

**STATE OF NEW MEXICO  
TOWN OF CLAYTON**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2010**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
Table of Contents  
June 30, 2010

	<u>PAGE</u>
Directory of Officials.....	1
Independent Auditors' Report.....	2-3
 <b><i>BASIC FINANCIAL STATEMENTS</i></b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	4
Statement of Activities.....	5
 <b>Governmental Funds Financial Statements:</b>	
Balance Sheet.....	6
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Assets .....	7
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	9
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
General Fund .....	10
Municipal Street Fund .....	11
 <b>Proprietary Funds Financial Statements:</b>	
<u>Enterprise Funds:</u>	
Statement of Net Assets.....	12
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	13
Statement of Cash Flows .....	14
Notes to the Financial Statements.....	15-49
 <b><i>SUPPLEMENTAL INFORMATION</i></b>	
<b>Combining and Individual Non-Major Governmental Funds Financial Statements:</b>	
Combining Balance Sheet.....	50-51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	52-53

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
Table of Contents  
June 30, 2010

	<u>PAGE</u>
<b>Non-Major Special Revenue Funds Budgetary Comparison Statements</b>	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Senior Citizen's Fund .....	54
Library Fund.....	55
Cemetery Fund .....	56
Lodgers' Tax Fund .....	57
Fire Fund.....	58
Recreation Fund.....	59
Emergency Medical Services Fund .....	60
Local Government Corrections Fund.....	61
Law Enforcement Protection Fund .....	62
Municipal Income Interest Fund .....	63
 Reconciliation of the Budgetary Comparison Statements to the Statements of Revenues, Expenditures and Changes in Fund Balances .....	 64-67
<b>Major Capital Project Fund Budgetary Comparison Statement:</b>	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Government Assistance Fund .....	68
 Reconciliation of the Budgetary Comparison Statements to the Statement of Revenues, Expenditures and Changes in Fund Balances .....	 69-70
<b>Major Permanent Fund Budgetary Comparison Statement:</b>	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Municipal Income Permanent Fund.....	71
 Reconciliation of the Budgetary Comparison Statements to the Statement of Revenues, Expenditures and Changes in Fund Balances .....	 72
<b>Major Enterprise Fund Budgetary Comparison Statement:</b>	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Joint Utility Fund.....	73

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
Table of Contents  
June 30, 2010

	<u>PAGE</u>
<b>Major Enterprise Fund Budgetary Comparison Statement (continued):</b>	
Reconciliation of the Budgetary Comparison Statements to the Statements of Revenues, Expenditures and Changes in Fund Net Assets.....	74-75
 <b>SUPPLEMENTAL FINANCIAL INFORMATION</b>	
Schedule of Cash Accounts .....	76
Schedule of Pledged Collateral .....	77
Schedule of Joint Power Agreements and Memorandum of Agreement.....	78-79
 <b>ADDITIONAL INDEPENDENT AUDITORS' REPORTS</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	80-81
Schedule of Findings and Responses .....	82-102
Exit Conference and Preparation of Financial Statements .....	103

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
Directory of Officials  
June 30, 2010

***ELECTED OFFICIALS***

Jack Chosvig .....	Mayor
Noel Allen .....	Mayor Pro-Tem
Coby Beckner .....	Trustee
Leroy Montoya .....	Trustee
Tony Naranjo .....	Trustee

***DEPARTMENT HEADS***

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

***HOUSING AUTHORITY***

Y. Irene Gonzales .....	Chairperson
Carlota Ulibarri .....	Vice-Chairperson
Carrell R. Blakely .....	Commissioner
Rick Hood .....	Commissioner
Amber Painter .....	Commissioner

***ADMINISTRATION***

Angela Lucero .....	Executive Director
---------------------	--------------------

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.comIndependent Auditors' ReportHector H. Balderas, State Auditor  
and  
Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund of the Town of Clayton as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Town's nonmajor governmental funds, and the budgetary comparisons for the major capital project fund, major permanent fund, major enterprise fund, and the 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the Town of Clayton's management. Our responsibility is to express an opinion 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, 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, 2010, and the respective changes in financial position and cash flows, 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 financial position of each nonmajor governmental funds of the Town of Clayton, as of June 30, 2010, and changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the general fund, major special revenue fund, major capital project fund, major permanent fund, major enterprise fund, and all nonmajor governmental funds referred to previously present fairly, in all material respects, the budgetary comparison for each fund of the Town of Clayton for the year ended June 30, 2010, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2011, on our consideration of the Town of Clayton's internal control over financial reporting and 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 or on financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Clayton has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed 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 other supplemental financial information in the table of contents, are presented for purposes of additional analysis and, are not a required part of the basic financial statements and, other opinion units listed above. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and other opinion units listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements and, other opinion units listed above.

*Fierro + Fierro, P.A.*

Fierro & Fierro, P.A.  
Las Cruces, New Mexico

July 21, 2011

***BASIC FINANCIAL STATEMENTS***



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$ 3,300,041	\$ 520,313	\$ 3,820,354	\$ 97,873
Receivables, net of allowance for doubtful accounts:				
Accounts	59,547	173,077	232,624	546
Taxes	399,421	6,631	406,052	-
Intergovernmental	50,278	-	50,278	-
Interest	494	156	650	169
Inventory	-	-	-	17,284
Prepaid expenses	-	-	-	4,632
Restricted cash	-	-	-	6,306
Restricted investments	41,734	1,289,955	1,331,689	-
Unamortized debt issuance costs	-	18,382	18,382	-
Capital assets:				
Land and construction in progress	2,974,081	757,641	3,731,722	51,294
Other capital assets, net of depreciation	4,850,140	10,736,350	15,586,490	1,243,120
Total capital assets	7,824,221	11,493,991	19,318,212	1,294,414
Total assets	11,675,736	13,502,505	25,178,241	1,421,224
<b>LIABILITIES</b>				
Accounts payable	41,089	24,809	65,898	11,680
Accrued salaries	13,469	2,780	16,249	1,315
Accrued payroll taxes	3,671	787	4,458	-
Accrued interest payable	9,938	8,625	18,563	-
Deposits payable	-	10,077	10,077	6,306
Deferred revenues	86,915	11,091	98,006	1,530
Long-term liabilities:				
Due within one year	214,733	152,553	367,286	1,009
Due in more than one year	486,664	3,051,370	3,538,034	-
Total liabilities	856,479	3,262,092	4,118,571	21,840
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,248,839	11,155,392	18,404,231	1,294,414
Restricted:				
Debt service	37,622	112,140	149,762	-
Endowment:				
Expendable	1,162,163	-	1,162,163	-
Unrestricted	2,370,633	(1,027,119)	1,343,514	104,970
Total net assets	\$ 10,819,257	\$ 10,240,413	\$ 21,059,670	\$ 1,399,384

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

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 786,523	\$ 19,619	\$ 320,006	\$ -	\$ (446,898)	\$ -	\$ (446,898)	\$ -
Public safety	1,914,877	320,870	424,531	283,227	(886,249)	-	(886,249)	-
Public works	417,914	-	257,952	2,698,434	2,538,472	-	2,538,472	-
Culture and recreation	438,911	9,711	14,302	-	(414,898)	-	(414,898)	-
Health and welfare	181,826	42,848	101,907	-	(37,071)	-	(37,071)	-
Interest on long-term debt	17,820	-	-	-	(17,820)	-	(17,820)	-
Total governmental activities	3,757,871	393,048	1,118,698	2,981,661	735,536	-	735,536	-
Business-type activities:								
Water	1,573,090	479,342	-	27,719	-	(1,066,029)	(1,066,029)	-
Wastewater	337,259	264,349	-	11,675	-	(61,235)	(61,235)	-
Solid waste	370,215	361,591	-	224,932	-	216,308	216,308	-
Interest on long-term debt	37,116	-	-	-	-	(37,116)	(37,116)	-
Total business-type activities	2,317,680	1,105,282	-	264,326	-	(948,072)	(948,072)	-
Total primary government	<u>\$ 6,075,551</u>	<u>\$ 1,498,330</u>	<u>\$ 1,118,698</u>	<u>\$ 3,245,987</u>	735,536	(948,072)	(212,536)	-
Component Unit:								
Housing Authority	<u>\$ 360,861</u>	<u>\$ 119,405</u>	<u>\$ 105,871</u>	<u>\$ 233,276</u>				97,691
General Revenues:								
Gross receipts taxes					1,417,065	19,433	1,436,498	-
Property taxes, levied for general purposes					93,976	-	93,976	-
Lodgers' taxes					121,733	-	121,733	-
Franchise taxes					75,567	-	75,567	-
Public service taxes					97,686	-	97,686	-
Interest income					43,840	9,113	52,953	750
Donations					4,450	-	4,450	-
Insurance recoveries					1,915	9,248	11,163	-
Special Item - Gain on sale of land					1,800	-	1,800	-
Transfers					(27,806)	27,806	-	-
Total general revenues, special items, and transfers					1,830,226	65,600	1,895,826	750
Change in net assets					2,565,762	(882,472)	1,683,290	98,441
Net assets, beginning of year					7,970,978	11,116,266	19,087,244	1,300,943
Restatements					282,517	6,619	289,136	-
Net assets, beginning of year, restated					8,253,495	11,122,885	19,376,380	1,300,943
Net assets, end of year					<u>\$ 10,819,257</u>	<u>\$ 10,240,413</u>	<u>\$ 21,059,670</u>	<u>\$ 1,399,384</u>

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

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General Fund	Municipal Street Fund	Government Assistance Fund	Municipal Income Permanent Fund	Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 911,598	\$ 603,058	\$ -	\$ 1,162,163	\$ 623,222	\$ 3,300,041
Receivables, net of allowance for doubtful accounts:						
Accounts	59,547	-	-	-	-	59,547
Taxes	308,436	75,430	-	-	15,555	399,421
Intergovernmental	-	-	43,022	-	7,256	50,278
Interest	294	-	-	-	200	494
Due from other funds	398	-	-	-	-	398
Restricted:						
Investments	4,258	-	-	-	37,476	41,734
Total assets	<u>\$ 1,284,531</u>	<u>\$ 678,488</u>	<u>\$ 43,022</u>	<u>\$ 1,162,163</u>	<u>\$ 683,709</u>	<u>\$ 3,851,913</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 12,445	\$ 12,059	\$ 6,733	\$ -	\$ 9,852	\$ 41,089
Accrued salaries	11,586	997	-	-	886	13,469
Accrued payroll taxes	3,059	506	-	-	106	3,671
Deferred revenues	90,362	11,091	-	-	-	101,453
Due to other funds	-	-	-	-	398	398
Total liabilities	117,452	24,653	6,733	-	11,242	160,080
Fund Balances:						
Reserved:						
State mandated reserve	236,941	-	-	-	-	236,941
Debt service	4,253	-	-	-	-	4,253
Debt service reported in nonmajor:						
Special revenue funds	-	-	-	-	33,369	33,369
Expendable endowment	-	-	-	1,162,163	-	1,162,163
Perpetual care reported in nonmajor:						
Special revenue funds	-	-	-	-	129,837	129,837
Subsequent year's expenditures	109,888	179,083	-	-	-	288,971
Subsequent year's expenditures reported in nonmajor:						
Special revenue funds	-	-	-	-	93,834	93,834
Unreserved	815,997	474,752	36,289	-	-	1,327,038
Unreserved, reported in nonmajor:						
Special revenue funds	-	-	-	-	415,427	415,427
Total fund balances	<u>1,167,079</u>	<u>653,835</u>	<u>36,289</u>	<u>1,162,163</u>	<u>672,467</u>	<u>3,691,833</u>
Total liabilities and fund balances	<u>\$ 1,284,531</u>	<u>\$ 678,488</u>	<u>\$ 43,022</u>	<u>\$ 1,162,163</u>	<u>\$ 683,709</u>	<u>\$ 3,851,913</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

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

Total fund balance governmental funds (page six)	\$	3,691,833
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,824,221
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		14,538
Accrued interest payable on long-term debt as of year-end is reflected as such within the statement of net assets. Governmental fund recognize the interest as it becomes due.		(9,938)
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore are not reported in the funds.		<u>(701,397)</u>
Net assets of governmental activities (page four)	\$	<u><u>10,819,257</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Municipal Street Fund	Government Assistance Fund	Municipal Income Permanent Fund	Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>						
Gross receipts taxes	\$ 1,122,918	\$ 294,147	\$ -	\$ -	\$ -	\$ 1,417,065
Property taxes	105,225	-	-	-	-	105,225
Franchise taxes	75,567	-	-	-	-	75,567
Lodgers' taxes	-	-	-	-	121,733	121,733
Public service taxes	5,263	90,414	-	-	2,009	97,686
Intergovernmental	435,749	57,952	2,890,261	-	516,397	3,900,359
Charges for services	232,070	-	-	-	52,499	284,569
Licenses and permits	6,427	-	-	-	-	6,427
Fines and forfeitures	47,621	-	-	-	21,286	68,907
Interest	16,036	1,517	-	17,214	9,073	43,840
Miscellaneous	35,060	200,000	-	-	4,450	239,510
<b>Total revenues</b>	<b>2,081,936</b>	<b>644,030</b>	<b>2,890,261</b>	<b>17,214</b>	<b>727,447</b>	<b>6,360,888</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	743,307	-	-	-	-	743,307
Public safety	1,446,933	-	-	-	243,568	1,690,501
Public works	61,963	334,615	-	-	-	396,578
Culture and recreation	267,432	-	-	-	149,054	416,486
Health and welfare	-	-	-	-	158,864	158,864
Capital outlay	42,571	-	2,888,177	-	235,305	3,166,053
<b>Debt service:</b>						
Principal	25,375	-	-	-	23,004	48,379
Interest and other charges	-	-	-	-	10,481	10,481
<b>Total expenditures</b>	<b>2,587,581</b>	<b>334,615</b>	<b>2,888,177</b>	<b>-</b>	<b>820,276</b>	<b>6,630,649</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(505,645)</b>	<b>309,415</b>	<b>2,084</b>	<b>17,214</b>	<b>(92,829)</b>	<b>(269,761)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from capital leases	-	-	-	-	21,000	21,000
Transfers in	3,200	403	1,421	-	124,690	129,714
Transfers (out)	(28,209)	-	-	(59,590)	(69,721)	(157,520)
<b>Total other financing sources (uses)</b>	<b>(25,009)</b>	<b>403</b>	<b>1,421</b>	<b>(59,590)</b>	<b>75,969</b>	<b>(6,806)</b>
<b>Special Item:</b>						
Proceeds from sale of land	2,000	-	-	-	-	2,000
<b>Net change in fund balances</b>	<b>(528,654)</b>	<b>309,818</b>	<b>3,505</b>	<b>(42,376)</b>	<b>(16,860)</b>	<b>(274,567)</b>
Fund balances, beginning of year	1,742,065	281,995	(6,705)	1,172,860	688,673	3,878,888
Restatements	(46,332)	62,022	39,489	31,679	654	87,512
Fund balances, beginning of year, restated	1,695,733	344,017	32,784	1,204,539	689,327	3,966,400
<b>Fund balances, end of year</b>	<b>\$ 1,167,079</b>	<b>\$ 653,835</b>	<b>\$ 36,289</b>	<b>\$ 1,162,163</b>	<b>\$ 672,467</b>	<b>\$ 3,691,833</b>

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 ENDED JUNE 30, 2010

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

Net change in fund balances total governmental funds (page eight)	\$ (274,567)
Governmental funds report capital outlay as expenditures; in the amount of \$3,166,053; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$324,048. The net adjustment is \$2,842,005.	2,842,005
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The disposal of capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(200)
Some of the Town's taxes will be collected after year-end, but are available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds. At June 30, 2009, deferred property taxes amount to \$25,787. The deferred property taxes for the current fiscal year amounted to \$14,538; therefore, the net adjustment is \$(11,249).	(11,249)
Accrued interest expense not due within thirty days after year-end is not considered in the current period and is not reported in the governmental funds. The increase of accrued interest liability from the previous year increases the interest expense with the statement of activities.	(7,339)
The Town entered into a capital lease to assist in the purchase of police vehicles. The proceeds are recorded as other financing sources within the governmental funds; however, are recorded as long-term liability within the statement of activities.	(21,000)
The repayment of principal of long-term debt consumes current financial resources of the governmental funds; however, is not recorded as an expense within the statement of activities.	48,379
Increase in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not use current financial resources and is not recorded within the governmental funds.	<u>(10,267)</u>
Net change in net assets - government-wide financial statements (page five)	<u><u>\$ 2,565,762</u></u>

