>	
Cash	\$ 608,423
Investments	-
Accounts receivable (less allowance for doubtful accounts of \$0)	19,480
Taxes receivable	-
<i>Total current assets</i>	<u>627,903</u>
<i>Non-current assets</i>	
Capital assets	19,439,526
Accumulated depreciation	<u>(6,890,675)</u>
<i>Total Capital assets</i>	<u>12,548,851</u>
<i>Total Assets</i>	<u>\$ 13,176,754</u>
<i>Liabilities and Net Assets</i>	
<i>Liabilities:</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 47,118
Accrued salaries and wages	18,325
Due to other funds	-
Current maturity of notes payable	<u>42,215</u>
<i>Total current liabilities</i>	<u>107,658</u>
<i>Noncurrent liabilities</i>	
Landfill closure and post closure liability	572,989
Compensated absences	74,740
Notes payable	<u>338,599</u>
<i>Total noncurrent liabilities</i>	<u>986,328</u>
<i>Total liabilities</i>	<u>1,093,986</u>
<i>Net Assets:</i>	
Unreserved	
Unreserved, undesignated	<u>11,116,266</u>
<i>Total net assets</i>	<u>11,116,266</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 12,210,252</u>

The accompanying notes are an integral part of these financial statements

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, 2009

	<u>Joint Utility</u>
<i>Operating revenues:</i>	
Charges for services	\$ 1,007,446
<i>Total operating revenues</i>	<u>1,007,446</u>
<i>Operating expenses:</i>	
Depreciation expense	466,917
Personal services	503,847
Contractual services	273,397
Materials & Supplies	76,596
Fixed Charges	95,844
<i>Total operating expenses</i>	<u>1,416,601</u>
<i>Operating income (loss)</i>	<u>(409,155)</u>
<i>Non-operating revenues (expenses):</i>	
Taxes	83,789
Miscellaneous income	13,302
<i>Total non-operating revenues (expenses)</i>	<u>97,091</u>
Transfers	<u>1,228,657</u>
<i>Change in net assets</i>	916,593
<i>Total net assets, beginning of year</i>	11,166,175
<i>Prior period adjustment</i>	<u>(966,502)</u>
<i>Total net assets, end of year</i>	<u><u>\$ 11,116,266</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Clayton
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2009

	<u>Joint Utility</u>
<i>Cash flows from operating activities:</i>	
Cash received from user charges	\$ 1,026,162
Cash payments to employees and suppliers	(933,371)
<i>Net cash used for operating activities</i>	92,791
<i>Cash flows from noncapital financing activities:</i>	
Miscellaneous income	13,302
State appropriation of taxes	83,789
Transfers	1,171,555
Increase in liability for landfill closure and post-closure	(44,111)
Additions to capital assets	(1,365,300)
<i>Net cash provided from noncapital financing activities:</i>	(140,765)
<i>Cash flows from capital and related financing activities:</i>	
Principal payments on bonds payable	(40,972)
<i>Net cash provided from capital and related financing activities:</i>	(40,972)
<i>Net increase in cash and cash equivalents</i>	(88,946)
<i>Cash and cash equivalents - beginning of year</i>	640,267
<i>Cash and cash equivalents - end of year</i>	\$ 551,321
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>	
Operating income (loss)	(409,155)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	466,917
Changes in assets and liabilities	
Receivables	18,716
Accrued compensated absences	9,255
Accrued salaries and wages	(8,398)
Accounts payable	15,456
<i>Net cash (used) by operating activities</i>	\$ 92,791

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

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, 2009. 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, 2009

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 non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of 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, 2009

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 *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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009 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, 2009.

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. This coverage has increased to \$250,000 for time and savings deposits as well as demand deposits until December 31, 2013. Additionally, until December 31, 2009, all deposits in non-interest

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, 2009

NOTE 3. Cash and Investments (continued)

	First National Bank	Farmers & Stockmans Bank	Total
Total of deposit in bank	\$ 2,216,577	\$ 2,062,773	\$ 4,279,350
Less: FDIC Coverage	250,000	250,000	500,000
Uninsured public funds	1,966,577	1,812,773	3,779,350
Pledged Collateral held by pledging bank's trust department or agent but not in the agency's name	--	--	--
Uninsured and uncollateralized	\$ 1,049,264	\$ 764,289	\$ 1,813,553
50% pledged collateral requirement per statute	\$ 983,289	\$ 906,387	\$ 1,889,676
Total pledged collateral	(917,313)	(1,048,484)	(1,965,797)
Pledged collateral (over) under the requirement	\$ 65,976	\$ (142,097)	\$ (76,121)

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 (Section 6-10-1 to 6-10-3, NMSA 1978). At June 30, 2009, \$3,779,350 of the Town's bank balance of \$4,279,350 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, 2009 the carrying amount of those deposits was \$4,025,159. 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).

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE 4. Receivables

Accounts receivable at June 30, 2009, consisted of the following:

<u>Governmental Activities</u>	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total Primary Government</u>
State of New Mexico			
Property Taxes	\$ 3,344	\$ -	\$ 3,344
Other Taxes:			
Gross Receipts Tax	329,519	-	329,519
Franchise Tax	17,253	-	17,253
Lodger's Tax	-	10,986	10,986
Gasoline and Oil Taxes	-	7,782	7,782
Other Receivables:			
Licenses and Fees	39,021	11,881	50,902
Intergovernmental grants:			
State	4,744	78,645	83,389
Federal	-	-	-
Miscellaneous	52,668	-	52,668
Totals	\$ 446,549	\$ 109,294	\$ 555,843

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	\$ 82,536	\$ 43,947
Senior Center Fund	41,802	-
Government Assistance Fund	80,360	1,337,806
CDBG	61,396	-
Fire Fund	20	-
Recreation Fund	23,096	-
EMS Fund	1,034	-
Law Enforcement Fund	350	-
Municipal Interest Income Fund	11,059	54,961
Lodger's Tax Fund	-	27,455
Municipal Income Perm Fund	-	66,141
Total	301,653	1,530,310
Business Type Activities:		
Joint Utility	1,337,806	109,149
Total Business Type Activities	1,337,806	109,149
Total Primary Government	\$ 1,639,459	\$ 1,639,459

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE 5. Interfund Receivables, Payables, and Transfers (continued)

Receivables and payables from interfund transactions as of June 30, 2009 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>
General Fund	\$ 13,789	\$ -
Municipal Income Perm	39,600	-
Cemetery Fund	300	4,830
Street Fund	-	39,600
Municipal Income Interest Fund	-	9,259
	<u> </u>	<u> </u>
Total	<u>\$ 53,689</u>	<u>\$ 53,689</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2009 follows. Land is not subject to depreciation.

Governmental Activities:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance June 30, 2009</u>
Capital Assets, Not being Depreciated:					
Land	\$ 104,584	\$ 213,246	\$ -	\$ -	\$ 317,830
Construction in Progress	298,344	-	298,344	-	-
Net Capital Assets, Not being Depreciated:	<u>402,928</u>	<u>213,246</u>	<u>298,344</u>	<u>-</u>	<u>317,830</u>
Capital Assets Being Depreciated:					
Buildings & Improvements	6,170,455	180,021	-	-	6,350,476
Furniture, Fixture & Equipment	2,365,189	169,312	-	-	2,534,501
Total Government Assets	<u>8,938,572</u>	<u>562,579</u>	<u>298,344</u>	<u>-</u>	<u>9,202,807</u>
Accumulated Depreciation:					
Buildings & Improvements	2,182,035	156,697	-	(4,580)	2,334,152
Furniture, Fixture & Equipment	1,847,517	128,785	-	1,537	1,977,839
Total Accumulated Depreciation	<u>4,029,552</u>	<u>285,482</u>	<u>-</u>	<u>(3,043)</u>	<u>4,311,991</u>
Net Book Value	<u>\$ 4,909,020</u>	<u>\$ 277,097</u>	<u>\$ 298,344</u>	<u>\$ 3,043</u>	<u>\$ 4,890,816</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE 6. Capital Assets (continued)

Depreciation expense for the year ended June 30, 2009 was charged to the following functions and funds:

Public Safety	\$ 95,679
Public Works	91,129
Health & Welfare	8,094
General Government	<u>90,580</u>
Total depreciation expense: governmental activities	<u>\$ 285,482</u>