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



**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Gross receipts taxes	\$ 1,300,600	\$ 1,300,600	\$ 1,152,899	\$ (147,701)
Property taxes	117,302	117,302	114,989	(2,313)
Franchise taxes	75,450	75,450	75,664	214
Public service taxes	2,510	2,510	4,003	1,493
Intergovernmental	516,901	519,206	488,417	(30,789)
Charges for services	161,300	161,300	254,144	92,844
Licenses and permits	7,085	7,085	6,427	(658)
Fines and forfeitures	38,000	38,000	47,621	9,621
Interest	32,250	30,000	15,724	(14,276)
Miscellaneous	178,569	178,569	218,230	39,661
<b>Total revenues</b>	<b>2,429,967</b>	<b>2,430,022</b>	<b>2,378,118</b>	<b>(51,904)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	978,261	978,261	853,490	124,771
Public safety	1,603,328	1,643,966	1,475,121	168,845
Public works	64,284	64,284	61,356	2,928
Culture and recreation	285,161	315,161	265,288	49,873
Capital outlay	169,300	169,300	61,180	108,120
<b>Total expenditures</b>	<b>3,100,334</b>	<b>3,170,972</b>	<b>2,716,435</b>	<b>454,537</b>
Excess (deficiency) of revenues over expenditures	(670,367)	(740,950)	(338,317)	402,633
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	3,200	3,200
Transfers (out)	-	(25,078)	(28,209)	(3,131)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(25,078)</b>	<b>(25,009)</b>	<b>69</b>
<b>Special Item:</b>				
Proceeds from sale of assets	317,000	317,000	2,000	(315,000)
Net change in cash balance	(353,367)	(449,028)	(361,326)	87,702
Cash balance, beginning of year	1,328,404	1,328,404	1,328,404	-
Restatement	(55,082)	(55,082)	(55,082)	-
Cash balance, beginning of year, restated	1,273,322	1,273,322	1,273,322	-
Cash advanced to another fund	-	-	(398)	(398)
<b>Cash balance, end of year</b>	<b>\$ 919,955</b>	<b>\$ 824,294</b>	<b>\$ 911,598</b>	<b>\$ 87,304</b>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
MUNICIPAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Revenues:</b>				
Gross receipts taxes	\$ 209,790	\$ 209,790	\$ 295,486	\$ 85,696
Public service taxes	95,070	95,070	89,074	(5,996)
Intergovernmental	109,920	153,905	109,910	(43,995)
Interest	1,000	1,000	1,517	517
Miscellaneous	400	400	200,000	199,600
Total revenues	<u>416,180</u>	<u>460,165</u>	<u>695,987</u>	<u>235,822</u>
<b>Expenditures:</b>				
Current:				
Public works	310,603	310,603	255,739	54,864
Capital outlay	72,952	116,937	71,523	45,414
Total expenditures	<u>383,555</u>	<u>427,540</u>	<u>327,262</u>	<u>100,278</u>
Excess of revenues over expenditures	32,625	32,625	368,725	336,100
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	403	403
Net change in cash balance	32,625	32,625	369,128	336,503
Cash balance, beginning of year	<u>233,930</u>	<u>233,930</u>	<u>233,930</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 266,555</u></u>	<u><u>\$ 266,555</u></u>	<u><u>\$ 603,058</u></u>	<u><u>\$ 336,503</u></u>

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

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010

	<u>Joint Utility Enterprise Fund</u>
Assets:	
Current assets:	
Cash	\$ 520,313
Receivables (net of allowance):	
Accounts	173,077
Taxes	6,631
Interest	156
Non-Current assets:	
Restricted assets:	
Investments	1,289,955
Capital assets:	
Land	745,966
Construction in progress	11,675
Distribution and collection systems	17,897,583
Vehicles, equipment and other assets	726,872
Less accumulated depreciation	<u>(7,888,105)</u>
Total capital assets, net	<u>11,493,991</u>
Unamortized debt issuance costs	<u>18,382</u>
Total assets	13,502,505
Liabilities:	
Current liabilities:	
Accounts payable	\$ 24,809
Accrued salaries	2,780
Accrued payroll taxes	787
Accrued interest payable	8,625
Deposits payable	10,077
Deferred revenues	11,091
Current maturities of:	
Notes payable	83,313
Compensated absences	27,240
Landfill post-closure	<u>42,000</u>
Total current liabilities	210,722
Non-Current liabilities:	
Notes payable	1,512,824
Compensated absences payable	33,286
Landfill post-closure	<u>1,505,260</u>
Total non-current liabilities	<u>3,051,370</u>
Total liabilities	3,262,092
Net assets:	
Invested in capital assets, net of related debt	11,155,392
Restricted:	
Debt service	112,140
Unrestricted	<u>(1,027,119)</u>
Total net assets	<u><u>\$ 10,240,413</u></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, 2010

	<u>Joint Utility Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ 1,105,282
Insurance recoveries	9,248
Total operating revenues	<u>1,114,530</u>
Operating Expenses:	
Personnel services	474,824
Utilities	102,373
Contractual services	123,906
Repairs and maintenance	91,638
Insurance claims and expenses	15,298
Other operating expenses	284,274
Depreciation	1,188,251
Total operating expenses	<u>2,280,564</u>
Operating (loss)	(1,166,034)
Non-Operating Revenues (Expenses):	
State shared taxes	19,433
Interest income	9,113
Interest (expense)	(37,116)
Total non-operating revenues (expenses)	<u>(8,570)</u>
(Loss) before capital contributions and transfers	(1,174,604)
Capital Contributions and Transfers:	
Capital contributions	264,326
Transfers in	27,806
Total capital contributions and transfers	<u>292,132</u>
Change in net assets	(882,472)
Net assets, beginning of year	11,116,266
Restatements	6,619
Net assets, beginning of year, restated	<u>11,122,885</u>
Net assets, end of year	<u><u>\$ 10,240,413</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, 2010**

	<u>Joint Utility Enterprise Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 1,103,658
Cash received from insurance recoveries	9,248
Cash payments to suppliers for goods and services	(638,799)
Cash payments to employees for services	<u>(467,749)</u>
Net cash provided by operating activities	6,358
Cash Flows From Non-Capital and Financing Activities:	
Cash received from state shared taxes	29,549
Cash received from capital contributions	276,207
Net change in customer deposits	(720)
Net transfers in	<u>27,806</u>
Net cash provided by non-capital and related financing activities	332,842
Cash Flows From Capital and Financing Activities:	
Acquisition of capital assets	(60,534)
Note payable proceeds	1,274,166
Retirement of landfill post closure liability	(279,674)
Debt issuance costs	(18,830)
Principal payments on capital debt	(58,843)
Interest and other charges on capital debt	<u>(30,919)</u>
Net cash provided by capital and related financing activities	825,366
Cash Flows From Investing Activities:	
Interest income	8,957
Purchase of investments	<u>(1,260,936)</u>
Net cash (used) by investing activities	<u>(1,251,979)</u>
Net (decrease) in cash	(87,413)
Cash and cash equivalents, beginning of year	551,321
Restatement	<u>(343,595)</u>
Cash and cash equivalents, beginning of year, restated	<u>207,726</u>
Cash and cash equivalents, end of year	<u><u>\$ 120,313</u></u>
Displayed as:	
Cash	\$ 520,313
Time deposits not considered cash equivalents	<u>(400,000)</u>
	<u><u>\$ 120,313</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating (loss)	\$ (1,166,034)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,188,251
Bad debts	5,350
Changes in Assets and Liabilities:	
(Increase) in accounts receivable	(6,974)
(Decrease) in accounts payable	(21,310)
Increase in accrued salaries	1,067
(Decrease) in payroll taxes liability	(232)
Increase in compensated absences	<u>6,240</u>
Total adjustments	<u>1,172,392</u>
Net cash provided by operating activities	<u><u>\$ 6,358</u></u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Clayton (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and proprietary funds, the Town has not chosen to do so.

**A. Reporting Entity**

The Town of Clayton is a political subdivision of the state of New Mexico and was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The Town operates under the mayor-trustee form of government. The Town provides the following authorized services: public safety, police and fire, highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The Town's basic financial statements include all activities and accounts of the Town's *financial reporting entity*.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, the Town has a publicly funded Housing Authority that is considered a component unit of the Town. The financial statements of the Town of Clayton Housing Authority have been included in the Town's financial statements as a *discretely presented* component unit. The Housing Authority is reported as a proprietary fund type. The Town is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2010.



**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. Reporting Entity (continued)

Complete financial statements for the Town of Clayton Housing Authority can be obtained from the housing authority's administrative office. Please address those requests to the Executive Director, Town of Clayton Housing Authority, 200 Aspen, Clayton, New Mexico 88415.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund 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 on a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. 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 government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-Wide and Fund Financial Statements (continued)**

Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements. At the present time, the Town does not have any fiduciary funds.

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund level financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property, franchise and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's water, sewer, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Within the governmental and business-type activities, when both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

The Town reports the following major governmental funds:

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

The *municipal street special revenue fund* is used to account for the Town's street improvements. The major source of revenues recorded within the fund the state of New Mexico gasoline tax (Section 7-1-6.27 NMSA 1978). The fund was created by local ordinance pursuant to Section 3-34-1 NMSA 1978.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

The *government assistance capital project fund* accounts for federal, state and local sources, revenues and expenditures for capital projects throughout the Town.

The *municipal income permanent fund* accounts for cash received from the sale of the Town's electric utility and interest income generated by the investments of the fund. The fund was established by local ordinance 548 on February 17, 1984 in accordance with section 6-6-19, NMSA 1978.

The Town reports the following major business-type fund:

The *joint utility fund* is used to account for the provision of water, sewer, and solid waste services to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The Town maintains eleven other governmental funds that are considered non-major funds; ten are classified as special revenue funds and one is classified as a capital projects fund. A description of each non-major governmental fund is as follows:

**Special Revenue Funds**

The *senior citizen's fund* accounts 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-D 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.

The *library fund* accounts 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.

The *cemetery fund* accounts 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.

The *lodgers' tax fund* accounts for funds received from a special local lodgers' 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.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Special Revenue Funds (continued)**

The *fire fund* accounts 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.

The *recreation fund* accounts for receipts, such as the cigarette tax revenue, which is restricted for use in recreational 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.

The *emergency medical services fund* accounts 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.

The *local government correction fund* accounts for the fees collected by the municipal judge, which are legally restricted to expenditure for jail related costs. The fund was established by local ordinance in order to comply with Section 35-14-11, NMSA 1978.

The *law enforcement protection fund* accounts 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.

The *municipal income interest fund* accounts for the interest 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.

**Capital Project Fund**

The *CDBG fund* accounts for the proceeds of a Community Development Block Grant (CDBG) from the U.S. Department of Housing and Urban Development. Grant proceeds flow through the New Mexico Department of Finance and Administration.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgets**

Budgets for all funds are prepared by management and approved by the Board of Trustees and the New Mexico Department of Finance and Administration. The Treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the Board of Trustees for approval by resolution.

The proposed budget is then submitted by June 1<sup>st</sup> to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1<sup>st</sup> with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is, therefore, presented as a reserved portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local board approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration.

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

**E. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

Investments in the Town's cash and certificates of deposit are stated at cost, which approximates fair value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2. Interfund Receivables and Payables**

Activities between funds, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as interfund balance. Long term 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.

**3. Prepaid Items**

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

**4. Restricted Assets**

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others."

**5. Interfund Activity**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**6. Capital Assets**

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Purchased computer software is recorded at historical cost. The Town defines capital assets as assets with an initial, individual cost or donated value of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure fixed assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. The Town defines capital assets as assets with an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**6. Capital Assets (continued)**

Net revenue bond interest cost incurred during construction is capitalized when material.

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

<u>Assets</u>	<u>Years</u>
Utility system	10-100
Infrastructure	20-75
Buildings and other improvements	15-100
Machinery and equipment, including computer software	3-10

**7. Compensated Absences**

Town employees may accumulate limited amounts of vacation. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements.

Employees accrue vacation (annual leave) days as follows:

1. Forty (40) hours after 52 weeks (12 months) of full-time employment.
2. Eighty (80) hours after the second year (24 months) of employment through the fifth year (60 months).
3. One hundred twenty hours (120) after the sixth year (72 months) of employment and each year thereafter.

Normally, vacation time is not cumulative from year to year. Employees unable to utilize all their accumulated vacation pay on their anniversary date may petition the Town Manager for permission to carry the vacation pay for three additional months or request payment in the form of wages. Part-time or temporary employees are not granted vacation time.

Qualified employees accrue sick leave days as follows:

One (1) day per month (12 per year) for full-time employees up to ninety (90) days cumulative maximum. Excess sick leave over ninety (90) days will be paid at one-half (1/2) rate each anniversary of the individual employee. Sick leave reserves are payable upon separation as follows:

- a. 20% in the sixth year of employment.
- b. 40% in the seventh year of employment.
- c. 60% in the eighth year of employment.



**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**7. Compensated Absences (continued)**

- d. 80% in the ninth year of employment.
- e. 100% in the tenth year of employment and thereafter, up to ninety (90) days.

**8. Deferred Revenues**

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the Town. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards reflected as a receivable but not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as property taxes that are not available are recorded as deferred revenues and reflected as a liability within the balance sheet.

**9. Short-Term Obligations**

No short-term debt occurred during the current fiscal year.

**10. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**11. Net Assets**

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

*Investment in capital assets, net of related debt* – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

*Restricted net assets* – This category reflects the portion of net assets that have third party limitations on their use.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**11. Net Assets (continued)**

*Unrestricted net assets* – This category reflects net assets of the Town, not restricted for any project or other purpose.

**12. Fund Equity Reservation and Designations**

In the fund financial statements, governmental funds reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change. Fund equity was reserved or designated for:

*Reserved for state mandated reserve* – The state of New Mexico requires the Town to set aside 1/12 of the operating budget within the general fund.

*Reserved for debt service* – Represents the amounts that are required to be used for future retirement of long-term debt.

*Reserved expendable endowment* – 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. The ordinance allows the Board to add other money received from the sale, lease, rental or licensing of any real or personal property owned by the Town, and not immediately necessary for the public uses of the Town. The principal may be appropriated or expended by a majority vote of all members of the Town's governing body. The ordinance authorizes the creation of the municipal income interest fund in which all earnings received from the permanent fund should be deposited so they can be appropriated by the governing body.

*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.

*Reserved for subsequent years' expenditures* – Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent years' expenditures.

*Unreserved* – Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the Town.

F. Other Matters

**1. Presentation**

Certain reclassifications of prior year information have been made to conform to current year presentation.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Other Matters (continued)

**2. Cash Flows**

For the purpose of the statement of cash flows, the Town considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

**3. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank 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 of America 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.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that 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.

Cash Deposited with Financial Institutions

The Town maintains cash in two financial institutions within Clayton, New Mexico. The Town's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the two financial institutions.

As of June 30, 2010, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited with Financial Institutions (continued)*

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$ -	\$ 452	\$ 452
First Nat'l Bank of NM	2,543,310	(47,856)	2,495,454
Farmer's & Stockmen's Bank	1,222,712	101,736	1,324,448
Total cash deposits	<u>\$ 3,766,022</u>	<u>\$ 54,332</u>	<u>\$ 3,820,354</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Town. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Town carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by state statutes, is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	<u>First National Bank of New Mexico</u>	<u>Farmer's &amp; Stockmen's Bank</u>
Total deposit in bank	\$ 2,543,310	\$ 1,222,712
Less FDIC insurance	<u>(500,000)</u>	<u>(500,000)</u>
Uninsured public funds	2,043,310	722,712
Pledged collateral held by pledging bank's trust, but not in the Town's name	<u>1,124,941</u>	<u>1,069,144</u>
Uninsured and uncollateralized public funds	<u>\$ 918,369</u>	<u>\$ -</u>
Total pledged collateral	\$ 1,124,941	\$ 1,069,144
50% pledged collateral requirement per state statute	<u>(1,021,655)</u>	<u>(361,356)</u>
Pledged collateral (under) over the requirement	<u>\$ 103,286</u>	<u>\$ 707,788</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section this report.

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

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited with Financial Institutions (continued)*

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$2,766,022 of the Town’s bank balance of \$3,766,022 was exposed to custodial credit risk as follows:

	First National Bank of New Mexico	Farmer's & Stockmen's Bank	Total
Uninsured and collateral held by agent, not in Town's name	\$ 2,043,310	\$ 722,712	\$ 2,766,022

**3. RESTRICTED INVESTMENTS**

The amounts and description of the investments at year-end are described below:

Agency	Investment	Maturity	Fair Market Value
NM State Treasurer	Investment Pool	N/A	\$ 32,100
Bank of NY Mellon Tr. Co.	Dreyfus Cash Mgt 288 Inst	N/A	433,370
Bank of NY Mellon Tr. Co.	Federated Gov't Oblig Fd #5	N/A	433,111
Bank of NY Mellon Tr. Co.	Fidelity Ins M Mkt Govt #57 Class 1	N/A	433,108
			\$ 1,331,689

The amounts reported as investments for the government within the financial statements are displayed as:

Statement of Net Assets:	
Restricted investments	\$ 1,331,689

The amounts considered restricted investments are debt proceeds amounts set aside to meet debt reserve requirements, and program receipts. The program receipts are funds available for utilization by the Town, and are restricted for purposes described within each loan agreement. All amounts borrowed are for the purchase or construction of capital assets. As of June 30, 2010, the restricted investments are composed of the following:

Program receipts	\$ 1,181,927
Debt reserve	149,762
	\$ 1,331,689

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**3. RESTRICTED INVESTMENTS (continued)**

*Cash Deposited with the New Mexico State Treasurer*

As of June 30, 2010, the combined balance of the Town's investment within the short-term investment fund was \$32,100. The cost basis and the fair market basis of the deposit are equal to \$32,100 (amount of investment). The investments are valued at fair value based on quoted market prices as of the valuation date. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA<sub>m</sub> by Standards and Poor's.

The Local Government Investment Pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary.

*Interest Rate Risk* – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio's weighted average maturity is 50-day WAM.

*Bank of New York Mellon Trust Company*

As part of the note agreements and covenants, the Town has cash invested at the Bank of New York Mellon Trust Company. The bank has invested cash within the Dreyfus Cash Management Institutional shares fund, Federated Government Obligations Fund No. 5, and Fidelity Institutional Money Market Government No. 57 Class 1 fund. The funds invest in a diversified portfolio of high quality, short-term debt securities, including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities.

The investments are valued at fair value based on quoted market prices as of the valuation date. The funds are rated AAA<sub>m</sub> by Standards and Poor's.

*Interest Rate Risk* – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**3. RESTRICTED INVESTMENTS (continued)**

*Bank of New York Mellon Trust Company (continued)*

The Dreyfus Cash Management Institutional Shares fund weighted average maturity is 32-day WAM. The Federated Government Obligation fund weighted average maturity is 35-day WAM. The Fidelity Institutional Money Market fund weighted average maturity is 27-day WAM.

The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2010, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Charges for services	\$ 82,747	\$ 180,777
Allowance for doubtful accounts	<u>(23,200)</u>	<u>(7,700)</u>
Net accounts receivable	<u><u>\$ 59,547</u></u>	<u><u>\$ 173,077</u></u>

The Town's policy is to provide for uncollectible accounts based upon expected defaults.

**5. TAXES RECEIVABLE**

Amounts due from local effort and state shared taxes at June 30, 2010, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Gross receipts taxes	\$ 332,718	\$ 6,631
Franchise taxes	20,828	-
Property taxes	19,938	-
Lodgers' taxes	15,555	-
Public service taxes	10,382	-
Allowance for doubtful receivables	<u>-</u>	<u>-</u>
Net taxes receivable	<u><u>\$ 399,421</u></u>	<u><u>\$ 6,631</u></u>

The Town's policy is to provide for uncollectible amounts based upon expected defaults.

**6. INTERGOVERNMENTAL RECEIVABLES**

Amounts due from other governments at June 30, 2010, consisted of the following:

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**6. INTERGOVERNMENTAL RECEIVABLES (continued)**

	Governmental Activities	Business-Type Activities
Street construction	\$ 36,322	\$ -
Senior citizens grants	7,256	-
Airport improvements	6,700	-
Allowance for doubtful receivables	-	-
Net intergovernmental receivables	\$ 50,278	\$ -

The Town's policy is to provide for uncollectible amounts based upon expected defaults.

**7. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1<sup>st</sup>. Property tax rates for the year are set no later than September 1<sup>st</sup> each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Union County Assessor to develop the property tax schedule by October 1<sup>st</sup>. Tax notices are sent by the Union County Treasurer to property owners by November 1<sup>st</sup> of each year. Taxes are payable in equal semiannual installments by November 10<sup>th</sup> and April 10<sup>th</sup> of the subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the Town by the County Treasurer, and are remitted to the Town in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year 2009, was \$4.938 per \$1,000 for non-residential and \$4.938 for residential property. In the year 2009, there was no tax rate established for payment of bonds principal and interest.

**8. CAPITAL ASSETS**

During the fiscal year, the Town performed an intensive inventory and review of its capital assets and the subsidiary records. The Town discovered errors in the amounts reported at June 30, 2010 within the governmental and business-type activities. The effect of the changes is as follows:



**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**8. CAPITAL ASSETS (continued)**

	Balance 06/30/09	Corrections	Restated Balance 06/30/09
<b>Governmental Capital Assets:</b>			
Capital Assets:			
Land	\$ 317,830	\$ (38,900)	\$ 278,930
Buildings and improvements	6,350,476	(4,079,419)	2,271,057
Airport runway	-	2,768,045	2,768,045
Infrastructure	-	22,984	22,984
Vehicles, equipment and other assets	2,534,501	141,289	2,675,790
Accumulated Depreciation:			
Buildings and improvements	(2,334,152)	976,333	(1,357,819)
Airport runway	-	(197,096)	(197,096)
Infrastructure	-	(6,895)	(6,895)
Vehicles, equipment and other assets	(1,977,839)	505,259	(1,472,580)
Net governmental activities capital assets	<u>\$ 4,890,816</u>	<u>\$ 91,600</u>	<u>\$ 4,982,416</u>
<b>Business-Type Activities:</b>			
Capital Assets:			
Land	\$ 745,966	\$ -	\$ 745,966
Water utility system	9,529,548	(80,645)	9,448,903
Sewer utility system	8,442,082	(6,287)	8,435,795
Solid waste system	-	5,400	5,400
Vehicles, equipment and other assets	721,930	(32,588)	689,342
Accumulated Depreciation:			
Water utility system	(3,040,619)	62,438	(2,978,181)
Sewer utility system	(3,314,456)	118,537	(3,195,919)
Solid waste system	-	(3,780)	(3,780)
Vehicles, equipment and other assets	(535,600)	9,782	(525,818)
Net business-type activities capital assets	<u>\$ 12,548,851</u>	<u>\$ 72,857</u>	<u>\$ 12,621,708</u>

Governmental activities capital assets for the fiscal year ended June 30, 2010 are as follows:

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 278,930	\$ -	\$ (200)	\$ 278,730
Construction in progress	-	2,695,351	-	2,695,351
Total capital assets, not being depreciated	278,930	2,695,351	(200)	2,974,081

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**8. CAPITAL ASSETS (continued)**

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Other capital assets, being depreciated:				
Buildings and improvements	2,271,057	16,418	-	2,287,475
Airport runway	2,768,045	-	-	2,768,045
Infrastructure	22,984	-	-	22,984
Vehicles, equipment and other assets	2,675,790	454,284	-	3,130,074
<b>Total other capital assets, being depreciated</b>	<b>7,737,876</b>	<b>470,702</b>	<b>-</b>	<b>8,208,578</b>
Less accumulated depreciation for:				
Buildings and improvements	(1,357,819)	(49,875)	-	(1,407,694)
Airport runway	(197,096)	(71,755)	-	(268,851)
Infrastructure	(6,895)	(2,298)	-	(9,193)
Vehicles, equipment and other assets	(1,472,580)	(200,120)	-	(1,672,700)
<b>Total accumulated depreciation</b>	<b>(3,034,390)</b>	<b>(324,048)</b>	<b>-</b>	<b>(3,358,438)</b>
Other capital assets being depreciated, net	4,703,486	146,654	-	4,850,140
<b>Total capital assets, net</b>	<b>\$ 4,982,416</b>	<b>\$ 2,842,005</b>	<b>\$ (200)</b>	<b>\$ 7,824,221</b>

Depreciation expense was charged to functions (programs) as follows:

General government	\$ 31,142
Public safety	225,364
Public works	22,012
Culture and recreation	22,134
Health and welfare	23,396
	<u>\$ 324,048</u>

Business-type activities capital assets for the fiscal year ended June 30, 2010 are as follows:

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 745,966	\$ -	\$ -	\$ 745,966
Construction in progress	-	11,675	-	11,675
<b>Total capital assets, not being depreciated</b>	<b>745,966</b>	<b>11,675</b>	<b>-</b>	<b>757,641</b>

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**8. CAPITAL ASSETS (continued)**

Business-type activities capital assets for the fiscal year ended June 30, 2010 are as follows (continued):

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Other capital assets, being depreciated:				
Water utility system	9,448,903	-	-	9,448,903
Sewer utility system	8,435,795	7,485	-	8,443,280
Solid waste system	5,400	-	-	5,400
Vehicles, equipment and other assets	689,342	41,374	(3,844)	726,872
Total other capital assets, being depreciated	18,579,440	48,859	(3,844)	18,624,455
Less accumulated depreciation for:				
Water utility system	(2,978,181)	(1,014,028)	-	(3,992,209)
Sewer utility system	(3,195,919)	(121,475)	-	(3,317,394)
Solid waste system	(3,780)	(1,080)	-	(4,860)
Vehicles, equipment and other assets	(525,818)	(51,668)	3,844	(573,642)
Total accumulated depreciation	(6,703,698)	(1,188,251)	3,844	(7,888,105)
Other capital assets being depreciated, net	11,875,742	(1,139,392)	-	10,736,350
Total capital assets, net	<u>\$ 12,621,708</u>	<u>\$ (1,127,717)</u>	<u>\$ -</u>	<u>\$ 11,493,991</u>

**9. CAPITAL ASSETS – COMPONENT UNIT**

The Town of Clayton Public Housing Authority capital assets for the fiscal year ended June 30, 2010, are as follows:

	Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 51,294	\$ -	\$ -	\$ 51,294
Other capital assets, being depreciated:				
Buildings	1,805,791	-	-	1,805,791
Building improvements	634,807	218,891	-	853,698
Equipment and furniture	505,272	-	-	505,272
Vehicles	32,324	-	-	32,324
Total other capital assets, being depreciated	2,978,194	218,891	-	3,197,085

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**9. CAPITAL ASSETS – COMPONENT UNIT (continued)**

	Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Less accumulated depreciation:				
Buildings	(1,175,604)	(37,412)		(1,213,016)
Building improvements	(328,080)	(40,650)		(368,730)
Equipment and furniture	(328,196)	(26,830)		(355,026)
Vehicles	(14,644)	(2,549)		(17,193)
Total accumulated depreciation	<u>(1,846,524)</u>	<u>(107,441)</u>	<u>-</u>	<u>(1,953,965)</u>
Other capital assets, net	<u>1,131,670</u>	<u>111,450</u>	<u>-</u>	<u>1,243,120</u>
Total capital assets, net	<u>\$ 1,182,964</u>	<u>\$ 111,450</u>	<u>\$ -</u>	<u>\$ 1,294,414</u>

**10. DEFERRED REVENUES**

During the fiscal year, the Town was notified by the New Mexico Taxation and Revenue Department that a large taxpayer had amended their gross receipt reports. After an examination of the amended returns, the Department stated the Town had received an excess of \$98,006 in gross receipts taxes revenue. Rather than remitting all the excess revenue at once, the Town entered into an agreement with the Department reducing gross receipts tax revenues evenly in the fiscal year ended June 30, 2011. The entire amount will be absorbed, and no further obligation should exist at June 30, 2011.

Noncurrent portion of property taxes is reflected as deferred revenues within the governmental funds. The deferred taxes as of June 30, 2011 are as follows:

**Government-Wide Statement of Net Assets**

	Governmental Activities	Business-Type Activities	Total
Unearned gross receipts tax revenue	<u>\$ 86,915</u>	<u>\$ 11,091</u>	<u>\$ 98,006</u>

**Fund Financial Balance Sheet and Statement of Net Assets**

	General Fund	Municipal Street Fund	Joint Utility Fund	Total
Unearned gross receipts tax revenue	\$ 75,824	\$ 11,091	\$ 11,091	\$ 98,006
Noncurrent property taxes	14,538	-	-	14,538
	<u>\$ 90,362</u>	<u>\$ 11,091</u>	<u>\$ 11,091</u>	<u>\$ 112,544</u>

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**11. LONG-TERM OBLIGATIONS**

*Governmental Activities Long-Term Debt*

The Town has discovered errors in the amounts of governmental activities obligations reported in the financial statements for the fiscal year ended June 30, 2009. The restated balances are as follows:

	Balance 06/30/09	Corrections	Restated Balance 06/30/09
Notes payable:			
Fire pumper loan	\$ 24,534	\$ (24,534)	\$ -
Refurbished ambulance loan	71,895	4,230	76,125
Golf course irrigation loan	242,775	5,751	248,526
Fire pumper loan	278,110	-	278,110
Total notes payable	617,314	(14,553)	602,761
Compensated absences	177,109	(61,361)	115,748
Total long-term obligations	<u>\$ 794,423</u>	<u>\$ (75,914)</u>	<u>\$ 718,509</u>

Changes in governmental activities obligations during the year ended June 30, 2010, were as follows:

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10	Amounts Due Within One Year
Lease payable	\$ -	\$ 21,000	\$ -	\$ 21,000	\$ 21,000
Notes payable:					
Refurbished ambulance loan	76,125	-	(25,375)	50,750	25,375
Golf course irrigation loan	248,526	-	(23,004)	225,522	24,888
Fire pumper loan	278,110	-	-	278,110	48,970
Compensated absences	115,748	93,556	(83,289)	126,015	94,500
	<u>\$ 718,509</u>	<u>\$ 114,556</u>	<u>\$ (131,668)</u>	<u>\$ 701,397</u>	<u>\$ 214,733</u>

*Lease Purchase Payable*

The Town purchased two police vehicles under a capital lease. The economic substance of the lease is that the Town is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the Town's assets and liabilities. The obligation under the capital lease has been recorded in the accompanying financial statement at the present value of future minimum lease payments, discounted at an interest rate of 5.75% per annum as stated in the contract. Included in governmental capital assets are two police vehicles acquired under the capital lease.

The following is a schedule of future minimum lease payments under the lease, together with its present value as of June 30, 2010:

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**11. LONG-TERM OBLIGATIONS (continued)**

*Lease Purchase Payable (continued)*

Fiscal year ending June 30, 2010	\$ 22,208
Less amounts representing imputed interest necessary to reduce future lease payments to net present value	<u>(1,208)</u>
Present value of minimum lease payments	<u><u>\$ 21,000</u></u>

*Refurbished Ambulance Note*

On November 21, 2008, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$76,125 in order to refurbish an ambulance owned by the Town. The loan does not accrue interest. The note matures on May 1, 2012. The payment of principal is paid from pledged gross receipt tax revenues.

The annual requirement to amortize the loan outstanding as of June 30, 2010, is as follows:

Due in year ending June 30:	
	<u>Principal</u>
2011	\$ 25,375
2012	<u>25,375</u>
	<u><u>\$ 50,750</u></u>

*Golf Course Irrigation Note*

On March 20, 2009, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$248,526 in order to purchase and install materials for improvements to the irrigation system at the municipal golf course. The note matures on May 1, 2018, and accrues interest at 4.057% per annum. The payment of principal and interest are paid from lodgers' tax revenues.

The annual requirement to amortize the loan outstanding as of June 30, 2010, including interest payments, is as follows:

Due in year ending June 30:			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 24,888	\$ 8,801	\$ 33,689
2012	25,631	8,059	33,690
2013	26,479	7,211	33,690
2014	27,416	6,274	33,690
2015	28,462	5,228	33,690
2016-2018	<u>92,646</u>	<u>8,418</u>	<u>101,064</u>
	<u><u>\$ 225,522</u></u>	<u><u>\$ 43,991</u></u>	<u><u>\$ 269,513</u></u>

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**11. LONG-TERM OBLIGATIONS (continued)**

*Fire Pumper Note*

On January 23, 2009, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$278,110 in order to purchase a fire pumper. The note matures on May 1, 2015, and accrues interest at 2.376% per annum. The payment of principal and interest are paid from pledged state fire protection funds. Such funds are made available annually by the state treasurer pursuant to Section 59A-53-7, NMSA 1978.

The annual requirement to amortize the loan outstanding as of June 30, 2010, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 48,970	\$ 12,873	\$ 61,843
2012	55,404	5,481	60,885
2013	56,570	4,314	60,884
2014	57,870	3,014	60,884
2015	59,296	1,588	60,884
	<u>\$ 278,110</u>	<u>\$ 27,270</u>	<u>\$ 305,380</u>

*Compensated Absences*

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

*Business-Type Activities Long-Term Obligations*

During the current fiscal year, the Town discovered that the landfill closure and post-closure liability was understated as of June 30, 2009. Additionally, the compensated absences liability was overstated at June 30, 2009. The changes are as follows:

	<u>Balances 06/30/09</u>	<u>Corrections</u>	<u>Restated Balances 06/30/09</u>
Landfill closure and post-closure liability	\$ 1,539,491	\$ 287,443	\$ 1,826,934
Compensated absences	74,740	(20,454)	54,286
	<u>\$ 1,614,231</u>	<u>\$ 266,989</u>	<u>\$ 1,881,220</u>

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**11. LONG-TERM OBLIGATIONS (continued)**

*Business-Type Activities Long-Term Obligations (continued)*

Changes in the business-type activities obligations during the year ended June 30, 2010 are as follows:

	Restated Balances 06/30/09	Increases	Decreases	Balance 06/30/10	Amounts Due Within One Year
Notes payable:					
NM Environment Department loan	\$ 79,837	\$ -	\$ (19,083)	\$ 60,754	\$ 19,656
Land Acquisition & Water Wells Imp #1	245,358	-	(18,139)	227,219	18,844
Land Acquisition & Water Wells Imp #2	55,619	-	(4,993)	50,626	5,006
Wastewater System Improvements loan	-	1,274,166	(16,628)	1,257,538	39,807
Compensated absences	54,286	27,179	(20,939)	60,526	27,240
Landfill Closure & Post-Closure Liability	1,826,934	-	(279,674)	1,547,260	42,000
	<u>\$ 2,262,034</u>	<u>\$ 1,301,345</u>	<u>\$ (359,456)</u>	<u>\$ 3,203,923</u>	<u>\$ 152,553</u>

*N.M. Environment Department Note*

On July 13, 1989, the Town borrowed \$300,000 from the New Mexico Environment Department. The proceeds of the note, along with appropriations from the state of New Mexico were used to make improvements to the Town's water system. The note was refinanced on January 29, 2002. The balance of the note when refinanced was \$198,731. The note accrues interest at a rate of 3.00% per annum, and the note matures on February 9, 2013. Retirements are made from revenues of the joint utility fund.