Business Type-Activities:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital Assets, Not being Depreciated:				
Land	\$ 745,966	\$ -	\$ -	\$ 745,966
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital Assets, Not being Depreciated:	<u>745,966</u>	<u>-</u>	<u>-</u>	<u>745,966</u>
Capital Assets Being Depreciated:				
Water Utility System	8,191,742	1,337,806	-	9,529,548
Sewer Utility System	8,442,082	-	-	8,442,082
Furniture & Equipment	<u>694,436</u>	<u>27,494</u>	<u>-</u>	<u>721,930</u>
Total Government Assets	<u>18,074,226</u>	<u>1,365,300</u>	<u>-</u>	<u>19,439,526</u>
Accumulated Depreciation:				
Water Utility System	2,752,735	287,884	-	3,040,619
Sewer Utility System	3,194,120	120,336	-	3,314,456
Furniture & Equipment	<u>476,903</u>	<u>58,697</u>	<u>-</u>	<u>535,600</u>
Total Accumulated Depreciation	<u>6,423,758</u>	<u>466,917</u>	<u>-</u>	<u>6,890,675</u>
Net Book Value	<u>\$ 11,650,468</u>	<u>\$ 898,383</u>	<u>\$ -</u>	<u>\$ 12,548,851</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2009 totaled \$466,917.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt

During the year ended June 30, 2009, 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, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Current</u> <u>Maturities</u>
Loan Payable - NMFA	\$ 48,548	\$ -	\$ 24,014	\$ 24,534	\$ 24,534
Lease Payable - Sweeper	33,737	-	33,737	-	-
Refurbished Ambulance	-	76,125	4,230	71,895	21,145
Golf Course Irrigation	-	248,526	5,751	242,775	17,253
Infrastructure & Equip Projects	-	278,110	-	278,110	53,577
Compensated Absences	168,981	134,179	126,051	177,109	132,114
Total Long-Term Debt	<u>\$ 251,266</u>	<u>\$ 736,940</u>	<u>\$ 193,783</u>	<u>\$ 794,423</u>	<u>\$ 248,623</u>

The annual requirements to amortize the long term debt to NMFA as of June 30, 2009, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	24,534	604
Total	<u>\$ 24,534</u>	<u>\$ 604</u>

Lease purchase agreements through 1st National Bank of New Mexico for the purchase of an Ambulance at 4.75% paid in monthly installments of \$2,388.80 for 36 months. The annual requirements to amortize the loan payable for the Ambulance as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 21,145	\$ --
2011	25,375	--
2012	25,375	--
Total	<u>\$ 71,895</u>	<u>\$ --</u>

Loan agreement through NMFA for the purchase Golf Course Irrigation at 4.057% paid in monthly intercept payments through May 2018. The annual requirements to amortize the loan payable for the Golf Course Irrigation as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 17,253	\$ 7,860
2011	24,888	8,802
2012	25,631	8,059
2013	26,479	7,211
2014	27,416	6,274
2015-2019	121,108	13,646
Total	<u>\$ 242,775</u>	<u>\$ 51,852</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt (continued)

Loan agreement through NMFA for the purchase of a Fire Pumper at 2.215% paid in monthly intercept payments through May 2014. The annual requirements to amortize the loan payable for the Infrastructure & Equipment projects as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 53,577	\$ 7,402
2011	54,465	4,931
2012	55,467	3,928
2013	56,645	2,751
2014	<u>57,956</u>	<u>1,439</u>
Total	<u>\$ 278,110</u>	<u>\$ 20,451</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, 2009:

Business-Type Long-Term Debt:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>	<u>Current Maturities</u>
Loan Payable - RIP	\$ 98,364	\$ -	\$ 18,527	\$ 79,837	\$ 19,083
Loan Payable - NMFA	262,822	-	17,464	245,358	18,139
Loan Payable - NMFA	60,600	-	4,981	55,619	4,993
Compensated Absences	<u>65,485</u>	<u>31,901</u>	<u>22,646</u>	<u>74,740</u>	<u>25,846</u>
Total Long-Term Debt	<u>\$ 487,271</u>	<u>\$ 31,901</u>	<u>\$ 63,618</u>	<u>\$ 455,554</u>	<u>\$ 68,061</u>

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE.7. Long-Term Debt (continued)

Loan agreement through NM Environment Department as a part of the Rural Infrastructure Program (RIP) at 3% paid annually through February 2013. The annual requirements to amortize the loan payable to RIP as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 79,837</u>	<u>\$ 8,227</u>

Loan agreement through NMFA for the purchase of land and water wells at interest rates between 4.16% and 5.41% paid in through May 2020. The annual requirements to amortize the loan payable to NMFA as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 18,139	\$ 10,208
2011	18,844	9,504
2012	19,586	8,762
2013	20,370	7,980
2014	21,198	3,577
2015-2019	120,044	24,160
2020-2024	<u>27,177</u>	<u>1,184</u>
Total	<u>\$ 245,358</u>	<u>\$ 65,375</u>

Loan agreement through NMFA for the purpose of construction and operation of drinking water supply facilities paid in semi-annual payments through May 2020. The annual requirements to amortize the loan payable to NMFA as of June 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 4,993	\$ 139
2011	5,006	126
2012	5,018	114
2013	5,031	102
2014	5,043	89
2015-2020	25,408	217
2021-2025	<u>5,120</u>	<u>13</u>
Total	<u>\$ 55,619</u>	<u>\$ 800</u>

Conduit Debt

The Town maintains debt entered as Jail Project Revenue Bonds, Series 2008 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 jail facilities. 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, 2009. The bond proceeds, including an offering premium of \$2,627,241, have been deposited with an escrow agent. The facility was complete during fiscal year 2009 and is currently operational.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

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, 2009:

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, 2009, 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:

A. Deficit fund balance of individual funds: The funds with deficit fund balances as of June 30, 2009 were as follows

Government Assistance Fund	\$ 6,705
Senior Citizens Fund	7,681
Recreation Fund	1,790
EMS Fund	1,041
Municipal Interest Income Fund	2,374
Law Enforcement Fund	<u>201</u>
Total Governmental Funds	<u>\$ 19,792</u>

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2009:

Nonmajor Funds:

EMS Fund	\$ 973
Law Enforcement Fund	<u>404</u>
Subtotal, Nonmajor Funds	<u>1,377</u>

Total, All Funds \$ 1,377

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE 10. Landfill Closure, Post-Closure Costs and Prior Period Adjustment

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. The roll forward from prior year is as follows:

Landfill post-closure costs (2008 f/s)	\$617,100
Adjustment to tie to General Ledger	15,100
Prior Period Adjustment (see note 17)	966,502
Current year reduction	<u>(59,211)</u>
 Balance at June 30, 2009	 <u>\$1,539,491</u>

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 7.00% of their gross salary. The Agency is required to contribute 11.00% 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, 2009, 2008 and 2007 were \$221,595, \$172,022 and \$170,921, 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.

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

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, 2008. 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.

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 2008, 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, 2008. 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 2008, 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, 2009. 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 2009, 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, 2009. 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 2009, 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, 2009

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, 2009 - \$206,481

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, 2009 - \$5,000

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 2008 until terminated

Total Estimated Amount of Project and Actual Amount Contributed

Total contribution for the year ended June 30, 2009 - \$50,511

NOTE 17. Prior Period Adjustment

In 2009, the Town had an evaluation performed by the Environmental Department on the closure and post closure costs for the landfill and they estimated the total cost at \$1,776,335. A prior period adjustment was recorded in the amount of \$966,502 to account for the difference of the total cost minus amount client had on general ledger which was \$617,100.

NOTE 18. 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, 2009 and for the year then ended:

STATE OF NEW MEXICO
Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE 18. Component Unit (Continued)

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, 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. This coverage has increased to \$250,000 for time and savings deposits as well as demand deposits until December 31, 2013. Additionally, until December 31, 2009, all deposits in non-interest

	First National Bank	Farmers & Stockmans Bank	Total
Total of deposit in bank	\$ 41,945	\$ 66,555	\$ 108,500
Less: FDIC Coverage	41,945	66,555	108,500
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, 2009, all of the Authority's deposits were insured and the Authority was not exposed to custodial credit risk.