The annual requirement to amortize the loan outstanding as of June 30, 2010, including interest payments, is as follows:

Due in year ending June 30:

	Principal	Interest	Total
2011	\$ 19,656	\$ 1,823	\$ 21,479
2012	20,245	1,233	21,478
2013	20,853	625	21,478
	<u>\$ 60,754</u>	<u>\$ 3,681</u>	<u>\$ 64,435</u>

*Land Acquisition and Water Well Improvement #1*

On December 21, 2000, the Town borrowed \$375,096 from the New Mexico Finance Authority. The loan proceeds were used to assist in the purchase of land and water wells for the municipal water system. The note bears interest at a rate of 4.115% per annum, and matures on May 1, 2020. The payment of principal and interest is paid from pledged gross receipts tax revenues.

The annual requirement to amortize the loan outstanding as of June 30, 2010, including interest payments, is as follows:



**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**11. LONG-TERM OBLIGATIONS (continued)**

*Land Acquisition and Water Well Improvement #1 (continued)*

Due in year ending June 30:

	Principal	Interest	Total
2011	\$ 18,844	\$ 8,936	\$ 27,780
2012	19,586	8,242	27,828
2013	20,370	7,508	27,878
2014	21,198	6,733	27,931
2015	22,070	5,915	27,985
2016-2020	125,151	15,675	140,826
	\$ 227,219	\$ 53,009	\$ 280,228

*Land Acquisition and Water Well Improvement #2*

On December 21, 2000, the Town borrowed \$100,000 from the New Mexico Finance Authority. The loan proceeds were used to assist in the purchase of land and water rights. The note does not bear any interest, and matures on May 1, 2020. The Town has pledged New Mexico gross receipts tax revenues to amortize the principal of the loan.

The annual requirement to amortize the loan outstanding as of June 30, 2010, is as follows:

Due in year ending June 30:

	Principal
2011	\$ 5,006
2012	5,018
2013	5,031
2014	5,043
2015	5,056
2016-2020	25,472
	\$ 50,626

*Wastewater System Improvement Note*

On November 13, 2009, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$1,274,166 in order to install water and wastewater infrastructure from an existing well within the Town limits to the wastewater treatment facility and Highway 87. The note matures on May 1, 2034, and accrues interest at a blended rate of 3.451% per annum. The payment of principal and interest are paid from the net revenues of the Joint Utility Fund.

The annual requirement to amortize the loan outstanding as of June 30, 2010, including interest payments, is as follows:

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**11. LONG-TERM OBLIGATIONS (continued)**

*Wastewater System Improvement Note (continued)*

Due in year ending June 30:

	Principal	Interest	Total
2011	\$ 39,807	\$ 38,263	\$ 78,070
2012	40,117	37,953	78,070
2013	40,541	37,529	78,070
2014	41,062	37,008	78,070
2015	41,693	36,377	78,070
2016-2020	221,287	169,063	390,350
2021-2025	252,272	138,078	390,350
2026-2030	298,104	92,246	390,350
2031-2034	282,655	29,625	312,280
	\$ 1,257,538	\$ 616,142	\$ 1,873,680

*Landfill Closure and Post-Closure Costs*

State and federal laws and regulations require that the Town's refuse disposal place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. During the current fiscal year, the Town placed a final cover on the municipal landfill and it is considered closed. The Town has contracted with a private company to remove the solid waste from the town limits, and dispose of it at another location that is not owned by the Town. The Town's beginning of year estimated closure and post-closure liability has been revised due to the engineering firm's revised calculations.

During the fiscal year, the Town received a grant from the state of New Mexico in the amount of \$224,933 to assist in the construction of the final cover. The Town expended \$279,674 on construction of the cover and other costs. That amount has reduced the restated beginning balance of \$1,826,934 to \$1,547,260 as of June 30, 2010. The Town anticipates expending approximately \$42,000 on post-closure monitoring during the upcoming fiscal year.

**12. JAIL PROJECT REVENUE BONDS – CONDUIT DEBT**

The Town has constructed a jail facility that is managed by a commercial operator for the primary purposes of housing the state of New Mexico Corrections Department prisoners at the facility. In order to construct the facility, the Town has issued revenue bonds titled, *Town of Clayton, New Mexico Jail Project Revenue Bonds, Series 2006*.

According to the bond agreement, the bonds do not constitute an indebtedness of the Town within the meaning of any constitutional, charter or statutory provision or limitation. The bonds are not general obligations of the Town and are payable and collectable solely from the net revenues derived from the jail facility. The bond holders may not look to any general or specific funds of the Town in the event of default on the bond obligation.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**12. JAIL PROJECT REVENUE BONDS – CONDUIT DEBT (continued)**

The total amount of the bonds issued was \$77,585,000. The bonds accrue interest at rates between 4.00% and 5.00% per annum and mature on November 1, 2029. The current balance of the bonds is \$76,470,000.

In accordance with Governmental Accounting Standards Board (GASB) interpretation of National Council on Governmental Accounting (NCGA) Statement 1, paragraph 158 *Governmental Accounting and Financial Reporting Principles*, the Town has not recorded the assets or associated special revenue bonds liability on the financial statements of the Town.

**13. RESTATEMENT OF NET ASSETS AND FUND BALANCES**

After a review of the prior year's statements of financial position of the government-wide activities and individual funds, the Town has determined that errors existed in several of the statements. As a result, the following statements have been made to the beginning equity amounts both on the government-wide statements and the individual fund statements. An explanation of the restatements is as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements:			
Capital assets were understated	\$ 91,600	\$ -	\$ -
Accrued interest payable was overstated	1,704	-	-
Accrued compensated absences were overstated	61,361	-	-
Notes payable were overstated	14,553	-	-
Non-current portions of property receivables were not properly reflected as a portion of net assets	25,787	-	-
 <i>Major Funds</i>			
General Fund:			
Cash was overstated	(55,082)	-	(55,082)
Accounts receivable were understated	118,235	-	118,235
Gross receipts taxes receivable were overstated	(108,952)	-	(108,952)
Franchise taxes receivable were understated	10,538	-	10,538
Property taxes receivable were understated	30,741	-	30,741
Interfund receivable were overstated	(13,789)	-	(13,789)
Restricted investments were understated	4,235	-	4,235
Accrued salaries were understated	(7,867)	-	(7,867)
Accrued liabilities were overstated	1,396	-	1,396
Deferred revenues were understated	(25,787)	-	(25,787)
Total General Fund			\$ (46,332)

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**13. RESTATEMENT OF NET ASSETS AND FUND BALANCES (continued)**

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Municipal Street Fund:			
Gross receipts taxes receivable were understated	56,556	-	\$ 56,556
Accrued salaries were overstated	5,466	-	5,466
Total Municipal Street Fund			\$ 62,022
Government Assistance Fund:			
Accounts payable was overstated	16,086	-	\$ 16,086
Interfund payable was overstated	23,403	-	23,403
Total Government Assistance Fund			\$ 39,489
Municipal Income Permanent Fund:			
Cash was understated	55,082	-	\$ 55,082
Interfund receivable was overstated	(23,403)	-	(23,403)
Total Municipal Income Permanent Fund			\$ 31,679
Joint Utility Fund:			
Accounts receivable were understated	-	151,996	\$ 151,996
Gross receipts taxes receivable were understated	-	5,656	5,656
Intergovernmental receivables were understated	-	11,881	11,881
Restricted investments were understated	-	29,019	29,019
Capital assets were understated	-	72,857	72,857
Accrued salaries were understated	-	(1,713)	(1,713)
Accrued liabilities were overstated	-	6,509	6,509
Accrued interest expense was understated	-	(2,597)	(2,597)
Accrued compensated absences were overstated	-	20,454	20,454
Landfill closure and post-closure liability was understated	-	(287,443)	(287,443)
Total Joint Utility Fund			\$ 6,619
<u>Non-Major Funds</u>			
Senior Citizens Fund:			
Accrued salaries were understated	(362)	-	\$ (362)
Cemetery Fund:			
Interfund payable was overstated	4,530	-	\$ 4,530
Lodgers' Tax Fund:			
Restricted investments were understated	61,013	-	\$ 61,013

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**13. RESTATEMENT OF NET ASSETS AND FUND BALANCES (continued)**

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
Fire Fund:			
Restricted investments were understated	18	-	\$ 18
Accounts payable were understated	(61,600)	-	(61,600)
Total Fire Fund			\$ (61,582)
Recreation Fund:			
Accrued salaries were understated	(323)	-	\$ (323)
Municipal Income Interest Fund:			
Interfund payable was overstated	9,259	-	\$ 9,259
CDBG Fund:			
Intergovernmental receivables were overstated	(11,881)	-	\$ (11,881)
Total Government-Wide Financial Statements	\$ 282,517	\$ 6,619	

**14. DEFICIT FUND BALANCE**

The following funds had a deficit fund balance as of June 30, 2010:

Fund	Amount
Recreation Fund	\$ 1,650
Emergency Medical Services Fund	546
Law Enforcement Protection Fund	398

The deficit balances are the direct effect of the incurring program costs of the next fiscal year prior to the funding of revenue. Intergovernmental revenues for the upcoming year will fund the deficit fund balances.

**15. INTERFUND BALANCES AND TRANSFERS**

Receivable Fund	Payable Fund	Amount
General Fund	Law Enforcement Protection Fund	\$ 398

Interfund balances represent short-term advances for funds that receive grants on a reimbursement basis.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**15. INTERFUND BALANCES AND TRANSFERS (continued)**

	Transfers In					Total
	General Fund	Municipal Street Fund	Government Assistance Fund	Joint Utility Fund	Non-Major Funds	
Transfers (out):						
General Fund	\$ -	\$ 403	\$ -	\$ 27,806	\$ -	\$ 28,209
Mun Income Perm Fund	-	-	-	-	59,590	59,590
Non-Major Funds	3,200	-	1,421	-	65,100	69,721
	<u>\$ 3,200</u>	<u>\$ 403</u>	<u>\$ 1,421</u>	<u>\$ 27,806</u>	<u>\$ 124,690</u>	<u>\$ 157,520</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Additionally, transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**16. RECONCILIATION OF BUDGETARY  
COMPARISON STATEMENTS WITH GAAP STATEMENTS**

The Town prepares its budget utilizing the cash basis of accounting which is a basis of accounting that differs from generally accepted accounting principles. The Town presents the following information that reconciles the general fund and major special revenue fund budgetary comparison statements with the statement of revenues, expenditures, and changes in fund balances. The Town's reconciliation of the remaining funds follows budgetary comparison statement of each type of fund.

	General Fund	Municipal Street Fund
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 2,378,118	\$ 695,987
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for the financial reporting purposes.	(106,866)	(40,866)
During the year, an individual taxpayer amended their reports to the NM Department of Taxation & Revenue requesting a refund. A refund was issued and the Department determined the Town had been overpaid tax revenues for the current year. For budgetary purposes, the overpayment is considered revenue; however, for financial reporting purposes, the overpayment is considered deferred revenues.	(75,824)	(11,091)

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**RECONCILIATION OF BUDGETARY**

**16. COMPARISON STATEMENTS WITH GAAP STATEMENTS (continued)**

	General Fund	Municipal Street Fund
During the year, the Town debt reserve accounts accumulated interest income. For budgetary purposes, the Town does not recognize the income as the accounts are held by a fiscal agent. For financial reporting the income is recorded.	18	-
Property taxes deferred in the previous year are recognized when considered available for financial reporting purposes. The property taxes are not recognized for budgetary purposes until received.	(9,764)	-
The Town prepares payroll for the Town's Housing Authority and is reimbursed for the associated expenses, (wages, payroll taxes, employer benefits, etc.) For the budgetary basis, the Town reflects the reimbursement as revenues. For financial reporting purposes, the reimbursements reduce the expenses rather than being recorded as revenues.	(103,746)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 2,081,936	\$ 644,030
 Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statements.	\$ 2,716,435	\$ 327,262
The Town budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are considered expenditures for financial reporting purposes.	(28,827)	7,017
The Town prepares payroll for the Town's Housing Authority and is reimbursed for the associated expenses, (wages, payroll taxes, employer benefits, etc.). For the budgetary basis, the Town reflects the amounts as expenditures. For financial reporting purposes, the reimbursements reduce payroll expenditures.	(103,746)	-
The Town budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis of accounting but are considered expenditures for financial reporting purposes.	3,719	336
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 2,587,581	\$ 334,615

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**RECONCILIATION OF BUDGETARY**

**16. COMPARISON STATEMENTS WITH GAAP STATEMENTS (continued)**

	<u>General Fund</u>	<u>Municipal Street Fund</u>
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ (25,009)	\$ 403
Differences - Budget to GAAP:		
None.	-	-
Total other findings sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ (25,009)</u>	<u>\$ 403</u>
Special Item:		
Actual amounts (budgetary basis) "special item" from the budgetary comparison statement.	\$ 2,000	\$ -
Differences - Budget to GAAP:		
None.	-	-
Total special items as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 2,000</u>	<u>\$ -</u>

**17. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

Plan Description

Substantially, all of the Town'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 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](http://www.pera.state.nm.us).

Funding Policy

Plan members are required to contribute from 7.0% to 12.8% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary.



**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**17. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

Funding Policy (continued)

The Town is required to from 9.15% to 21.25% (ranges from 7.0% to 25.72%, depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Town are established in state statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by legislative acts. The Town's contributions to PERA for the fiscal years ending June 30, 2010, 2009, and 2008 were \$234,518, \$221,595, and \$172,022, respectively; equal to the amount of the required contributions for each year.

**18. POST-EMPLOYMENT BENEFITS**

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive 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.

**19. 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 to employees; and natural disasters. The Town has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The Town pays an annual premium to New Mexico Self-Insured Fund for its general insurance coverage, and all risk of loss is transferred.

**20. VIOLATIONS OF FINANCE-RELATED PROVISIONS**

Wastewater System Improvements Note – The Town has borrowed \$1,274,166 from the New Mexico Finance Authority (NMFA) to make improvements to the wastewater system. Within the note agreement, there is a provision that the Town must submit their annual audit report within one hundred eighty days after year end to the NMFA. The audit report for the fiscal year ended June 30, 2010 was not submitted on a timely basis. The audit reports for the past couple of years have been late due to changes in key accounting personnel. The Town has stabilized the accounting staff and anticipates the audit report for the fiscal year ended June 30, 2011, will be submitted to the NMFA by the due date.

Jail Project Revenue Bonds - The Town has issued special revenue bonds in the amount of \$77,585,000. The bond ordinance approved by the Board of Trustees requires that separate accounting records that account for all the financial activity of the prison facility be maintained by the Town.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**20. VIOLATIONS OF FINANCE-RELATED PROVISIONS (continued)**

As of June 30, 2010, the Town has not maintained separate accounting records for the prison facility. The bond ordinance also requires a copy of the Town's audited financial statements be submitted to the insurer of the bonds within forty-five days after year end. Further, the Town has agreed to submit its annual audited financial statements to the underwriter by January 1<sup>st</sup>. The Town did not submit its annual audited financial statements within the required deadline to either the insurer or the underwriter. The Town intends to create separate accounting records for the prison facility and meet the filing deadlines as required by the legal documents.

**21. CONTINGENT LIABILITIES**

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

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Town's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Town.

***SUPPLEMENTAL INFORMATION***

**COMBINING AND INDIVIDUAL NON-MAJOR  
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	Special Revenue Funds						
	Senior Citizen's Fund	Library Fund	Cemetery Fund	Lodgers' Tax Fund	Fire Fund	Recreation Fund	Emergency Medical Services Fund
<b>ASSETS</b>							
Cash	\$ 894	\$ 124,385	\$ 130,064	\$ 117,460	\$ 7,762	\$ 34	\$ -
Taxes receivable	-	-	-	15,555	-	-	-
Intergovernmental receivable	7,256	-	-	-	-	-	-
Interest receivable	-	14	39	9	-	-	-
Restricted:							
Investments	-	-	-	37,458	18	-	-
Total assets	<u>\$ 8,150</u>	<u>\$ 124,399</u>	<u>\$ 130,103</u>	<u>\$ 170,482</u>	<u>\$ 7,780</u>	<u>\$ 34</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 2,689	\$ 1,028	\$ 266	\$ 1,709	\$ -	\$ 1,112	\$ 546
Accrued salaries	420	-	-	-	-	466	-
Accrued payroll taxes	-	-	-	-	-	106	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	<u>3,109</u>	<u>1,028</u>	<u>266</u>	<u>1,709</u>	<u>-</u>	<u>1,684</u>	<u>546</u>
Fund Balances:							
Reserved:							
Debt service	-	-	-	33,351	18	-	-
Perpetual care	-	-	129,837	-	-	-	-
Subsequent year's expenditures	630	-	-	91,861	1,343	-	-
Unreserved	<u>4,411</u>	<u>123,371</u>	<u>-</u>	<u>43,561</u>	<u>6,419</u>	<u>(1,650)</u>	<u>(546)</u>
Total fund balances	<u>5,041</u>	<u>123,371</u>	<u>129,837</u>	<u>168,773</u>	<u>7,780</u>	<u>(1,650)</u>	<u>(546)</u>
Total liabilities and fund balances	<u>\$ 8,150</u>	<u>\$ 124,399</u>	<u>\$ 130,103</u>	<u>\$ 170,482</u>	<u>\$ 7,780</u>	<u>\$ 34</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

	Special Revenue Funds					Total Non-Major Funds
	Local Government Corrections Fund	Law Enforcement Protection Fund	Municipal Income Interest Fund	Total Special Revenue Funds	CDBG Capital Project Fund	
<b>ASSETS</b>						
Cash	\$ 242,623	\$ -	\$ -	\$ 623,222	\$ -	\$ 623,222
Taxes receivable	-	-	-	15,555	-	15,555
Intergovernmental receivable	-	-	-	7,256	-	7,256
Interest receivable	138	-	-	200	-	200
Restricted:						-
Investments	-	-	-	37,476	-	37,476
Total assets	<u>\$ 242,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683,709</u>	<u>\$ -</u>	<u>\$ 683,709</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 2,502	\$ -	\$ -	\$ 9,852	\$ -	\$ 9,852
Accrued salaries	-	-	-	886	-	886
Accrued payroll taxes	-	-	-	106	-	106
Due to other funds	-	398	-	398	-	398
Total liabilities	2,502	398	-	11,242	-	11,242
Fund Balances:						
Reserved:						
Debt service	-	-	-	33,369	-	33,369
Perpetual care	-	-	-	129,837	-	129,837
Subsequent year's expenditures	-	-	-	93,834	-	93,834
Unreserved	240,259	(398)	-	415,427	-	415,427
Total fund balances	<u>240,259</u>	<u>(398)</u>	<u>-</u>	<u>672,467</u>	<u>-</u>	<u>672,467</u>
Total liabilities and fund balances	<u>\$ 242,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 683,709</u>	<u>\$ -</u>	<u>\$ 683,709</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds						
	Senior Citizen's Fund	Library Fund	Cemetery Fund	Lodgers' Tax Fund	Fire Fund	Recreation Fund	Emergency Medical Services Fund
<b>Revenues:</b>							
Lodgers' taxes	\$ -	\$ -	\$ -	\$ 121,733	\$ -	\$ -	\$ -
Public service taxes	-	-	-	-	-	2,009	-
Intergovernmental	101,907	11,302	-	-	287,404	-	93,384
Charges for services	41,213	187	1,575	-	-	9,524	-
Fines and forfeitures	-	-	-	-	-	-	-
Interest	-	1,673	1,605	1,869	154	-	10
Miscellaneous	-	4,060	390	-	-	-	-
<b>Total revenues</b>	<b>143,120</b>	<b>17,222</b>	<b>3,570</b>	<b>123,602</b>	<b>287,558</b>	<b>11,533</b>	<b>93,394</b>
<b>Expenditures:</b>							
<b>Current:</b>							
Public safety	-	-	-	-	186,026	-	23,899
Culture and recreation	-	12,534	-	108,350	-	28,170	-
Health and welfare	157,047	-	1,817	-	-	-	-
Capital outlay	20,989	-	-	46,418	55,498	-	69,000
<b>Debt service:</b>							
Principal	-	-	-	23,004	-	-	-
Interest	-	-	-	10,481	-	-	-
<b>Total expenditures</b>	<b>178,036</b>	<b>12,534</b>	<b>1,817</b>	<b>188,253</b>	<b>241,524</b>	<b>28,170</b>	<b>92,899</b>
Excess (deficiency) of revenues over expenditures	(34,916)	4,688	1,753	(64,651)	46,034	(16,637)	495
<b>Other Financing Sources (Uses):</b>							
Proceeds from capital leases	-	-	-	-	-	-	-
Transfers in	48,000	-	-	-	-	17,100	-
Transfers (out)	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>48,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,100</b>	<b>-</b>
Net change in fund balances	13,084	4,688	1,753	(64,651)	46,034	463	495
Fund balances, beginning of year	(7,681)	118,683	123,554	172,411	23,328	(1,790)	(1,041)
Restatements	(362)	-	4,530	61,013	(61,582)	(323)	-
Fund balances, beginning of year, restated	(8,043)	118,683	128,084	233,424	(38,254)	(2,113)	(1,041)
Fund balances, end of year	<u>\$ 5,041</u>	<u>\$ 123,371</u>	<u>\$ 129,837</u>	<u>\$ 168,773</u>	<u>\$ 7,780</u>	<u>\$ (1,650)</u>	<u>\$ (546)</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds				CDBG Capital Project Fund	Total Non-Major Funds
	Local Government Corrections Fund	Law Enforcement Protection Fund	Municipal Income Interest Fund	Total Special Revenue Funds		
Revenues:						
Lodgers' taxes	\$ -	\$ -	\$ -	\$ 121,733	\$ -	\$ 121,733
Public service taxes	-	-	-	2,009	-	2,009
Intergovernmental	-	22,400	-	516,397	-	516,397
Charges for services	-	-	-	52,499	-	52,499
Fines and forfeitures	21,286	-	-	21,286	-	21,286
Interest	3,710	5	47	9,073	-	9,073
Miscellaneous	-	-	-	4,450	-	4,450
<b>Total revenues</b>	<b>24,996</b>	<b>22,405</b>	<b>47</b>	<b>727,447</b>	<b>-</b>	<b>727,447</b>
Expenditures:						
Current:						
Public safety	33,442	201	-	243,568	-	243,568
Culture and recreation	-	-	-	149,054	-	149,054
Health and welfare	-	-	-	158,864	-	158,864
Capital outlay	-	43,400	-	235,305	-	235,305
Debt service:						
Principal	-	-	-	23,004	-	23,004
Interest	-	-	-	10,481	-	10,481
<b>Total expenditures</b>	<b>33,442</b>	<b>43,601</b>	<b>-</b>	<b>820,276</b>	<b>-</b>	<b>820,276</b>
Excess (deficiency) of revenues over expenditures	(8,446)	(21,196)	47	(92,829)	-	(92,829)
Other Financing Sources (Uses):						
Proceeds from capital leases	-	21,000	-	21,000	-	21,000
Transfers in	-	-	59,590	124,690	-	124,690
Transfers (out)	(3,200)	-	(66,521)	(69,721)	-	(69,721)
<b>Total other financing sources (uses)</b>	<b>(3,200)</b>	<b>21,000</b>	<b>(6,931)</b>	<b>75,969</b>	<b>-</b>	<b>75,969</b>
Net change in fund balances	(11,646)	(196)	(6,884)	(16,860)	-	(16,860)
Fund balances, beginning of year	251,905	(202)	(2,375)	676,792	11,881	688,673
Restatements	-	-	9,259	12,535	(11,881)	654
Fund balances, beginning of year, restated	251,905	(202)	6,884	689,327	-	689,327
Fund balances, end of year	\$ 240,259	\$ (398)	\$ -	\$ 672,467	\$ -	\$ 672,467

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



**NON-MAJOR SPECIAL REVENUE FUNDS  
BUDGETARY COMPARISON STATEMENTS**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**SENIOR CITIZEN'S FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 101,394	\$ 145,001	\$ 98,938	\$ (46,063)
Charges for services	30,000	30,000	41,213	11,213
Interest	50	50	-	(50)
Total revenues	<u>131,444</u>	<u>175,051</u>	<u>140,151</u>	<u>(34,900)</u>
Expenditures:				
Current:				
Health and welfare	167,505	169,112	154,958	14,154
Capital outlay	28,990	70,990	32,349	38,641
Total expenditures	<u>196,495</u>	<u>240,102</u>	<u>187,307</u>	<u>52,795</u>
Excess (deficiency) of revenues over expenditures	(65,051)	(65,051)	(47,156)	17,895
Other Financing Sources (Uses):				
Transfers in	65,051	65,051	48,000	(17,051)
Net change in cash balance	-	-	844	844
Cash balance, beginning of year	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 50</u></u>	<u><u>\$ 50</u></u>	<u><u>\$ 894</u></u>	<u><u>\$ 844</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
LIBRARY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 9,233	\$ 15,582	\$ 11,302	\$ (4,280)
Charges for services	-	-	187	187
Interest	2,250	2,250	1,659	(591)
Miscellaneous revenues	1,000	1,000	4,060	3,060
Total revenues	<u>12,483</u>	<u>18,832</u>	<u>17,208</u>	<u>(1,624)</u>
Expenditures:				
Current:				
Culture and recreation	10,579	15,598	10,836	4,762
Capital outlay	-	1,330	1,330	-
Total expenditures	<u>10,579</u>	<u>16,928</u>	<u>12,166</u>	<u>4,762</u>
Net change in cash balance	1,904	1,904	5,042	3,138
Cash balance, beginning of year	<u>119,343</u>	<u>119,343</u>	<u>119,343</u>	<u>-</u>
Cash balance, end of year	<u>\$ 121,247</u>	<u>\$ 121,247</u>	<u>\$ 124,385</u>	<u>\$ 3,138</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**CEMETERY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 5,000	\$ 5,000	\$ 1,575	\$ (3,425)
Interest	2,000	2,000	1,566	(434)
Miscellaneous revenues	1,000	1,000	390	(610)
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>3,531</u>	<u>(4,469)</u>
Expenditures:				
Current:				
Health and welfare	<u>8,000</u>	<u>8,000</u>	<u>1,747</u>	<u>6,253</u>
Net change in cash balance	-	-	1,784	1,784
Cash balance, beginning of year	<u>128,280</u>	<u>128,280</u>	<u>128,280</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 128,280</u></u>	<u><u>\$ 128,280</u></u>	<u><u>\$ 130,064</u></u>	<u><u>\$ 1,784</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**LODGERS' TAX FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Lodgers' tax	\$ 125,000	\$ 125,000	\$ 117,164	\$ (7,836)
Miscellaneous	27,767	27,767	23,676	(4,091)
Interest	1,500	1,500	1,790	290
Total revenues	<u>154,267</u>	<u>154,267</u>	<u>142,630</u>	<u>(11,637)</u>
Expenditures:				
Current:				
Culture and recreation	133,080	133,080	102,259	30,821
Capital outlay	33,519	27,767	53,676	(25,909)
Debt service	27,767	33,519	33,485	34
Total expenditures	<u>194,366</u>	<u>194,366</u>	<u>189,420</u>	<u>4,946</u>
Net change in cash balance	(40,099)	(40,099)	(46,790)	(6,691)
Cash balance, beginning of year	<u>164,250</u>	<u>164,250</u>	<u>164,250</u>	<u>-</u>
Cash balance, end of year	<u>\$ 124,151</u>	<u>\$ 124,151</u>	<u>\$ 117,460</u>	<u>\$ (6,691)</u>

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

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
FIRE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 255,190	\$ 309,804	\$ 309,804	\$ -
Interest	800	800	154	(646)
Total revenues	<u>255,990</u>	<u>310,604</u>	<u>309,958</u>	<u>(646)</u>
Expenditures:				
Current:				
Public safety	136,990	191,642	185,301	6,341
Capital outlay	<u>119,000</u>	<u>118,316</u>	<u>118,316</u>	<u>-</u>
Total expenditures	<u>255,990</u>	<u>309,958</u>	<u>303,617</u>	<u>6,341</u>
Net change in cash balance	-	646	6,341	5,695
Cash balance, beginning of year	<u>1,421</u>	<u>1,421</u>	<u>1,421</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 1,421</u></u>	<u><u>\$ 2,067</u></u>	<u><u>\$ 7,762</u></u>	<u><u>\$ 5,695</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**RECREATION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Public service taxes	\$ 2,265	\$ 2,265	\$ 2,009	\$ (256)
Charges for services	<u>6,760</u>	<u>6,760</u>	<u>9,524</u>	<u>2,764</u>
Total revenues	9,025	9,025	11,533	2,508
Expenditures:				
Current:				
Culture and recreation	<u>38,028</u>	<u>38,028</u>	<u>28,624</u>	<u>9,404</u>
Excess (deficiency) of revenues over expenditures	(29,003)	(29,003)	(17,091)	11,912
Other Financing Sources (Uses):				
Transfers in	<u>29,000</u>	<u>29,000</u>	<u>17,100</u>	<u>(11,900)</u>
Net change in cash balance	(3)	(3)	9	12
Cash balance, beginning of year	<u>25</u>	<u>25</u>	<u>25</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 22</u></u>	<u><u>\$ 22</u></u>	<u><u>\$ 34</u></u>	<u><u>\$ 12</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**EMERGENCY MEDICAL SERVICES FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 20,217	\$ 95,063	\$ 93,384	\$ (1,679)
Interest	50	50	10	(40)
Total revenues	<u>20,267</u>	<u>95,113</u>	<u>93,394</u>	<u>(1,719)</u>
Expenditures:				
Current:				
Public safety	13,967	18,912	18,232	680
Capital outlay	<u>6,300</u>	<u>76,201</u>	<u>75,162</u>	<u>1,039</u>
Total expenditures	<u>20,267</u>	<u>95,113</u>	<u>93,394</u>	<u>1,719</u>
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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



**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
LOCAL GOVERNMENT CORRECTIONS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Fines and forfeitures	\$ 14,650	\$ 20,350	\$ 21,286	\$ 936
Interest	5,050	5,050	3,572	(1,478)
Total revenues	19,700	25,400	24,858	(542)
Expenditures:				
Current:				
Public safety	24,150	33,650	30,940	2,710
Excess (deficiency) of revenues over expenditures	(4,450)	(8,250)	(6,082)	2,168
Other Financing Sources (Uses):				
Transfers (out)	-	(3,200)	(3,200)	-
Net change in cash balance	(4,450)	(11,450)	(9,282)	2,168
Cash balance, beginning of year	251,905	251,905	251,905	-
Cash balance, end of year	<u>\$ 247,455</u>	<u>\$ 240,455</u>	<u>\$ 242,623</u>	<u>\$ 2,168</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**LAW ENFORCEMENT PROTECTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 23,000	\$ 23,000	\$ 22,400	\$ (600)
Interest	50	50	5	(45)
Total revenues	<u>23,050</u>	<u>23,050</u>	<u>22,405</u>	<u>(645)</u>
Expenditures:				
Current:				
Public safety	<u>23,000</u>	<u>23,000</u>	<u>22,806</u>	<u>194</u>
Net change in cash balance	50	50	(401)	(451)
Cash balance, beginning of year	3	3	3	-
Cash advanced by general fund	<u>-</u>	<u>-</u>	<u>398</u>	<u>(398)</u>
Cash balance, end of year	<u><u>\$ 53</u></u>	<u><u>\$ 53</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (53)</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
MUNICIPAL INCOME INTEREST FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Interest	\$ 221	\$ 221	\$ 47	\$ (174)
Other Financing Sources (Uses):				
Transfers in	98,566	98,566	59,590	(38,976)
Transfers (out)	<u>(98,566)</u>	<u>(98,566)</u>	<u>(66,521)</u>	<u>32,045</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(6,931)</u>	<u>(6,931)</u>
Net change in cash balance	221	221	(6,884)	(7,105)
Cash balance, beginning of year	<u>6,884</u>	<u>6,884</u>	<u>6,884</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 7,105</u></u>	<u><u>\$ 7,105</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (7,105)</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS**  
**TO THE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Senior Citizen's Fund	Library Fund	Cemetery Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 140,151	\$ 17,208	\$ 3,531
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for financial reporting purposes.	<u>2,969</u>	<u>14</u>	<u>39</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	<u><u>\$ 143,120</u></u>	<u><u>\$ 17,222</u></u>	<u><u>\$ 3,570</u></u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statements.	\$ 187,307	\$ 12,166	\$ 1,747
The Town budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are considered expenditures for financial reporting purposes.	(9,329)	368	70
The Town budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis of accounting but are considered expenditures for financial reporting purposes.	<u>58</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	<u><u>\$ 178,036</u></u>	<u><u>\$ 12,534</u></u>	<u><u>\$ 1,817</u></u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ 48,000	\$ -	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	<u><u>\$ 48,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS  
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010