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Town of Clayton
Notes to Financial Statements
June 30, 2009

NOTE 18. Component Unit (Continued)

A. Capital Assets

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 51,294	\$ —	\$ —	\$ 51,294
Net Capital Assets, Not Being Depreciated:	<u>51,294</u>	<u>—</u>	<u>—</u>	<u>51,294</u>
Capital Assets, Being Depreciated:				
Buildings	1,805,791	—	—	1,805,791
Building Improvements	560,763	74,044	—	634,807
Equipment & Furniture	515,401	—	10,129	505,272
Vehicles	<u>32,324</u>	<u>—</u>	<u>—</u>	<u>32,324</u>
Total Business-Type Assets	\$ <u>2,914,279</u>	\$ <u>74,044</u>	\$ <u>10,129</u>	\$ <u>2,978,194</u>

B. Capital Assets (Continued)

Accumulated Depreciation:				
Buildings	1,138,357	37,247	—	1,175,604
Building Improvements	300,661	36,873	9,454	328,080
Equipment & Furniture	291,207	36,989	—	328,196
Vehicles	<u>12,095</u>	<u>2,549</u>	<u>—</u>	<u>14,644</u>
Total Accumulated Depreciation	<u>1,742,320</u>	<u>113,658</u>	<u>—</u>	<u>1,846,524</u>
Net Book Value	<u>\$ 1,223,253</u>	<u>\$ (39,614)</u>	<u>\$ 675</u>	<u>\$ 1,182,964</u>

Depreciation expense relating to operating activities for the year ended June 30, 2009 totaled \$94,085.

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

The Authority's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$6,677, \$6,443, and \$5,861, 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.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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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.

Street 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.

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.

Pooled Capital Projects Fund – To account for government assistance funds and capital outlay projects.

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, 2009

Statement A-1

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	Senior Citizens Fund	Library Fund	Cemetery Fund	Lodgers' Tax Fund	Fire Fund
<i>Assets</i>					
Cash and cash equivalents	\$ 50	\$ 119,343	\$ 128,280	\$ 164,250	\$ 1,421
Investments	-	-	-	-	-
Accounts and taxes receivable	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from other governments	4,287	-	-	10,986	22,400
Inventory	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Due from other funds	-	-	300	-	-
<i>Total assets</i>	<u>\$ 4,337</u>	<u>\$ 119,343</u>	<u>\$ 128,580</u>	<u>\$ 175,236</u>	<u>\$ 23,821</u>
<i>Liabilities</i>					
Accounts payable	\$ 11,856	\$ 660	\$ 196	\$ 2,825	\$ 198
Accrued expenses	162	-	-	-	295
Accrued compensated absences	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Due to other funds	-	-	4,830	-	-
<i>Total liabilities</i>	<u>12,018</u>	<u>660</u>	<u>5,026</u>	<u>2,825</u>	<u>493</u>
<i>Fund balances</i>					
Unreserved					
Designated for subsequent year	-	-	-	-	-
Unreserved, undesignated	(7,681)	118,683	123,554	172,411	23,328
<i>Total fund balances</i>	<u>(7,681)</u>	<u>118,683</u>	<u>123,554</u>	<u>172,411</u>	<u>23,328</u>
<i>Total liabilities and fund balances</i>	<u>\$ 4,337</u>	<u>\$ 119,343</u>	<u>\$ 128,580</u>	<u>\$ 175,236</u>	<u>\$ 23,821</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, 2009

Statement A-1

Page 2 of 2

Recreation Fund	Street Fund	EMS Fund	Local Government Correction Fund	Law Enforcement Fund	Municipal Income Interest Fund	CDBG Fund	Pooled Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 25	\$ 233,930	\$ -	\$ 251,905	\$ 3	\$ 6,884	\$ -	\$ 48,981	\$ 955,072
-	-	-	-	-	-	-	-	-
-	59,740	-	-	-	-	-	-	59,740
-	-	-	-	-	-	11,881	-	49,554
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	300
<u>\$ 25</u>	<u>\$ 293,670</u>	<u>\$ -</u>	<u>\$ 251,905</u>	<u>\$ 3</u>	<u>\$ 6,884</u>	<u>\$ 11,881</u>	<u>\$ 48,981</u>	<u>\$ 1,064,666</u>
\$ 1,678	\$ 4,741	\$ 1,041	\$ -	\$ 205	\$ -	\$ -	\$ -	\$ 23,400
137	6,934	-	-	-	-	-	-	7,528
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	9,259	-	48,981	63,070
<u>1,815</u>	<u>11,675</u>	<u>1,041</u>	<u>-</u>	<u>205</u>	<u>9,259</u>	<u>-</u>	<u>48,981</u>	<u>93,998</u>
-	-	-	-	-	-	-	-	-
(1,790)	281,995	(1,041)	251,905	(202)	(2,375)	11,881	-	970,668
<u>(1,790)</u>	<u>281,995</u>	<u>(1,041)</u>	<u>251,905</u>	<u>(202)</u>	<u>(2,375)</u>	<u>11,881</u>	<u>-</u>	<u>970,668</u>
<u>\$ 25</u>	<u>\$ 293,670</u>	<u>\$ -</u>	<u>\$ 251,905</u>	<u>\$ 3</u>	<u>\$ 6,884</u>	<u>\$ 11,881</u>	<u>\$ 48,981</u>	<u>\$ 1,064,666</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, 2009

Statement A-2
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	Senior Citizens Fund	Library Fund	Cemetery Fund	Lodgers' Tax Fund	Fire Fund	Recreation Fund
<i>Revenues:</i>						
Municipal Taxes	\$ -	\$ -	\$ -	\$ 146,820	\$ -	\$ 273
Licenses and Fees	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	-	2,511
Charges for Services	-	-	-	-	-	-
Fines	-	-	-	-	-	-
Miscellaneous Income	52,182	9,749	577	128	-	7,893
Interest Income	35	2,685	3,050	2,488	3,290	-
Grants	58,936	-	-	-	214,235	-
Agreement Revenues	-	-	-	-	-	-
<i>Total revenues</i>	<u>111,153</u>	<u>12,434</u>	<u>3,627</u>	<u>149,436</u>	<u>217,525</u>	<u>10,677</u>
<i>Expenditures:</i>						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	97,294	-
Public Works	-	-	-	-	-	-
Culture and Recreation	-	14,003	-	56,926	-	32,590
Health and Welfare	160,555	-	2,694	-	-	-
Capital Outlay	-	-	-	5,582	105,999	-
Debt Service:						
Principal	-	-	-	-	24,202	-
Interest	-	-	-	-	-	-
<i>Total expenditures</i>	<u>160,555</u>	<u>14,003</u>	<u>2,694</u>	<u>62,508</u>	<u>227,495</u>	<u>32,590</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(49,402)</u>	<u>(1,569)</u>	<u>933</u>	<u>86,928</u>	<u>(9,970)</u>	<u>(21,913)</u>
<i>Other financing sources (uses)</i>						
Bond Proceeds	-	-	-	-	-	-
Transfers In	41,802	-	-	-	20	23,096
Transfers Out	-	-	-	(27,455)	-	-
<i>Total other financing sources (uses)</i>	<u>41,802</u>	<u>-</u>	<u>-</u>	<u>(27,455)</u>	<u>20</u>	<u>23,096</u>
<i>Net change in fund balances</i>	(7,600)	(1,569)	933	59,473	(9,950)	1,183
<i>Fund balances - beginning 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>
<i>Fund balance restated, beginning of ye</i>	<u>(81)</u>	<u>120,252</u>	<u>122,621</u>	<u>112,938</u>	<u>33,278</u>	<u>(2,973)</u>
<i>Fund balances - end of year</i>	<u>\$ (7,681)</u>	<u>\$ 118,683</u>	<u>\$ 123,554</u>	<u>\$ 172,411</u>	<u>\$ 23,328</u>	<u>\$ (1,790)</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, 2009