	Lodgers' Tax Fund	Fire Fund	Recreation Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Sources/Inflows of Resources:</b>			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 142,630	\$ 309,958	\$ 11,533
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for the financial reporting purposes.	4,578	(22,400)	-
During the fiscal year, the Town received debt proceeds held in trust. For budgetary purposes, the cash received is reflected as miscellaneous revenue. For financial reporting purposes, the debt proceeds are not considered revenue.	(23,676)	-	-
Interest income earned on restricted investments is not recorded by the Town for budgetary purposes as the income is held by a fiscal agent. For financial reporting, the interest is reflected as revenue.	<u>70</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 123,602</u>	<u>\$ 287,558</u>	<u>\$ 11,533</u>
<b>Uses/Outflows of Resources:</b>			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statements.	\$ 189,420	\$ 303,617	\$ 28,624
The Town budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are considered expenditures for financial reporting purposes.	(1,167)	(62,093)	(597)
The Town budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis of accounting but are considered expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>143</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	<u>\$ 188,253</u>	<u>\$ 241,524</u>	<u>\$ 28,170</u>
<b>Other Sources (Uses) of Resources:</b>			
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ -	\$ -	\$ 17,100
<b>Differences - Budget to GAAP:</b>			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,100</u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS**  
**TO THE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Emergency Medical Services Fund	Local Government Corrections Fund
<b>Sources/Inflows of Resources:</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 93,394	\$ 24,858
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for the financial reporting purposes.	-	138
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 93,394	\$ 24,996
<b>Uses/Outflows of Resources:</b>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statements.	\$ 93,394	\$ 30,940
The Town budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are considered expenditures for financial reporting purposes.	(495)	2,502
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances	\$ 92,899	\$ 33,442
<b>Other Sources (Uses) of Resources:</b>		
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ -	\$ (3,200)
<b>Differences - Budget to GAAP:</b>		
None.	-	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ -	\$ (3,200)

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS**  
**TO THE STATEMENTS OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Law Enforcement Protection Fund	Municipal Income Interest Fund
<b>Sources/Inflows of Resources:</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 22,405	\$ 47
None.	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 22,405	\$ 47
<b>Uses/Outflow of Resources:</b>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statements.	\$ 22,806	\$ -
The Town budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are considered expenditures for financial reporting purposes.	(205)	-
During the current fiscal year, the Town entered into a capital lease for the purpose of purchasing police vehicles. The amount financed and the subsequent expenditure are not included for budgetary purposes. For financial reporting, the capital outlay is reported.	21,000	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 43,601	\$ -
<b>Other Sources (Uses) of Resources:</b>		
Actual amounts (budgetary basis) "other financing sources (uses)" including transfers from other funds reflected in the budgetary comparison statement.	\$ -	\$ (6,931)
<b>Differences - Budget to GAAP:</b>		
During the current fiscal year, the Town entered into a capital lease for the purpose of purchasing police vehicles. The loan proceeds are not recorded as revenue for budgetary purposes as that amount was not deposited. For financial reporting, loan proceeds are reported.	21,000	-
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 21,000	\$ (6,931)

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

**MAJOR CAPITAL PROJECT FUND  
BUDGETARY COMPARISON STATEMENT**



**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
GOVERNMENT ASSISTANCE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 3,335,308	\$ 3,335,308	\$ 2,407,002	\$ (928,306)
Expenditures:				
Current:				
General government	61,800	61,800	49,017	12,783
Capital outlay	<u>3,384,261</u>	<u>3,384,261</u>	<u>2,446,932</u>	<u>937,329</u>
Total expenditures	<u>3,446,061</u>	<u>3,446,061</u>	<u>2,495,949</u>	<u>950,112</u>
Excess (deficiency) of revenues over expenditures	(110,753)	(110,753)	(88,947)	21,806
Other Financing Sources (Uses):				
Transfers in	<u>123,955</u>	<u>123,955</u>	<u>56,163</u>	<u>(67,792)</u>
Net change in cash balance	13,202	13,202	(32,784)	(45,986)
Cash balance, beginning of year	48,981	48,981	48,981	-
Advance repaid to another fund	<u>-</u>	<u>-</u>	<u>(16,197)</u>	<u>(16,197)</u>
Cash balance, end of year	<u>\$ 62,183</u>	<u>\$ 62,183</u>	<u>\$ -</u>	<u>\$ (62,183)</u>

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

**STATE OF NEW MEXICO  
TOWN OF CLAYTON**  
**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENT  
TO THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010**

	Government Assistance Fund
<b>Sources/Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 2,407,002
During the fiscal year, the Town was in the process of constructing a new paved road to the Town's jail facility. A portion of excess prison funds available to the Town were used to assist in the construction costs. Since a direct payment to the vendor was made by the trustee of the prison funds, the Town did not record the financial activity on the budgetary basis of accounting. For financial reporting purposes, the amount of revenue is reported.	676,844
For budgetary purposes, the Town recorded intergovernmental revenue received for the construction of a final cover for the landfill within the Government Assistance Fund. For financial reporting purposes, the revenue is not recorded within the fund as the revenue is to be used for the solid waste activity that is accounted for within the joint utility fund.	(224,932)
For budgetary purposes, the Town recorded intergovernmental revenue within the the government assistance fund that was received for improvements to the Town's wastewater facility. For financial reporting purposes, the revenue is not recorded within the fund as the revenue is to be used for improvements to the wastewater facility and is accounted for in the joint utility fund.	(11,675)
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for the financial reporting purposes.	43,022
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 2,890,261
<b>Uses/Outflow of Resources:</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statements.	\$ 2,495,949
The Town budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are considered expenditures for financial reporting purposes.	6,733
During the fiscal year, the Town was in the process of constructing a new paved road to the Town's jail facility. A portion of excess prison funds available to the Town was used to assist in the the construction costs. The amount of prison funds utilized for the construction are not recorded for the budgetary basis, as the expenditures were directly paid by the trustee of the prison funds. For financial reporting purposes, the amount expended is capitalized as construction in progress.	676,844
For budgetary purposes, the Town recorded expenditures for the construction of a final cover for the municipal landfill as capital outlay. For financial reporting purposes, the expenditures are not recorded within the fund as they are associated with the solid waste activity that is accounted for within the joint utility fund.	(279,674)
For budgetary purposes, the Town recorded capital outlay expenditures for improvements to the Town's wastewater facility within the fund. For financial reporting purposes, the expenditures are recorded within the joint utility fund.	(11,675)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	\$ 2,888,177

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENT**  
**TO THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Government Assistance Fund</u>
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) "other financing sources (uses)" including transfers from other funds reflected in the budgetary comparison statement.	\$ 56,163
Differences - Budget to GAAP:	
During the fiscal year, the Town received revenues for the construction of a final cover for the municipal landfill. For budgetary purposes, the Town accounted for the revenues and expenditures and then transferred the remaining amount to the joint utility fund. For financial reporting purposes, the revenues and expenditures are recorded within the joint utility fund, therefore, the transfer is not required within the government assistance fund.	<u>(54,742)</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	<u><u>\$ 1,421</u></u>

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

**MAJOR PERMANENT FUND  
BUDGETARY COMPARISON STATEMENT**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
MUNICIPAL INCOME PERMANENT FUND  
STATEMENT OF REVENUES, AND EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Interest	\$ 24,407	\$ 24,407	\$ 17,214	\$ (7,193)
Other Financing Sources (Uses):				
Transfers (out)	<u>(98,566)</u>	<u>(98,566)</u>	<u>(59,590)</u>	<u>38,976</u>
Net change in cash balance	(74,159)	(74,159)	(42,376)	31,783
Cash balance, beginning of year	1,133,260	1,133,260	1,133,260	-
Restatement	<u>55,082</u>	<u>55,082</u>	<u>55,082</u>	<u>-</u>
Cash balance, beginning of year, restated	1,188,342	1,188,342	1,188,342	-
Advance repaid from another fund	<u>-</u>	<u>-</u>	<u>16,197</u>	<u>16,197</u>
Cash balance, end of year	<u><u>\$ 1,114,183</u></u>	<u><u>\$ 1,114,183</u></u>	<u><u>\$ 1,162,163</u></u>	<u><u>\$ 47,980</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
RECONCILIATION BUDGETARY COMPARISON STATEMENT AND  
STATEMENT OF REVENUES, AND EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Municipal Income Fund</u>
<b>Sources/Inflows of Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 17,214
<b>Differences - Budget to GAAP:</b>	
None.	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	<u><u>\$ 17,214</u></u>
<b>Other Sources (Uses) of Resources:</b>	
Actual amounts (budgetary basis) "other financing sources (uses)" including transfers from other funds reflected in the budgetary comparison statement.	\$ (59,590)
<b>Differences - Budget to GAAP:</b>	
None.	<u>-</u>
Total other financing sources (uses) as reported of revenues, expenditures and changes in fund balances.	<u><u>\$ (59,590)</u></u>

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

**MAJOR ENTERPRISE FUND  
BUDGETARY COMPARISON STATEMENT**

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**JOINT UTILITY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
<b>Operating Revenues:</b>				
Charges for services	\$ 901,203	\$ 901,203	\$ 1,103,658	\$ 202,455
Miscellaneous	-	-	9,248	9,248
Total operating revenues	901,203	901,203	1,112,906	211,703
<b>Operating Expenses:</b>				
Personnel services	483,891	483,891	467,749	16,142
Utilities	99,000	99,000	120,859	(21,859)
Contractual services	154,352	154,352	129,002	25,350
Repairs and maintenance	71,100	71,100	88,984	(17,884)
Insurance claims and expenses	19,008	19,008	15,298	3,710
Other operating expenses	410,250	386,250	284,656	101,594
Total operating expenses	1,237,601	1,213,601	1,106,548	107,053
Operating income (loss)	(336,398)	(312,398)	6,358	318,756
<b>Non-Operating Revenues (Expenses):</b>				
State shared taxes	36,211	36,211	29,549	(6,662)
Interest income	16,000	16,000	8,863	(7,137)
Capital outlay	(62,500)	(62,500)	(48,858)	13,642
Debt service - principal	(41,031)	(41,031)	(58,843)	(17,812)
Interest expense and other charges	-	-	(37,146)	(37,146)
Total non-operating revenues (expenses)	(51,320)	(51,320)	(106,435)	(55,115)
Income (loss) before capital contributions and transfers	(387,718)	(363,718)	(100,077)	263,641
<b>Capital contributions and transfers:</b>				
Capital contributions	-	-	39,600	39,600
Transfers in	-	39,600	27,806	(11,794)
Transfers (out)	(84,581)	(94,362)	(54,742)	39,620
Total capital contributions and transfers	(84,581)	(54,762)	12,664	67,426
Net change in cash balance	(472,299)	(418,480)	(87,413)	331,067
Cash balance, beginning of year	607,726	607,726	607,726	-
Cash balance, end of year	\$ 135,427	\$ 189,246	\$ 520,313	\$ 331,067

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



**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**RECONCILIATION BUDGETARY COMPARISON STATEMENT**  
**AND STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Joint Utility Fund</u>
<b>Sources/Inflows of Operating Resources:</b>	
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison statement.	\$ 1,112,906
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for the financial reporting purposes.	6,974
Changes in the allowance for doubtful accounts from one year to the next does not effect the budgetary basis of accounting. For financial reporting, the change will effect reported net revenues.	<u>(5,350)</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 1,114,530</u></u>
<b>Uses/Outflow of Operating Resources:</b>	
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison statement.	\$ 1,106,548
The Town budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are considered expenditures for financial reporting purposes.	(21,310)
The Town budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis of accounting but are considered expenditures for financial reporting purposes.	7,075
The Town does not budget depreciation expense; however, for financial reporting depreciation is included.	<u>1,188,251</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 2,280,564</u></u>
<b>Non-Operating Revenues (Expenses):</b>	
Actual amounts (budgetary basis) "non-operating revenues (expenses)" from the budgetary comparison statement.	\$ (106,435)
<b>Differences - Budget to GAAP:</b>	
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for the financial reporting purposes.	(9,866)
The Town budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are considered expenditures for financial reporting purposes.	30
The Town budgets for the purchase of capital assets. Such purchases are not considered expenses for financial reporting as those amounts are capitalized.	48,858
The Town budgets for the reduction of long-term debt. The reduction of the debt is not considered an expense for financial reporting purposes.	<u>58,843</u>
Total non-operating revenues and expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ (8,570)</u></u>

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

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
RECONCILIATION BUDGETARY COMPARISON STATEMENT  
AND STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Joint Utility Fund</u>
Capital Contributions and Transfers: Actual amounts (budgetary basis) "capital contributions and transfers" from the budgetary comparison statement.	\$ 12,664
Differences - Budget to GAAP: During the fiscal year, the Town budgeted certain grant revenues and expenditures that pertained to the joint utility fund with the government assistance capital projects fund, as a result, those amounts were not reflected within the joint utility budgetary basis. For financial reporting purposes, they are included.	224,726
During the fiscal year, the Town received revenues for the construction of a final cover for the municipal landfill. For budgetary purposes, the Town accounted for the revenues and expenditures within the government assistance fund and the Town's portion to complete the project was budgeted as a transfer within the joint utility fund. For financial purposes, the gross revenues and the reduction of the landfill closure liability is accounted for within the joint utility fund; therefore, the transfer is eliminated.	<u>54,742</u>
Total capital contributions and transfers as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 292,132</u></u>

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

***SUPPLEMENTAL FINANCIAL INFORMATION***

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
**SCHEDULE OF CASH ACCOUNTS**  
**JUNE 30, 2010**

Financial Institution/Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415				
Special revenues pool	Checking	\$ 498,688	\$ (229)	\$ 498,459
Payroll account	Checking	18,796	(17,627)	1,169
MMDA account	MMA	984,046	(30,000)	954,046
Certificate of Deposit	CD	300,000	-	300,000
Certificate of Deposit	CD	217,780	-	217,780
Certificate of Deposit	CD	100,000	-	100,000
Certificate of Deposit	CD	400,000	-	400,000
Certificate of Deposit	CD	24,000	-	24,000
		<u>\$ 2,543,310</u>	<u>\$ (47,856)</u>	<u>\$ 2,495,454</u>
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415-0488				
General Fund	Checking	\$ 323,613	\$ (77,988)	\$ 245,625
Utility Pool	Checking	(406)	(35,084)	(35,490)
Library Fund	Checking	4,233	(1,152)	3,081
Vendor account	Checking	50,801	229,460	280,261
Severance account	Checking	56,062	-	56,062
TOC Pooled Money Market	MMA	577,409	(13,500)	563,909
Certificate of Deposit	CD	200,000	-	200,000
Certificate of Deposit	CD	11,000	-	11,000
		<u>\$ 1,222,712</u>	<u>\$ 101,736</u>	<u>\$ 1,324,448</u>

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2010**

First National Bank of New Mexico  
201 Main Street  
Clayton, New Mexico 88415

Security	CUSIP	Maturity	Par Value	Market Value
Eastern NM Univ Revs	276785UA8	04/01/14	\$ 50,000	\$ -
Eastern NM Univ Revs	27678NAK9	08/15/11	50,000	-
Eastern NM Univ Revs	27678NAK9	08/15/11	25,000	-
Rio Rancho NM Sch Dist	767171FV8	08/01/10	50,000	-
Rio Rancho NM Sch Dist	767171FV8	08/01/10	50,000	-
Taos NM Mun Sch Dist	876014EY3	09/01/13	50,000	-
Tularosa NM Sch Dist	899172GM6	07/01/13	150,000	-
FHLB Fixed Rate Note	3133XGJA3	09/09/16	-	116,653
FHLB Fixed Rate Note	31331XKB7	12/27/18	-	56,261
FHLMC Fixed Rate Note	3128X2TM7	01/30/14	-	170,433
FHLMC Fixed Rate Note	3128X8F56	05/13/13	-	203,865
FHLMC Fixed Rate Note	3128X9C65	09/10/14	-	152,729
Total:			<u>\$ 425,000</u>	<u>\$ 699,941</u>

The holder of the security pledged by First National Bank New Mexico is Federal Home Loan Bank of Dallas, P.O. Box 619026, Dallas, TX 75261-9026.

Farmers & Stockmen's Bank  
P.O. Box 488  
Clayton, New Mexico 88415-0488

Security	CUSIP	Maturity	Market Value
FFCB	31331X2Q4	09/04/13	\$ 221,440
FHLB	3133XKTV7	06/13/14	847,704
Total:			<u>\$ 1,069,144</u>

The holder of the security pledged by Farmers & Stockmen's Bank is the Federal Home Loan Bank of Dallas, P.O. Box 619026, Dallas, TX 75261-9026.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
SCHEDULE OF JOINT POWER AGREEMENTS AND  
MEMORANDUM OF AGREEMENT  
JUNE 30, 2010**

*JOINT COMMUNICATIONS JOINT POWERS AGREEMENT*

**Participants** – Town of Clayton, County of Union, and Clayton Consolidated School District.

**Party responsible for operations** – Town of Clayton.

**Description** – The joint powers agreement was established between the governments for the purpose of establishing, operating, and maintaining a consolidated communications center for the joint use and benefit of the governments.

**Beginning dates and ending dates of JPA** – The current agreement began on July 1, 2009. The agreement is perpetual, unless terminated by one of the participants.

**Total estimated amount of the project and portion applicable to the municipality** – \$207,314.

**Amount the municipality contributed during the current fiscal year** – \$113,417.

**Audit responsibility** – Town of Clayton.

**Name of government where revenues and expenditures are reported** – Town of Clayton.

*EMERGENCY MANAGER POSITION JOINT POWERS AGREEMENT*

**Participants** – Town of Clayton, County of Union.

**Party responsible for operations** – County of Union.

**Description** – The joint powers agreement was established between the governments for the purpose of creating a position of emergency manager, who is to manage the mitigation of, preparedness for, response and recovery from disaster or major emergencies that occur within the county and the Town.

**Beginning dates and ending dates of JPA** – The current agreement began during the fiscal year ended June 30, 2008. The agreement was extended for the fiscal years ended June 30, 2009 and 2010. The agreement may be extended for two additional fiscal years.

**Amount the municipality contributed during the current fiscal year** - \$10,439.

**Audit responsibility** – County of Union.

**Name of government where revenues and expenditures are reported** – The County of Union reports all payroll expenses within their financial statements. The Town of Clayton reflects their portion of the expenditures as public safety within the general fund.

*COUNTY FAIR COMPLEX MEMORANDUM OF AGREEMENT*

**Participants** – Town of Clayton, and Clayton-Union County Fair Ground Fair Complex Committee.

**Party responsible for operations** – Clayton-Union County Fair Grounds Complex Committee.

**Description** – The memorandum of agreement was established between the Town and the Committee to assist the Committee in the development and implementation of a long-range plan for improving and maintaining the facilities; managing the facility, which includes the development and enforcing of rules and regulations, and the collection of fees.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF JOINT POWER AGREEMENTS AND  
MEMORANDUM OF AGREEMENT  
JUNE 30, 2010

COUNTY FAIR COMPLEX MEMORANDUM OF AGREEMENT (continued)

**Beginning dates and ending dates of JPA** – The agreement was in effect for the fiscal year ended June 30, 2009, and was terminated on June 30, 2010.

**Total estimated amount of the project and portion applicable to the municipality** – The Town is to fund a total of \$20,600 to the Committee.

**Amount the municipality contributed during the current fiscal year** – \$15,600.

**Audit responsibility** – Town of Clayton.

**Name of government where revenues and expenditures are reported** – The Town of Clayton records the expenditures within the general fund.

***ADDITIONAL INDEPENDENT AUDITORS' REPORT***



**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.com

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*

Hector H. Balderas, State Auditor  
and  
Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information and the budgetary comparison statement for the general fund and major special revenue fund and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Clayton, as of and for the year ended June 30, 2010, and have issued our report thereon dated July 21, 2011. 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 the Town of Clayton's and the Town of Clayton Public Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Clayton's and the Town of Clayton Public Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Clayton's and the Town of Clayton Public Housing Authority'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2008-03 and 2009-04 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item CU 2007-03 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Clayton's and Town of Clayton Public Housing Authority's financial statements are free of material misstatement, we performed tests of their 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 performed on the Town of Clayton disclosed instances of noncompliance, or other matters that is required to be reported under *Government Auditing Standards*, and which are described as items 2008-03, 2009-08, 2010-01, and 2010-02 in the accompanying schedule of findings and responses. The results of our tests performed on the Town of Clayton's Public Housing Authority disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

In regard to the Town of Clayton, we also noted other matters that are required to be reported under Government Auditing Standards paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items 2008-02 and 2010-03.

In regard to the Town of Clayton's Public Housing Authority, we also noted other matters that is required to be reported under Government Auditing Standards paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items CU2010-01, 2010-02, and 2010-03.

The Town of Clayton's and the Town of Clayton Public Housing Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Clayton's and the Town of Clayton Public Housing Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town of Clayton's Board of Trustees, Town of Clayton Public Housing Authority Commission, management, others within the entities, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Fierro + Fierro, P.A.*

Fierro & Fierro, P.A.  
Las Cruces, New Mexico

July 21, 2011

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT**

*Item 2008-02 – Credit Card Transactions*

**Statement of Condition** – The Town has two credit cards held in its name. One card is with the Town Manager and the other credit card is held by the Emergency Medical Services (EMS) Department. The majority of the use for the EMS Department is from transferring patients to either Albuquerque or Amarillo. For the fiscal year ended June 30, 2010, there were a total of twenty-three transactions for items purchased with the Town Manager's credit card, and one hundred-seven for items purchased with the EMS Department credit card, with the following discrepancies noted:

- There were four instances for meals were purchased with the Town Manager's credit card. A purchase order or requisition was not created for these expenses.
- There was one instance where a printer was purchased with the Town Manager's credit card. A purchase order or requisition was not created, nor did the Town retain an invoice for the printer purchased.
- There were six instances where travel expenses (hotel and airfare) were purchased with the Town Manager's credit card. No travel request form was prepared; nor was a purchase order or requisition created for these expenses.
- There were eighty-six instances where meals were purchased with the EMS Department credit card. No travel request form was prepared; nor was a purchase order or requisition created for these expenses.
- There were eighteen instances where vehicle fuel was purchased with the EMS Department credit card. A purchase order or requisition was not created for these expenses.

**Criteria** – The Town has established procedures for the purchase of goods and services. Such procedures include purchase orders, purchase requisitions and the retention of the original invoice. All items are necessary in order to remit payment to the vendor. The use of the credit card does not replace the required internal control documents.

**Effect** – The purpose of requiring a purchase order is to ensure sufficient funds are available for the purchase. Not complying with the established internal control procedures could allow purchases to be made that cannot be paid with the established appropriation. Not maintaining an invoice or receipt could call into question whether the Town received the goods or services. In order to render payment, the Town must insure that the goods and services have been received. Proper account classification is necessary to insure that financial reports prepared by the Town represent a correct presentation of the information.

**Cause** – The Town staff does not treat the credit card transactions in the same manner of other accounts payable transactions. As a result, the documentation retained regarding the credit card transactions does not contain all the required documents.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2008-02 – Credit Card Transactions (continued)*

**Recommendations** – We recommend the Town adhere to established internal control procedures and retain all the necessary documents for the credit card transactions. We recommend no meals should be purchased with the credit card. The employee should purchase the meal, by their own means, and request reimbursement upon their return to town. Furthermore, we recommend a credit card policy and procedures manual are created, approved by the Town Board of Trustees, and adhered to by the Town staff.

**View of Responsible Officials and Planned Corrective Actions** – The Town will implement requisition forms for all credit card purchases.

*Item 2008-03 – Submission of Audit Report*

**Statement of Condition** – The audit report for the fiscal year ended June 30, 2010, was due to the New Mexico State Auditor's Office (SAO) by December 1, 2010. The audit report was submitted August 11, 2011. Additionally, the Town failed to complete its annual audit within 180 days after year-end as required by a note agreement entered into with the New Mexico Finance Authority (Authority).

**Criteria** – New Mexico State Statutes Section 12-6-12 requires the State Auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* requires the Town submit its audit report by December 1<sup>st</sup> following the end of each fiscal year at June 30<sup>th</sup>.

The Town entered into agreement with the New Mexico Finance Authority to borrow \$1,274,166 on November 13, 2009. Within that note agreement there is a provision that the annual audit must be completed within 180 days after year-end and the report must be submitted to the Authority thereafter.

**Effect** – Delays in submission of the audit report to the SAO affect the reporting of financial information to other state agencies and local governments. Noncompliance with the Authority loan agreement could jeopardize the current agreement or future agreements.

**Cause** – The audit report for the fiscal year ended June 30, 2009 was not submitted to the SAO until January 15, 2010. That report was not presented to the Town Board of Trustees until the April 21, 2010 meeting. During the year ended June 30, 2009, the Town changed the Treasurer position during the middle of the year. The newly hired Treasurer had her normal duties to perform while attempting to catch up on other items that were left uncompleted due to the staffing changes. Additionally, the late completion of the previous year's report delayed the Treasurer from implementing the necessary changes to prepare for the audit for the fiscal year ended June 30, 2010.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2008-03 – Submission of Audit Report (continued)*

**Cause (continued)** - During August 2010 the Town Clerk resigned her position and the Treasurer was required to perform her normal duties while assisting with the Clerk's required duties. During January 2011, the Town moved the Treasurer into the clerk's position and hired another individual to fill the vacant treasurer position. During 2011, the new Treasurer has worked on preparing the accounting records for the audit process while performing her normal duties.

Delays in the completion of the audit process were further complicated by numerous errors discovered in the audit report for the fiscal year ended June 30, 2009. Many obvious errors that affected the beginning of year's balances for the fiscal year ended June 30, 2010 needed to be corrected. The errors caused additional time to be expended by the Town's accounting staff and the auditing firm.

**Recommendation** – The new Treasurer has been in her position since January 2011 and she appears to have stabilized the accounting department. The errors discovered in the fiscal 2009 audit report have been corrected and eliminated. With the completion of the fiscal 2010 audit report the Town should be able to move forward and submit their 2011 report to the SAO by December 1, 2011. We suggest that the Town begin their year-end work for the fiscal year ended June 30, 2011 audit as soon as possible and have the final year-end balances completed by August 31, 2011.

**Views of Responsible Officials and Planned Corrective Actions** – During the past few years our audit reports have been late due to high turnover in the Treasurer position. The Treasurer position has been stabilized and further audit reports will be submitted in a timely manner.

*Item 2009-04 – Preparation of Financial Statements and Disclosures*

**Statement of Condition** – At the present time, the Town's accounting staff lacks the proper understanding of governmental accounting and reporting standards. The Town is unable to prepare its financial statements or detect material misstatements within their financial statements. We have determined there is ineffective oversight of the Town's financial reporting by those charged with governance.

**Criteria** – Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: "*Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting.*"

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2009-04 – Preparation of Financial Statements and Disclosures (continued)*

**Criteria (continued)** - Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with generally accepted accounting principles (GAAP), or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 112 paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is *“The nature of the financial statements accounts, disclosures, and assertions involved.”*

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states *“A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected or corrected on a timely basis.”* SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is *“Ineffective oversight of the entity’s financial reporting and internal control by those charged with governance.”*

Furthermore, the New Mexico State Auditor Rule Section 2.2.2.8J (2) states, ***“The financial statements are the responsibility of the agency. The agency shall maintain adequate accounting records, prepare financial statements in accordance with accounting principles generally accepted in the United States of America, and provide complete, accurate, and timely information to the IPA as requested to meet the audit report due date imposed in Subsection A of 2.2.2.9 NMAC.”***

**Effect** – Since Town personnel has failed to demonstrate a level of expertise regarding governmental financial reporting, there is an increased risk that a misstatement of the Town’s financial statements, that is more than inconsequential, will not be prevented or detected.

**Cause** – Generally speaking, state and local governments within New Mexico have not placed a great deal of emphasis on financial reporting in accordance with GAAP. The emphasis required by the New Mexico Department of Finance and Administration has been on the budgetary basis of accounting, which in the state of New Mexico is the cash basis of accounting. The Town has been a typical New Mexico municipality in regards to financial reporting. In the past, the Town would provide the independent public accountant (IPA), who performed the audit and prepared the financial statements, all the cash basis records and balances, and allowed the IPA to determine the amounts needed for financial reporting.

The chief financial officer or comptroller is also known as the town treasurer and is responsible for the accounting function. That position has been filled by three employees since 2009 and thus caused a negative effect on the accounting function. In January 2011, the Town employed the third individual who has sufficient education for the position.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**PRIMARY GOVERNMENT (continued)**

*Item 2009-04 – Preparation of Financial Statements and Disclosures (continued)*

**Cause (continued)** - The Town Manager has made an effort to address this reportable condition. In July 2010, the Town sent the treasurer to a four day seminar on governmental accounting and financial reporting. While the individual who attended the course has been moved to the clerks' position, she should be able to provide valuable information to the current treasurer and assist in some of the accounting functions.

**Recommendation** – We believe the Town is moving in the correct direction in regards to its accounting. The Town Manager is determined to correct the deficiencies noted and has hired employees with sufficient education or experience. We recommend the current treasurer receive formal training that will enhance her knowledge of GAAP as it pertains to governmental entities.

**Views of Responsible Officials and Planned Corrective Actions** – The Town has employed a new treasurer who holds a MBA and a BBA in accounting. The Treasurer has eight and one-half years' experience with a certified public accounting firm. Included in her public accounting experience is one and one-half years in government auditing. The Town recently sent the treasurer to a four day seminar on governmental accounting and financial reporting. The Town Manager intends to provide additional training which will aid in correcting this deficiency. With the experience in both the Clerk and Treasurer positions the Town feels we have remedied the situation.

*Item 2009-08 – Capital Assets Subsidiary Records*

**Statement of Condition** – Since the implementation of Government Accounting Standards Board Statement 34, which requires the Town to separately account for governmental and business-type activities capital assets, the Town has maintained its capital assets subsidiary ledger on an electronic work sheet. That work sheet has its limitations and does not meet the requirements of accounting for capital assets as required by the New Mexico General Services Department.

In the past, auditors and the Town would reconcile changes needed to the subsidiary records and the amounts reported on the financial statements. Most of the changes were determined by the auditors with the Town's approval. At some point, communication between the auditors and the Town's personnel broke down and the Town discovered several errors within the subsidiary ledger. Understanding the need to ascertain the accuracy of the electronic work sheets, the Town conducted a physical inventory of all capital assets and reconciled their observations with the capital assets subsidiary ledger. Corrections and restatements have been made to the June 30, 2009 capital assets and accumulated depreciation balances.

**Criteria** – New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2009-08 – Capital Assets Subsidiary Records (continued)*

**Criteria (continued)** - The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, 2.20.1.8, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department requires the Town implement a systematic and well documented system for accounting of capital assets. The information to be recorded and maintained must include, at a minimum, the following:

- 1) Agency name or commonly used initials used to identify the agency.
- 2) Capital asset number.
- 3) A description using words meaningful for identification.
- 4) Location, specifically a building and room number.
- 5) Manufacturer's name.
- 6) Model number or model name.
- 7) Serial number, or vehicle identification number.
- 8) Estimated useful life.
- 9) Date acquired.
- 10) Cost.
- 11) Fund and organization that purchased the asset.

The system must be capable of generating lists of capital 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.

**Effect** – The inability to keep detailed information as described above allows opportunity for errors to occur and not to be detected on a timely basis. In the past, the Town has not performed an annual observation of the capital assets inventory thus increasing the opportunity for assets to be stolen, lost or misplaced.

**Cause** – When the Town implemented the new reporting model, the accounting staff made the decision to utilize an electronic work sheet rather than purchasing additional accounting software such as a capital asset management system. No changes have been made to the initial method of accounting for capital assets.

**Recommendation** – We recommend the Town reevaluate its current accounting system for capital assets and establish a system that meets the requirements of the New Mexico Administrative Code, in particular, Title 2, Chapter 20, Part 1, 2.20.1.8, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls*. The Town should evaluate capital assets management systems along with reevaluating its current system. No matter which system is chosen, the system must have the ability to capture **all** capital assets purchased within the funds. We also recommend the Town implement the requirement to conduct annual inventories of all capital assets.



**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2009-08 – Capital Assets Subsidiary Records (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – The Town’s financial accounting program fixed assets module will be implemented to capture all capital assets and small purchases. On site inventories of capital assets and small purchases items will be conducted annually by administrative staff and supervisors of each department.

*Item 2010-01 – Prison Facility*

**Statement of Condition** – The Town has constructed a prison facility for the purpose of housing town and other incarcerating jurisdictions’ prisoners including individuals incarcerated by the state of New Mexico and under the care of the New Mexico Department of Corrections. In order to construct the facility, furnish it and begin operations, the Town issued special purpose revenue bonds in the amount of \$77,585,000. The bonds were sold on September 19, 2006, and after the original issue premium, original issue discount and the underwriters’ discount yielded \$79,513,977 to the Town.

Prior to the issuance of the bonds, several legal documents were prepared. One such document was ordinance number 651 (referred to as the bond ordinance) which provides the Town’s legal authority to issue the bonds and the Town’s responsibilities in regards to financial and other matters. The bonds are special purpose bonds that are payable and collectible solely from the net revenues of the prison project. The bonds are not considered indebtedness or debt of the Town or the state of New Mexico or any other subdivision of the State. The registered owner or owners of the bonds may not look to any general or other funds of the Town for the payment of principal or interest. While the project was financed with special purpose bonds, the Town has not transferred any legal ownership of the prison facility to any other party or entity.