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Street Fund	EMS Fund	Local Government Corrections Fund	Law Enforcement Fund	Municipal Income Interest Fund	CDBG Fund	Pooled Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 310,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 457,242
-	-	-	-	-	-	-	-
81,647	-	-	-	-	-	-	84,158
-	-	-	-	-	-	-	-
-	-	11,861	-	-	-	-	11,861
52,247	-	-	1	785	11,881	-	135,443
2,263	161	6,597	53	-	-	-	20,622
-	18,962	-	21,800	-	396,327	-	710,260
-	-	-	-	-	-	-	-
<u>446,306</u>	<u>19,123</u>	<u>18,458</u>	<u>21,854</u>	<u>785</u>	<u>408,208</u>	<u>-</u>	<u>1,419,586</u>
-	-	-	-	-	-	-	-
-	15,335	15,271	22,205	-	-	-	150,105
341,970	-	-	-	-	39,810	-	381,780
-	-	-	-	-	-	-	103,519
-	-	-	-	-	-	-	163,249
20,277	6,234	4,136	-	-	417,913	-	560,141
-	-	-	-	-	-	-	24,202
-	-	-	-	-	-	-	-
<u>362,247</u>	<u>21,569</u>	<u>19,407</u>	<u>22,205</u>	<u>-</u>	<u>457,723</u>	<u>-</u>	<u>1,382,996</u>
<u>84,059</u>	<u>(2,446)</u>	<u>(949)</u>	<u>(351)</u>	<u>785</u>	<u>(49,515)</u>	<u>-</u>	<u>36,590</u>
-	-	-	-	-	-	-	-
-	1,034	-	350	11,059	61,396	-	138,757
-	-	-	-	(54,961)	-	-	(82,416)
-	1,034	-	350	(43,902)	61,396	-	56,341
84,059	(1,412)	(949)	(1)	(43,117)	11,881	-	92,931
<u>197,936</u>	<u>371</u>	<u>252,854</u>	<u>(201)</u>	<u>40,742</u>	<u>-</u>	<u>-</u>	<u>877,737</u>
<u>197,936</u>	<u>371</u>	<u>252,854</u>	<u>(201)</u>	<u>40,742</u>	<u>-</u>	<u>-</u>	<u>877,737</u>
<u>\$ 281,995</u>	<u>\$ (1,041)</u>	<u>\$ 251,905</u>	<u>\$ (202)</u>	<u>\$ (2,375)</u>	<u>\$ 11,881</u>	<u>\$ -</u>	<u>\$ 970,668</u>

The accompanying notes are an integral part of these financial statements

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, 2009

	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	48,413	48,413	52,217	3,804
Grants	59,462	59,462	54,649	(4,813)
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>107,875</u>	<u>107,875</u>	<u>106,866</u>	<u>(1,009)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	150,210	152,334	146,807	5,527
Capital Outlay	3,032	3,032	-	3,032
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>153,242</u>	<u>155,366</u>	<u>146,807</u>	<u>8,559</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(45,367)</u>	<u>(47,491)</u>	<u>(39,941)</u>	<u>7,550</u>
<i>Other financing sources (uses)</i>				
Designated Cash	2,000	4,124	-	(4,124)
Transfers In	43,367	43,367	41,802	(1,565)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>45,367</u>	<u>47,491</u>	<u>41,802</u>	<u>(5,689)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	1,861	1,861
<i>Fund Balance - Beginning of Year</i>	-	-	65	65
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,926</u>	<u>\$ 1,926</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			4,287	
Adjustments to expenditures (liabilities)			(13,748)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (7,600)</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, 2009

	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	12,643	12,643	12,433	(210)
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>12,643</u>	<u>12,643</u>	<u>12,433</u>	<u>(210)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	12,184	12,184	14,003	(1,819)
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>14,003</u>	<u>1,043</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,403)</u>	<u>(2,403)</u>	<u>(1,570)</u>	<u>833</u>
<i>Other financing sources (uses)</i>				
Designated Cash	2,403	2,403	-	(2,403)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,403</u>	<u>2,403</u>	<u>-</u>	<u>(2,403)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(1,570)	(1,570)
<i>Fund Balance - Beginning of Year</i>	-	-	93,047	93,047
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,477</u>	<u>\$ 91,477</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			1	
Adjustments to expenditures (liabilities)			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (1,569)</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, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	11,085	11,085	16,862	5,777
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>11,085</u>	<u>11,085</u>	<u>16,862</u>	<u>5,777</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	12,500	12,500	2,694	9,806
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>12,500</u>	<u>12,500</u>	<u>2,694</u>	<u>9,806</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,415)</u>	<u>(1,415)</u>	<u>14,168</u>	<u>15,583</u>
<i>Other financing sources (uses)</i>				
Designated Cash	23,415	23,415	-	(23,415)
Transfers In	(22,000)	(22,000)	-	22,000
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,415</u>	<u>1,415</u>	<u>-</u>	<u>(1,415)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	14,168	14,168
<i>Fund Balance - Beginning of Year</i>	-	-	110,718	110,718
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,886</u>	<u>\$ 124,886</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(7,785)	
Adjustments to expenditures (liabilities)			(5,450)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 933</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, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ 105,750	\$ 105,750	\$ 147,470	\$ 41,720
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	1,780	1,780	2,488	708
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>107,530</u>	<u>107,530</u>	<u>149,958</u>	<u>42,428</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	64,640	79,640	56,932	22,708
Health and Welfare	-	-	-	-
Capital Outlay	36,000	36,000	5,582	30,418
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>100,640</u>	<u>115,640</u>	<u>62,514</u>	<u>53,126</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>6,890</u>	<u>(8,110)</u>	<u>87,444</u>	<u>95,554</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(45,509)	46,729	-	(46,729)
Transfers In	-	-	-	-
Transfers Out	38,619	(38,619)	(27,455)	11,164
<i>Total other financing sources (uses)</i>	<u>(6,890)</u>	<u>8,110</u>	<u>(27,455)</u>	<u>(35,565)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	59,989	148,680
<i>Fund Balance - Beginning of Year</i>	-	-	43,357	43,357
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,346</u>	<u>\$ 192,037</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			607	
Adjustments to expenditures (liabilities)			(1,123)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 59,473</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, 2009

	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	700	700	3,290	2,590
Grants	191,835	191,835	191,835	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>192,535</u>	<u>192,535</u>	<u>195,125</u>	<u>2,590</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	80,369	98,063	96,575	1,488
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	124,835	105,999	105,999	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>228,535</u>	<u>227,393</u>	<u>226,776</u>	<u>617</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(36,000)</u>	<u>(34,858)</u>	<u>(31,651)</u>	<u>3,207</u>
<i>Other financing sources (uses)</i>				
Designated Cash	36,000	34,858	-	(34,858)
Transfers In	-	-	20	20
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>36,000</u>	<u>34,858</u>	<u>20</u>	<u>(34,838)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(31,631)	(31,631)
<i>Fund Balance - Beginning of Year</i>	-	-	24,568	24,568
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,063)</u>	<u>\$ (7,063)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			22,400	
Adjustments to expenditures (liabilities)			(719)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (9,950)</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, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ 600	\$ 600	\$ 273	\$ (327)
Licenses and Fees	-	-	-	-
State Shared Taxes	1,750	1,750	2,511	761
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	6,600	6,600	7,893	1,293
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>8,950</u>	<u>8,950</u>	<u>10,677</u>	<u>1,727</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	-
Culture and Recreation	37,241	37,241	28,113	9,128
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,241</u>	<u>37,241</u>	<u>28,113</u>	<u>9,128</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(28,291)</u>	<u>(28,291)</u>	<u>(17,436)</u>	<u>10,855</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(16)	(16)	-	16
Transfers In	28,307	28,307	23,096	(5,211)
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>28,291</u>	<u>28,291</u>	<u>23,096</u>	<u>(5,195)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	5,660	5,660
<i>Fund Balance - Beginning of Year</i>	-	-	249	249
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,909</u>	<u>\$ 5,909</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			(4,477)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 1,183</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ 261,055	\$ 261,055	\$ 365,291	\$ 104,236
Licenses and Fees	-	-	-	-
State Shared Taxes	100,055	100,055	93,565	(6,490)
Charges for Service	600	600	-	(600)
Fines	-	-	-	-
Miscellaneous Income	110,520	110,520	289	(110,231)
Interest Income	-	-	2,263	2,263
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>472,230</u>	<u>472,230</u>	<u>461,408</u>	<u>(10,822)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	448,006	450,895	336,369	114,526
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	22,000	20,277	20,277	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>470,006</u>	<u>471,172</u>	<u>356,646</u>	<u>114,526</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,224</u>	<u>1,058</u>	<u>104,762</u>	<u>103,704</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(2,224)	(1,058)	-	1,058
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2,224)</u>	<u>(1,058)</u>	<u>-</u>	<u>1,058</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	104,762	104,762
<i>Fund Balance - Beginning of Year</i>	-	-	1,348	1,348
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,110</u>	<u>\$ 106,110</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			(15,102)	
Expenditure accruals			(5,601)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 84,059</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

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, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	50	50	161	111
Grants	19,765	19,765	18,962	(803)
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>19,815</u>	<u>19,815</u>	<u>19,123</u>	<u>(692)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	9,117	14,480	15,447	(967)
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	11,592	6,228	6,234	(6)
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,709</u>	<u>20,708</u>	<u>21,681</u>	<u>(973)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(894)</u>	<u>(893)</u>	<u>(2,558)</u>	<u>(1,665)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	894	893	-	(893)
Transfers In	-	-	1,034	1,034
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>894</u>	<u>893</u>	<u>1,034</u>	<u>141</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(1,524)	(1,524)
<i>Fund Balance - Beginning of Year</i>	-	-	4,345	4,345
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,821</u>	<u>\$ 2,821</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			112	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (1,412)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

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, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	17,000	17,000	11,861	(5,139)
Miscellaneous Income	5,050	5,050	6,597	1,547
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>22,050</u>	<u>22,050</u>	<u>18,458</u>	<u>(3,592)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	24,150	19,950	15,279	4,671
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	4,200	4,136	64
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>24,150</u>	<u>24,150</u>	<u>19,415</u>	<u>4,735</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,100)</u>	<u>(2,100)</u>	<u>(957)</u>	<u>1,143</u>
<i>Other financing sources (uses)</i>				
Designated Cash	2,100	2,100	-	(2,100)
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,100</u>	<u>2,100</u>	<u>-</u>	<u>(2,100)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(957)	(957)
<i>Fund Balance - Beginning of Year</i>	-	-	260,472	260,472
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,515</u>	<u>\$ 259,515</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			2	
Adjustments to expenditures (liabilities)			<u>6</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (949)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

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, 2009

	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	-	-	50	50
Grants	21,800	21,800	21,800	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>21,800</u>	<u>21,800</u>	<u>21,850</u>	<u>50</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	21,800	21,800	22,205	(405)
Public Works	-	-	-	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,800</u>	<u>21,800</u>	<u>22,205</u>	<u>(405)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(355)	(355)
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	-	-	350	350
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>350</u>	<u>350</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(5)	(5)
<i>Fund Balance - Beginning of Year</i>	-	-	-	-
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5)</u>	<u>\$ (5)</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			4	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (1)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

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, 2009

	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	221	221	784	563
Grants	-	-	-	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>221</u>	<u>221</u>	<u>784</u>	<u>563</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>221</u>	<u>221</u>	<u>784</u>	<u>563</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(99,258)	50,002	-	(50,002)
Transfers In	24,407	24,407	11,059	(13,348)
Transfers Out	74,630	(74,630)	(54,961)	19,669
<i>Total other financing sources (uses)</i>	<u>(221)</u>	<u>(221)</u>	<u>(43,902)</u>	<u>(43,681)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(43,118)	(43,118)
<i>Fund Balance - Beginning of Year</i>	-	-	66,628	66,628
<i>Fund Balance - End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,510</u>	<u>\$ 23,510</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			1	
Adjustments to expenditures (liabilities)			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (43,117)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

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, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Municipal Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	-	-	-	-
State Shared Taxes	-	-	-	-
Charges for Service	-	-	-	-
Fines	-	-	-	-
Miscellaneous Income	-	-	-	-
Grants	447,875	447,875	396,327	(51,548)
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	<u>447,875</u>	<u>447,875</u>	<u>396,327</u>	<u>(51,548)</u>
<i>Expenditures:</i>				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	39,810	39,810	39,810	-
Culture and Recreation	-	-	-	-
Health and Welfare	-	-	-	-
Capital Outlay	430,075	430,075	417,913	12,162
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>469,885</u>	<u>469,885</u>	<u>457,723</u>	<u>12,162</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(22,010)</u>	<u>(22,010)</u>	<u>(61,396)</u>	<u>(39,386)</u>
<i>Other financing sources (uses)</i>				
Designated Cash	-	-	-	-
Transfers In	22,010	22,010	61,396	39,386
Transfers Out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>22,010</u>	<u>22,010</u>	<u>61,396</u>	<u>39,386</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)			11,881	
Adjustments to expenditures (liabilities)			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 11,881</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, 2009

	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	-	220,000	-	(220,000)
Interest Income	-	-	18,650	-
Agreement Revenue	-	-	-	-
<i>Total revenues</i>	-	220,000	18,650	(220,000)
<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>	-	220,000	18,650	(220,000)
<i>Other financing sources (uses)</i>				
Designated Cash	(22,407)	(195,593)	-	195,593
Transfers In	-	-	-	-
Transfers Out	22,407	(24,407)	(66,141)	(41,734)
<i>Total other financing sources (uses)</i>	-	(220,000)	(66,141)	153,859
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	-	-	(47,491)	(66,141)
<i>Fund Balance - Beginning of Year</i>	-	-	1,220,351	1,220,351
<i>Fund Balance - End of Year</i>	\$ -	\$ -	\$ 1,172,860	\$ 1,154,210
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			-	
Adjustments to expenditures (liabilities)			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (47,491)	

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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Charges for Service	\$ 1,141,756	\$ 1,141,756	\$ 1,029,397	\$ (112,359)
Taxes	90,153	90,153	83,789	(6,364)
Miscellaneous	13,100	13,100	13,302	202
<i>Total revenues</i>	<u>1,245,009</u>	<u>1,245,009</u>	<u>1,126,488</u>	<u>(118,521)</u>
<i>Expenditures:</i>				
Personnel services	446,311	460,335	446,852	13,483
Contractual services	470,887	520,887	354,102	166,785
Materials & supplies	161,612	161,612	76,596	85,016
Fixed charges	97,255	97,255	88,088	9,167
Miscellaneous	45,000	45,000	33,019	11,981
<i>Total expenditures</i>	<u>1,221,065</u>	<u>1,285,089</u>	<u>998,657</u>	<u>286,432</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>23,944</u>	<u>(40,080)</u>	<u>127,831</u>	<u>167,911</u>
<i>Other financing sources (uses)</i>				
Designated Cash	(14,163)	229,861	-	(229,861)
Transfers In	-	-	-	-
Transfers Out	(9,781)	(189,781)	(109,149)	80,632
<i>Total other financing sources (uses)</i>	<u>(23,944)</u>	<u>40,080</u>	<u>(109,149)</u>	<u>(149,229)</u>
<i>Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)</i>	<u>-</u>	<u>-</u>	<u>18,682</u>	<u>18,682</u>
<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>\$ 588,908</u>	<u>\$ 588,908</u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues (assets)			(28,122)	
Adjustments to expenditures (liabilities)			885,061	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ 875,621</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2009

Schedule I

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2009	Name and Location of Safekeeper
First National Bank of NM	Eastern NM 276785UA8 4/1/2014	\$ 54,636	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	Eastern NM 27678NAK9 8/15/2011	52,852	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	Eastern NM 27678NAK9 8/15/2011	26,426	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB - Rio Rancho Sch Dist No. 94 767171FV8 8/1/2010	52,527	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB - Rio Rancho Sch Dist No. 94 767171FV8 8/1/2010	52,527	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB - Des Moines NM Sch Dist 250157BP9 10/1/2009	25,440	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB - Espanola NM Sch Dist No. 45 296628BK5 7/1/2012	213,091	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FNMA 31371N81 8/1/2027	76,894	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FNMA 31371N81 8/1/2027	38,447	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB Tularosa NM Sch Dist No. 4 899172GM6 7/1/2013	161,869	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FHLB 3133XGJA3 9/9/2016	110,360	Federal Home Loan Bank Dallas, Texas
First National Bank of NM	FFCB 31331XKB7 12/27/2018	52,244	Federal Home Loan Bank Dallas, Texas
Sub-total First National Bank of NM		<u>\$ 917,313</u>	
Farmers & Stockmens Bank	Federal Home Loan Bank 3133XKTV7 6/13/2014	828,770	Federal Home Loan Bank Dallas, Texas
Farmers & Stockmens Bank	Federal Home Loan Bank 31331X2Q4 9/4/2013	219,714	Federal Home Loan Bank Dallas, Texas
Sub-total Farmers & Stockmans Bank		<u>\$ 1,048,484</u>	
Total		<u>\$ 1,965,797</u>	

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2009

Schedule II

<u>Bank Account Type/Name</u>	<u>First National Bank of NM</u>	<u>Farmers & Stockmens Bank</u>	<u>Total</u>
Payroll	\$ 56,268	\$ -	\$ 56,268
Special Revenue	142,316	-	142,316
Money Market	976,213	-	976,213
Certificates of Deposit	1,041,780	-	1,041,780
Checking- General	-	320,677	320,677
Checking- Library	-	2,418	2,418
Checking Utility	-	91,085	91,085
Money Market	-	1,437,593	1,437,593
Certificates of Deposit	-	211,000	211,000
Total On Deposit	2,216,577	2,062,773	4,279,350
Reconciling Items	<u>(60,101)</u>	<u>(194,090)</u>	<u>(254,191)</u>
Total per bank, June 30, 2008	<u>\$ 2,156,476</u>	<u>\$ 1,868,683</u>	<u>4,025,159</u>
Total, all banks and petty cash			<u>\$ 4,025,159</u>

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

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COMPLIANCE SECTION

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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 4, 2009. 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, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to significant deficiencies.

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 misstatements of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be a significant deficiencies in internal control over financial reporting as findings FS 08-1, FS 08-2 and FS 09-3 through FS 09-9.

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.

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

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Our consideration of 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that FS 09-3, FS-09-4 and FS 09-8 of the significant deficiencies described above is a material weakness.

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 responses as items FS 08-1, FS 08-2, and FS 08-3, FS 09-1, FS 09-2, FS 09-3, FS 09-4, FS 09-5, FS 09-6, FS 09-7, FS 09-8, FS 09-9 and FS 09-10.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. 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 4, 2009

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STATE OF NEW MEXICO

Town of Clayton

Findings and Responses

June 30, 2009

Section II – Financial Statement Findings

FS 08-1 – Internal Control Deficiencies– Significant Deficiency - Repeated

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: Written policies and procedures will be developed for fraud and risk assessment which would detect fraud on a timely basis. The Town along with Union County has developed an Emergency Disaster Plan, however expansion of the plan is needed to address continuity of government and a disaster recovery plan that is adequate, management will work with the emergency management office to develop these plans.

FS 08-2 – Internal Control over Credit Card Usage– Significant Deficiency

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, 2009, the Town's Town Manager utilized the Town's credit card for purchases of meals which violated the Town's new policy dictated in the June 30, 2008 findings.

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 and implementing 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 and/or other charges that may be brought into question. As a result, an employee used a card issued by the Town for meal charges which are not allowed by the Town's new policy.

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: Charges to the credit card were authorized charges while on Town business. The policy in place restricts the usage of the credit card to charges for holding lodging reservations for over night accommodations. Current management will develop a written policy to be presented to council for approval, which will include a policy on a procurement card.

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.

STATE OF NEW MEXICO
Town of Clayton
Findings and Responses
June 30, 2009

FS 08-3 Audit Report

Condition: The Town's audit report for the year ended June 30, 2009 was not submitted to the State Auditor by the required due date, December 1, 2009. The audit report was submitted to the State Auditor's Office on January 15, 2010.

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, 2009. 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 was completed in December 2009.

Auditors' Recommendation: The Town experienced turnover in the Clerk and Treasurer positions during the 2009 fiscal year. The turnover and the lack of information provided by the previous financial director, created issues which resulted in the 2009 audit to be behind. 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.

FS-09-1 Internal Control Structure Standards

Condition: The Town has not maintained formalized "written" procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions.

Criteria: Per NMAC 6-5-2, "State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law."

Effect: The absence of proper and required policies and procedures may cause management to lack reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations.

Cause: The Town did not formalize policies and procedures at the Town level. The State Statutes provide guidance to the Town as it relates to the proper internal controls, however, it does not meet the requirements of NMAC 6-5-2 which requires a formalized manual of accounting policies and procedures.

Auditors' Recommendation: The Town must develop and implement written internal control policies and procedures in compliance with NMAC 6-5-2. The development of such policies will ensure operational effectiveness through a turnover, and operational changes.

Management's Response: : Management will implement written policies and procedures addressing internal accounting controls which will minimize and prevent errors and violations related to financial matters while maintaining compliance with state and federal laws and regulations.

STATE OF NEW MEXICO

Town of Clayton

Findings and Responses

June 30, 2009

FS-09-2 – Credit Card

Condition: During our testwork of Credit Card usage and transactions, we discovered a debit card was utilized by the Town during the fiscal year.

Criteria: Laws of 2007, Regular Session, Chapter 28, Section 3, Subsection L states, “Except for gasoline credit cards used solely for operation of official vehicles, telephone credit cards used solely for official business and procurement cards used as authorized by Section 6-5-9(I) NMSA 1978.”

Effect: This gives the cardholder direct access to public funds with the possibility of incurring unauthorized interest charges, which negates cash controls and is not good accounting practice.

Cause: The administration of the Town set up a credit card for use in general operation; mainly to utilize the cards for travel reservations and other expenditures.

Auditors’ Recommendation: The Town should cancel the credit cards and only utilize procurement cards authorized by Section 6-5-9(I) NMSA 1978.

Management’s Response: Management will implement the use of procurement cards subject to approval of council

FS 09-3 – Bank Reconciliations

Condition: During our audit we noted that bank reconciliations did not have evidence of being properly reviewed or performed timely during the months of October 2008 through March 2009.

Criteria: Proper internal controls procedures require all bank accounts to be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the appropriate superior and submitted to the governing council for approval.

Effect: The Town’s books and records are at risk for containing material misstatements (intentional or unintentional) that are not detected timely. Financial institutions limit the amount of time account holders have to notify the institution regarding errors in an account. After the time limit has passed the account holder is responsible for losses, not the financial institution. Therefore, the Town could be liable for losses if the bank is not notified in a timely manner.

Cause: The Town Manager does not sign off that she reviews the bank reconciliation and therefore, there does not appear to be implementation of a internal controls to protect the Town from possible fraud or misstatement. This issue was magnified by the turnover of personnel during the fiscal year.

Auditor’s Recommendation: We recommend the Town Manager or other key employee initial or sign and date the bank reconciliations once they have been properly reviewed. Bank reconciliations should be performed no later than 30 days after each month end. The reconciliations could be reported to the governing council as completed each month.

Management’s Response: Internal controls and procedures will be implemented to insure that bank reconciliations are being signed and reviewed by the Town Manager, and performed within 30 days after month end.

STATE OF NEW MEXICO

Town of Clayton

Findings and Responses

June 30, 2009

FS 09-4 – Internal Control over Financial Reporting

Condition: The individuals responsible for the accounting and reporting functions for the Town lack the skills and knowledge to apply generally accepted accounting principles in preparing the entity's financial statements. The accounting management has not obtained training to adequately apply generally accepted accounting principles, which includes GASB 34 and subsequent pronouncements.

Criteria: Statement on Auditing Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

Effect: The Town, without the aid of its auditors, is unable to accurately prepare financial statements in accordance with governmental accounting standards with regard to applying generally accepted accounting principles.

Cause: Individuals responsible for the accounting and reporting functions for the Town have not received training in preparing governmental financial statements in accordance with GASB (Governmental Accounting Standards Board) Statement No 34 and subsequent pronouncements.

Auditor's Recommendation: We recommend the Town's accounting management receive the training relating to the preparation of the Town's financial statements in accordance with generally accepted accounting principles. This would give the individuals responsible for the accounting and reporting functions the skills and knowledge to apply generally accepted accounting principles to the financial statements.

Management's Response: The Town will schedule key employees to attend training courses in accordance with the Governmental Accounting Standards Board.

FS 09-5 – Internal Controls over Non-Standard Journal Entries

Condition: The Town does not have adequate internal controls over non-standard journal entries entered into its accounting system. Journal entries for the fiscal year 2009 were not reviewed prior to posting which indicates a lack of segregation of duties.

Criteria: Policies and Procedures documenting administrative and accounting controls in accordance with Generally Accepted Accounting Principles are required. Sound business practice recommends review and approval of all non-standard journal entries.

Effect: Without proper review of these journal entries, errors or irregularities could go undetected and cause financial statements to be misstated.

Cause: The Town has limited knowledgeable staff that is able to review journal entries. In addition, prior administrative personnel did not present journal entries to the council or other key members of management for approval.

Auditor's Recommendation: We recommend the Town update and implement its policies and procedures regarding the review and approval of manual journal entries and implement a procedure to insure non-standard journal entries are reviewed, approved and supported.

Management's Response: Current management is reviewing all journal entries with two other key employees. A written policy will be developed to ensure that the procedure is being implemented and followed, documenting approval and review.

STATE OF NEW MEXICO

Town of Clayton

Findings and Responses

June 30, 2009

FS 09-6 – Internal Controls over Receipts

Condition: During our testwork we found that one customer was charged less than the ordinance amount required for his properties. The customer had 4 properties and was only charged \$5.44 for all of them when he should have been charged \$14.70 for each.

Criteria: Utility billings must agree with the accounts receivable subsidiary ledger and the contract amounts must agree to the ordinance established by the Municipality.

Effect: The City was undercharging the customer \$58.80 each month for a total of \$705.60 for the year.

Cause: When discussed with staff, GPS found that staff was unaware of why the computer system had this incorrect amount for the customer and was not sure how it produced the charge.

Auditor's Recommendation: We recommend that the City double check amounts charged to customers to make sure there are no mistakes within the computer system.

Management's Response: Management will implement policies addressing internal review of rate charges.

FS 09-7 – Communication and Monitoring Controls - Audit Committee

Condition: The Town has not utilized an audit committee which includes key members of management and at least one board member.

Criteria: Proper internal control structure shall demonstrate that the Town identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the Town complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through Town correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the Town to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all Town transactions. Inadequate design of monitoring controls used to assess the design and operating effectiveness of the entity's internal control over time.

Effect: The internal control structure must include proper information and monitoring procedures. Not maintaining this structure may result in possible fraudulent activity or misinformation to those in charge of governance; resulting in poor operational decisions.

Cause: The Town has not established or utilized a formalized audit committee to ensure proper monitoring controls are implemented.

Auditor's Recommendation: We recommend the Town implement and utilize an audit committee to solidify internal control components of communication and monitoring. The audit committee should include no less than one board member. This is particularly important given recent developments with New Mexico Town Towns.

Management's Response: It is agreed that an internal control structure is needed, either an internal control officer will be assigned to report to management and governing body or a committee type structure will be implemented.

STATE OF NEW MEXICO

Town of Clayton

Findings and Responses

June 30, 2009

FS 09-8 – Capital Assets

Condition: The Town does not have sufficient internal controls to safeguard its capital assets, track asset additions and deletions, or maintain an accurate depreciation schedule. In addition, the Town did not take an annual inventory of its capital assets.

Criteria: The Town must have proper internal control to safeguard assets and provide accountability for the capital assets being depreciated and capital assets not being depreciated in accordance with GASB 34 and NMSA 1978 Section 12-6-10. Per NMAC 2.20.1 “A. Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions. B. The information to be recorded and maintained on its fixed assets, must include at a minimum the following: (1) agency name or commonly used initials used to identify the agency; (2) fixed asset number or fixed asset number plus component number; (3) a description using words meaningful for identification; (4) location, specifically a building and room number. If the asset is movable, the name and location of the fixed asset coordinator should be used; (5) manufacturer name (NOT the vendor's name, unless vendor is the manufacturer); (6) model number or model name; (7) serial number, or vehicle identification number (VIN) for vehicles in agency's use & possession. If the fixed asset has no serial number, e.g., a custom-built asset, absence should be acknowledged by coding this as "none"; (8) estimated useful life or units expected to be produced; (9) date acquired (month and year); (10) cost (according to the valuation methods described in section 10 [now 2.20.1.10 NMAC]; (11) fund and organization that purchased the asset, or to which it was transferred. C. The system must be capable of generating lists of fixed assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation (if needed), betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger.” In addition, per NMAC 2.20.1.16 Annual Inventory, at the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of one thousand dollars (\$5,000) or more, under the control of the governing authority.

Effect: Proper capital asset identification and location tracking by management are essential in the prevention of theft and loss of the Town's capital assets. A result of this insufficient internal control over capital assets is that the Town could not ensure accurate or accounting for the Town's individual assets. The Town's financial statements are potentially materially misstated because of the lack of management of capital assets.

Cause: With the Town having a decentralized asset management system, communication is lacking between departments regarding who is in charge of certain assets. Also, there are no internal controls implemented by management to track the assets in the different departments and ensure that accurate additions, deletions, impairment, and depreciation lists are maintained and updated.

Auditor's Recommendation: The Town must conduct an annual physical inventory of its assets in accordance with its capitalization policy and statute, and update the capital asset listing annually. The capital asset listing should include asset identification, location, and historical cost. The Town should calculate depreciation on its depreciable capital assets, and have the depreciation schedule available for audit. We also recommend that the Town hire and train personnel in the area of capital assets maintenance.

Management's Response: The Town will require that key personnel attend training courses in accordance with capital asset management.

STATE OF NEW MEXICO

Town of Clayton

Findings and Responses

June 30, 2009

FS 09-9 – Payroll

Condition: During payroll test work, three out of twenty employee files reviewed did not have an I-9 properly completed.

Criteria: State Statutes require that agencies shall maintain and have available for inspection the following employee record documentation: employment contracts, personnel/payroll action forms, certification records, employment eligibility verification (I-9), federal and state withholding allowance certificates, pay deduction authorizations, pay, or position change notices, and direct deposit authorizations. The Immigration Reform and Control Act (IRCA) of 1986 require, among other things, that an employee's eligibility to work be verified by use of the Employment Eligibility Verification Form I-9. Sections one and two of this form are required to be filled out completely upon hiring.

Effect: The Town is not in compliance with state Statutes and with IRCA of 1986. By not properly filling out the documents it is possible that the Town could allow an individual not legal to employ in the United States take a job, which could put the Town at risk for possible litigation and/or subject to penalties and fines from the Internal Revenue Service. W-4's must be maintained to ensure proper withholding from payroll transactions.

Cause: The files which are missing I-9 forms are a result of prior administration not obtaining proper documentation within the Human Resource Department. The Town has not updated personnel files relating to I-9's for individuals.

Auditor's Recommendation: We recommend that the Town ensure that all forms filled out by both the employer and employee upon hiring be filled out completely in order to be in compliance with State Statute and the IRCA of 1986. In addition, the Town should implement procedures to ensure missing I-9's are completed and information is obtained in accordance with US Department of Homeland Security, US Citizen and Immigration Services, instructions which reads as follows; "An employer who discovers that the Form I-9 is not on file for a given employee should request that the employee complete section 1 of the Form I-9 immediately and submit documentation as required in Section 2. The new form should be dated when completed--never post-dated. When an employee does not provide acceptable documentation, the employer must terminate employment or risk being subject to penalties for "knowingly" continuing to employ an unauthorized worker if the individual is not in fact authorized to work."

Management Response: As previously stated the town will implement an internal compliance officer or committee to test each department to ensure the town is following applicable state and federal regulations.

FS-09-10 Budget Over-expenditures

Condition: The Town incurred expenditures in excess of the approved budget in the following funds:

EMS Fund	\$ 973
Law Enforcement Fund	<u>404</u>
Subtotal, Nonmajor Funds	<u>1,377</u>
Total, All Funds	<u>\$ 1,377</u>

Criteria: NMSA 1978, Section 6-6-6 states that when any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.

Effect: State statute may have been violated subjecting those responsible to the penalty provisions of the statute.

Cause: Expenditures were approved in excess of available budget or budget adjustments were not approved to cover the expenditures approved.

Auditor's Recommendation: We recommend that Town review budget prior to authorizing expenditures and that appropriate budget adjustments are made to alleviate excess expenditures.

Management Response: The Town will perform procedures to ensure compliance with budget requirements.

STATE OF NEW MEXICO

Town of Clayton

Findings and Responses

June 30, 2009

Separately Issued Housing Authority (Component Unit) Findings

Item 2009-01 – Internal Controls over Disbursements

Statement of Condition – During our review of the internal controls related to the cash disbursements accounting system, and our testing of the cash disbursement transactions we discovered the following deviations:

As part of his job description, the Clerk prepares all disbursements and deposits for the Authority. The Clerk prepares all draw down requests for funding from the U. S. Department of Housing and Urban Development. The Clerk is an authorized check signer for all checking accounts held for the Authority. During the fiscal year, the Clerk signed, as one of the two signatures on the check, approximately 55% of all disbursements issued by the Authority.

Of the forty disbursements tested, there were two occasions where the check only had one authorized signature.

Criteria – Internal controls are established to safe guard the assets of the Authority from unauthorized use. An internal control procedure established by the Board is to require two authorized signatures on each check prepared. Additionally, when checks are presented to the authorized check signers the supporting documents such as invoices for the goods or services are attached to the payment voucher. The use of two authorized check signers on all disbursements allows two individuals the opportunity review the supporting documentation to determine valid and accurate Authority payables.

Effect – When the clerk who prepares all the documentation for payment is allowed to sign the check the control established to use two separate individuals is defeated. Allowing only one individual to prepare, review, and sign all disbursements, increase the opportunity to have fictitious vendors receiving payment. Without a proper segregation of duties established, there is ample opportunity for items to be taken or fraud being committed by the staff of the Authority.

Cause – Early in the fiscal year when the prior executive director retired, the Board allowed to Clerk, who was acting executive director to be added as an authorized check signer. Upon the hiring of the new executive director the Board believed the Clerk should have been kept on as an authorized signature.

Recommendation – We recommend the Board of Commissioners to vote to amend the signature card for all Authority cash accounts and to remove the Clerk as an authorized check signer. We recommend the Board of Commissioners to review and determine if all Commissioners should be authorized check signers. Furthermore, we recommend the Board of Commissioners create policies and procedures concerning internal controls over cash disbursements, specifically stating who is authorized to sign disbursement checks.

Views of Responsible Officials and Planned Corrective Actions – During the interim where there was no executive director the Housing Authority was using the Clerk as and “acting” director. During that period it was necessary for the clerk/acting executive director to be able to sign checks so that bills could be paid in a timely manner. Now that the new executive director is familiar with how the office operates, the clerk will be removed as a signer for all checks. It has been determined that only the executive director and commissioners shall be authorized check signers. All checks must have two signatures.

STATE OF NEW MEXICO

Town of Clayton

Findings and Responses

June 30, 2009

Item 2007-03 – Tenant Eligibility

Statement of 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:

Three occasions where the applicant did not fill out Form 214, *Personal Declaration of Status* correctly.

Five occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy.

Nine occasions where a representative of the Authority failed to sign the annual home inspection form.

Four occasions where a representative of the Authority failed to sign the lease agreement contract.

One occasion where a representative of the Authority failed to sign the tenant application form.

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 tenant’s files. The Authority failed to ensure that all necessary forms which needed to be signed by a representative of the Authority, were reviewed, completed, and signed.

Recommendation – We recommend that Authority employees follow established rules and procedures regarding the completion of tenant files and the retention of the completed files. Furthermore, we recommend the Authority’s appointed representatives review and sign all documentation that needs Authority signatures.

Views of Responsible Officials and Planned Corrective Actions – With limited training the new executive director was unaware of all the required documents that should be in the file. The new executive director has established new tenant files and checklist that make files easier to read and documents easier to find. The executive director will review all tenant files before year end to assure accuracy.

STATE OF NEW MEXICO

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Item 2009-02 – Board Minutes

Statement of Condition – During our review of the Board of Commissioner’s monthly board meeting minutes, we discovered the following deviations:

For the July 2008 board meeting, the Board approved the minutes of the meeting at the conclusion of the meeting and not at the next (August 2008) Board meeting.

Between January 2009 and June 2009, the Authority held nine meetings. Of these nine meetings, there were five occasions where the Authority’s Board of Commissioners failed to follow the agenda that was prepared prior to the meeting. Items would be added or deleted from the agenda without Board approval or consent.

Between October 2008 and June 2009, the Authority had ten meetings. On six occasions, the Board failed to properly enter into and out of closed executive sessions as per the Open Meetings Act. The Board discussed limited personnel matters (the hiring of the new executive director, promotion of the clerk, hiring of a part-time employee) during an open session. The Board failed to discuss limited personnel matters during a closed executive session.

During the Board meetings held between January 2009 and June 2009, the Board failed to approve various items via a motion. The Board would “agree” to an item that was being discussed rather than have a formal vote or the Board would be informed that a specific action has already taken place. The Board failed to vote in a public meeting; the promotion of the clerk to acting executive director, the hiring of the new executive director, a salary increase of the clerk, and the hiring of a part-time maintenance staff.

Criteria – Section 10-15-1 (F) of the New Mexico State Statutes states, in part, *“Meeting notices shall include an agenda containing a list of specific items of business to be discussed or transacted at the meeting or information on how the public may obtain a copy of such an agenda.”* Section 10-15-1 (H) (2) of the New Mexico State Statutes states, in part, *“A meeting may be closed to discuss limited personnel matters. A limited personnel matter indicates the discussion of hiring, promotion, demotion, dismissal, assignment or resignation of any individual public employee. Further that this subsection is not to be construed as to exempt final actions on personnel from being taken at open public meeting.”* Section 10-15-1 (I) (1) of the New Mexico State Statutes states, *“If made in an open meeting, shall be approved by a majority vote of a quorum of the policymaking body; the authority for the closure and the subject to be discussed shall be stated with reasonable specificity in the motion calling for the vote of a closed meeting; the vote shall be taken in an open meeting; and the vote of each individual member shall be recorded in the minutes. Only those subjects announce or voted upon prior to closure by the policymaking body may be discussed in a closed meeting.”* Section 10-15-1 (I) (3) of the New Mexico State Statutes states, in part, *“Following completion of any closed meeting, the minutes of the open meeting that was closed shall state that the matters discussed in the closed meeting were limited only to those specified in the motion for closure. This statement shall be approved by the public body.”*

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes. By discussing limited personnel matters, in an open session, it violates the confidentiality of the hiring process of all staff. Furthermore, noncompliance with the Open Meetings Act could lead to potential lawsuits.

Cause – The Board of Commissioners and the executive director do not understand the requirements and procedures of the Open Meetings Act. The Board failed to follow the agenda as it was presented; failed to follow the requirements and procedures of discussing limited personnel items during a meeting; and failed to properly vote and approve various items requiring a formal vote by the Board.

Recommendation – We recommend the Board of Commissioners and the executive director review the Open Meetings Act (Section 10-15-1) to ensure compliance with all aspects of the Act. We recommend the Board of Commissioners review how to conduct a meeting including the necessary steps to enter into and out of a closed executive session. Furthermore, we recommend the Board of Commissioners to approve items by a vote of the Board.

Views of Responsible Officials and Planned Corrective Actions – Until recently the board of commissioners and the new executive director were unaware of the proper procedures for the Open Meetings Act. Since the audit, all commissioners and the executive director have been given a copy of the New Mexico Open Meetings Act Compliance Guide. Under the previous executive director, the board of commissioners was not made aware of proper procedures. All meetings are now being conducted properly. The agenda is now being followed without deviation. Everyone is now educated on how to proceed into and conclude executive sessions, and properly vote for items instead of “agreeing”.

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Prior Year Audit Findings – Town of Clayton

FS 07-01 — Employee Personnel Files and Employee Time Sheets-Resolved
FS 08-01 — Internal Control Deficiencies-Repeated
FS 08-02 — Internal Control over Credit Card Usage-Repeated
FS 08-03 — Audit Report-Repeated

Prior Year Audit Findings – Housing Authority

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 2007-03.

Other Disclosures

Exit conference

On January 12, 2010, an exit conference was held with JJ Griego, CPA of Griego Professional Services LLC, with Jack Chosvig, Mayor, Ferron Lucero, Town Manager Carla Taylor, Administrative Assistant and Karen Bray, Town 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.