In order to manage the financial aspects of the bond issuance and retirement, the Town has appointed U.S. Bank National Association to serve as Trustee. Some of the Trustee’s duties include: receipting and accounting for cash received including bond proceeds and revenues generated from the project; allocating the cash receipts into the proper funds and accounts; and disbursing funds for such items as payment of bond interest, principal, debt reserve requirements, operating expenses, and other items. At the present time, the Town is relying on the Trustee to account for all revenues and expenses for the project as they have not established a separate set of accounting records.

Within the bond ordinance there is a provision for the establishment of a surplus account within the trust fund. According to the bond ordinance section 23 (d), “*Amounts on deposit in the surplus account may be applied, at the written direction of the Town, to pay costs which under generally accepted accounting principles constitute capital costs necessarily incurred for the maintenance and betterment of the Facility, including without limitation buildings, structures and equipment, the related costs of all architectural, engineering, legal and other professional services and other costs reasonably necessary and incidental thereto.*”

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2010-01 – Prison Facility (continued)*

**Statement of Condition (continued)** - During the past, the Town has obtained funds from the surplus account that meet the requirements of the bond ordinance; however, items purchased or constructed have not been recorded on any accounting records of the Town and the Town does not have the budgetary authority to make the purchase. For example, during the current fiscal year, the Town purchased a snow plow. That piece of equipment is not reflected in any of the Town's capital assets subsidiary ledgers and the Town did not budget for the expenditure. Authorized payments to vendors, on the Town's behalf, are made directly from the surplus account by-passing the accounts and funds of the Town.

**Criteria** – The Town has not compiled with the bond ordinance, other legal documents regarding the bond issuance and state statutes as discussed below:

- Section 31 (w) of the bond ordinance requires the following: *“Books of Account. The Town shall at all times keep or cause to be kept proper and adequate books of account showing all receipts derived from and disbursements of moneys with respect to the Facility. Such records shall be available for inspection and copying by the Trustee and its employees and agents as all times during the normal business hours and shall be audited annually by an Independent Accountant acceptable to the Trustee.”* The Town is not maintaining separate accounting records that accounts for all assets, liabilities, revenues and expenses of the prison project and as a result, no audit of those records has occurred.
- Section 47 (b) of the bond ordinance requires the following: *“Financial Statements. Within (90) days of the end of the Town's fiscal year, a copy of the Town's audited financial statements and a copy of the annual budget of the Town and within forty-five (45) days after the close of each quarter of the Town's fiscal year, a copy of the unaudited financial statements of the Town shall be sent to CIFG Assurance North America, Inc., 825 Third Avenue, 6<sup>th</sup> Floor, New York, New York, Attention: Surveillance, or to other such address as the Insurer may specify from time to time by notice to the Town.”* The Town did not submit audited financial statements for the fiscal years ended June 30, 2009 and 2010 within 90 days as required.
- As part of the bond issuance, the Town signed a continuing disclosure agreement. The purpose of the agreement is to require the Town make certain disclosures in order to allow the underwriters of the bonds to comply with certain requirements. According to the document, one of the Town's requirements is to present audited financial statements by January 1<sup>st</sup> of each year. The Town has not submitted audited financial statements for the fiscal years ended June 30, 2009 and 2010 by January 1, 2010 and 2011.
- The Town has not established a fund to account for the financial activity of the prison facility. Additionally, the Town has failed to submit a budget to the New Mexico Department of Finance and Administration Local Government Division that includes the prison facility as required by New Mexico State Statutes Section 6-6-2 NMSA 1978.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2010-01 – Prison Facility (continued)*

**Criteria (continued) -**

- The Town's Board of Trustees and management have the ability to expend funds from the surplus account maintained by the bond trustee; however, the Town does not have budgetary authority within a prison fund to expend those funds. For example, during the current fiscal year, the Town expended \$676,844 from the surplus account on the construction of a road connecting the prison facility with the highway; however, the Town did not have the budgetary authority established within a prison facility fund. Section 6-6-6 NMSA 1978 states the local public body may not expend beyond the established budget. Since there is no established budget, the Town did not have the authority to expend any funds.

**Effect** – Section 34 (c) of the bond ordinance states the following regarding noncompliance with the ordinance, “*Default of any Provision. Any failure by the Town to observe or perform any covenant, condition or agreement on its part to be observed or performed (other than as referred to in Section 34(a) [Nonpayment of Principal] or Section 34(b) [Nonpayment of Interest], which failure continues for a period of thirty days after written notice specifying the failure and requesting that it be remedied has been given to the Town by the Trustee or by the registered owners of 66-2/3% in principal amount of the Bonds then outstanding (or, in the case of the covenant in Section 47(e) [Accounting], the Insurer) or, if the failure cannot reasonable be cured within such thirty-day period, the Town does not begin such cure within such thirty-day period or fails to pursue such cure with reasonable diligence.*”

Section 35 states, “*Remedies Upon Default. Upon the happening and continuance of any Event of Default, the Trustee may, and, upon the written request of the registered owner or owners of not less than 66-2/3% in principal amount of the Bonds then outstanding, the Trustee shall, without further notice, take one or any combination of the following remedial steps:*

1. *Acceleration. Declare all of the principal of and all accrued interest on any Bonds then outstanding to be immediately due and payable, whereupon such principal and interest shall be immediately due and payable, provided that payment under the Policy shall not be accelerated unless the Insurer elects, in its sole discretion, to pay principal due upon such acceleration together with any interest accrued to the date of acceleration; or*
2. *Other Remedies. Take whatever action at law or in equity may appear necessary or desirable to protect and enforce the rights of any registered owner of Bonds under this ordinance by mandamus or other suit, action or special proceedings in equity or at law, in any court or competent jurisdiction, either for specific performance of any covenant or agreement contained herein or in an award or execution of any power herein granted for the enforcement of any power, legal or equitable remedy as such registered owner or owners may deem most effectual to protect and enforce the rights aforesaid, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of any registered owner, or to require the Board to act as if it were the trustee of an express trust, or any combination of such remedies...*”

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2010-01 – Prison Facility (continued)*

**Effect (continued) –**

2. *Other Remedies (continued)*. The paragraph also states, “*The failure so to proceed shall not relieve the Town or any of its officers, agents or employees of any liability for failure to perform any duty.*”

Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statute.

**Cause** – We suspect that several factors contributed to the noncompliance with the items discussed above as detailed below:

- The Governmental Accounting Standards Board (GASB) issues pronouncements and statements that dictate generally accepted accounting principles (GAAP) in the United States of America for governmental entities including state and local governments. GASB also issues interpretations regarding other items that are generally considered GAAP by the government accounting and financial reporting community. As mentioned above, the Town has issued special purpose revenue bonds for the prison construction. According to GASB guidance, those bonds are considered to conduit debt. In 1995, GASB issued an interpretation to clarify the accounting treatment of conduit debt. In that interpretation GASB stated that special purpose bonds such as this issue should not be reported in the reporting entity financial statements, rather a note disclosure would suffice.
- The Town is a smaller municipality that does not have a lot of expertise regarding government financial reporting. The Town relies heavily upon the auditors to prepare the financial statements that present fairly in accordance with GAAP. We have deduced that when the bonds were issued, the auditor concluded the bond issuance was conduit debt and made the appropriate disclosure. However, there appears to have been a breakdown of communication between the auditor and the Town’s staff to ensure that compliance with the bond issuance was met. For whatever reason, the prior Town manager and clerk-treasurer did not set up separate accounting records or establish the proper budgetary authority for items purchased from the surplus account. The auditor failed to disclose the noncompliance with the ordinance.
- Since the issuance of the bonds, the Town has hired a new town manager and two town treasurers. The current town manager followed in the steps of his predecessor regarding management of the prison facility. The Town Manager assumed the Town was in compliance. The Town Treasurer (chief financial officer or comptroller), who was employed when the bond issue was completed, left her employment with a short notice and the Town fell behind in its accounting function. Her replacement fell behind on the treasurer’s duties, as she was required to assist with the clerk’s position that was vacant with short notice. The current Town Treasurer has spent a lot of time ensuring the accounting records are current, and has not had the opportunity to study the bond agreements and ordinances.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2010-01 – Prison Facility (continued)*

**Recommendation** – We recommend the following:

- The Town should establish a fund and book of accounts for the prison facility financial activity. All assets, liabilities, equity, revenues and expenses should be recorded within the accounts. Financial activity within the trust accounts of the Trustee should be incorporated within the fund. The Town should begin at the inception of the financial activity and capitalize all construction costs within the fund. A detailed listing of all capital assets should be part of the accounting records.
- The Town should establish a budget for the prison facility fund in accordance with New Mexico State Statutes.
- The prison facility fund financial statements should be prepared annually and audited on an annual basis. In order to comply with current GASB requirements, we recommend the financial statements be issued under a separate cover from the basic financial statements issued for the other funds of the Town.
- With the assistance of the Town's bond attorney, the Town should seek clarification regarding the submission of annual audited financial statements in accordance with the bond ordinance and the continuing disclosure agreement. Both documents state the Town will submit annual financial statements of the Town; however, due to the current position of GASB regarding special purpose revenue bonds, the prison financial activity is not included within the basic financial statements of the Town. Clarification should be obtained to determine if both set of financial statements should be submitted or if the financial statements of the prison activity would suffice. Once a determination is made, the Town should submit the audited financial statements on a timely basis as required.

**Views of Responsible Officials and Planned Corrective Actions** – Administration for the Town of Clayton disagrees in part with this audit finding as discussed below.

- **Budgetary Authority** – Ordinance 651 section 16A thru J establishes all funds and authority for disbursement of revenues out of the various funds. Surplus funds at the written direction of the Town can be used to pay capital costs for maintenance of the facility which includes buildings, structures and equipment as well as engineering, legal and other professional services. All revenues within the various funds are restricted and can be only be used for purposes related to the fund and the detention facility. All disbursement and requests are documented by a requisition certificate and approved by the trustee.
- **Financial Statements** – Clayton did provide the Town's 2009 financial statements to the various reporting agencies but not within the 90 days as required. The 2010 financial statements will be sent as soon as they are completed. Financial statements from the operator of the facility (GEO) are made available to the extent that they have been received.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2010-01 – Prison Facility (continued)*

**Views of Responsible Officials and Planned Corrective Actions (continued) -**

- **Financial Statements (continued)** - It was not the intent of the author of the ordinance to merge revenues of the detention facility with Town funds. It is clear that the document must be revisited and amended as there are items that are open to interpretation. The 90 day requirement for submission of financial statements is not realistic and will need to be changed. The Town will seek advice of counsel and the bond attorney and make the necessary modifications.
- **Book of Accounts** – The Town has a completed record of all transactions that have occurred on a monthly basis for the facility. The records are not arranged into a prescribed accounting format. The Town will engage a certified public accountant to assemble the books and the Town from that point will maintain a separate accounting for the facility.

*Item 2010-02 – Allocation of Interest Bearing Bank Deposits*

**Statement of Condition** – The Town maintains cash in interest bearing accounts at First National Bank of New Mexico in the amount of \$2,025,826 and at Farmers & Stockmen’s Bank in the amount of \$788,409. The Town has not gathered any information from the banks to determine if the amounts of deposit have been allocated to each bank in compliance with State statutes.

**Criteria** – Section 6-10-36C NMSA 1978 states in part, “*Public money placed in interest-bearing deposits in banks and savings and loan associations shall be equitably distributed among all banks and savings and loan associations having their main or staffed branch offices within the geographical boundaries of the governmental unit that have qualified as public depositories. The deposits shall be in the proportion that each bank’s or savings and loan association’s deposits bear to the total deposits of all banks and savings and loan associations.*”

**Effect** – Non-compliance with New Mexico State Statutes subjects Town officials and personnel to punishment, as defined by state statutes.

**Cause** – The Town failed to request the necessary information from the banks in order to adjust their interest bearing deposits as necessary.

**Recommendation** – We recommend the Town gather the bank information in order to adjust the deposits as required by state statutes.

**Views of Responsible Officials and Planned Corrective Actions** – The Town has gathered bank information and has made adjustments.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2010-03 – Travel and Per Diem*

**Statement of Condition** – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was twenty-five transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were three instances where the travel request form was certified by someone other than the employee who traveled.
- The Town does not have a procedure to document the additional 20% due to the employee who took an advance for travel. The travel request form currently in use does not adequately address certification upon return.
- There was one instance where the travel request form was not signed and approved by the Town Manager and the Town Treasurer.
- There were two instances where Town employees were paid 100% of mileage, in advance, instead of the 80% requirement. The total amount was \$604.
- There was one instance where the Town employee was advanced more than 80% for meals and mileage. The variance totaled \$55.
- There was one instance where the employee traveled out-of-state and the per diem was incorrectly calculated.
- There were six instances where the mileage rate was incorrectly applied at \$0.505. The employees were over paid by \$330.
- There was one instance where the employee received 100% advance for actual lodging and meals and partial day per diem. The amount was \$353.
- There was one instance where the employee was advanced for parking fees of \$30 for a three day trip, and upon return did not provide receipts. The maximum allowed for parking fees during a three day trip is \$18. The variance totaled \$12.
- There was one instance where a supervisor requested per diem for another employee to attend pre-employment exams for one day and twelve hours. The employee was advanced 80% of only the one day amount of per diem. Upon returning from the required exams, the employee requested a reimbursement for actual meals and fuel. The receipt attached to the form was a meal; however, the receipt reflected that three meals were consumed. There was no receipt for the fuel purchase. The employee did not receive the additional per diem amount, but did get paid for meals that were paid in his per diem advance.

**Criteria** – The New Mexico Department of Finance and Administration has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**PRIMARY GOVERNMENT (continued)**

*Item 2010-03 – Travel and Per Diem*

**Criteria (continued)** – On June 19, 2009, the New Mexico Department of Finance and Administration issued a memorandum to all governmental entities, including municipalities, concerning an immediate increase in the mileage reimbursement rate for all employees. The emergency amendment states, “*HB 336 amended Section 10-8-4 D NMSA 1978 of the Per Diem and Mileage Act to increase the current statutory mileage reimbursement rate of \$0.32 per mile up to a new maximum statutory mileage reimbursement rate – the Internal Revenue Service (“IRS”) standard mileage rate “set January 1<sup>st</sup> of the previous year.” The IRS rate on January 1, 2008 (“the previous year”) was \$.505 per mile. Therefore, this emergency amendment to the Rule states your local government shall, effective immediately, reimburse your local public bodies’ public officers and employees for mileage accrued in the use of a privately owned vehicle in the discharge of official duties at a rate of eighty percent of \$0.505 per mile.*”

Section 2.42.2.9 B(2) states, “*Actual expenses for meals are limited to a maximum of \$30.00 for in-state travel for a 24-hour period.*”

Section 2.42.2.10 A states, “*...employee’s request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals...*”

Section 2.42.2.12 A(3) states, “*Employees may be reimbursed without receipts for parking in an amount of \$6.00 per day not to exceed a total of \$30.00 per trip.*”

**Effect** – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

**Cause** – The instances where the mileage rate was calculated incorrectly, was due to not fully understanding the memorandum issued by the New Mexico Department of Finance and Administration. Most the other errors were miscalculations which were caused by a lack of understanding the Travel and Per Diem Act. Finally, the Town’s travel request form currently in use, does not adequately allow for the Town to properly document the amounts requested, advanced, and the final settlement with the employee after the travel has been completed.

**Recommendation** – We recommend the Town review the updated Travel and Per Diem Act to ensure compliance with the Act. We recommend the Town review the internal control procedures currently in practice to evaluate whether they are adequate to provide reasonable assurance that all travel and per diem calculations are correct. Finally, we recommend the Town examine the travel request/reimbursement form currently in practice and make the necessary changes such that there is adequate documentation in place to request, advance, settle and certify the travel before and after the employee returns from their trip.

**Views of Responsible Officials and Planned Corrective Actions** – The Town will develop Standard Operating Procedures (SOP) to ensure mileage and per diem rates are calculated correctly. The Town Treasurer will authorize and review all per diem requests. Within the SOP the Town will only authorize per diem rates only (80% advance and 20% upon travel return) versus actual expenses to traveler, to avoid confusion.



**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**COMPONENT UNIT**

*Item CU 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:

- One occasion where, the applicant did not fill out Form 9886, *Authorization for the Release of Information/Privacy Act Notice*.
- Seven occasions where the applicant did not fill out Form 214, *Personal Declaration of Status* correctly.
- Two occasions where the applicant did not fill out the Community Service/Self Sufficiency Policy.
- Two occasions where a representative of the Authority failed to sign the annual home inspection 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.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**COMPONENT UNIT (continued)**

*Item CU 2007-03 – Tenant Eligibility (continued)*

**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** – It appears due to the high turnover of tenants, rehabilitations, policy changes, and new employees, some details were overlooked. This finding has improved each year and will continue to improve with more staff training.

*Item CU 2010-01 – FY 2008 – 2009 Audit Report Discussion*

**Statement of Condition** – The draft audit report for the year ended June 30, 2009 was discussed on November 19, 2009 in a public meeting, prior to the approval of the audit report by the State Auditor's office. The Board of Commissioners discussed the internal control deficiencies and compliance issues which arose during the audit process.

**Criteria** – New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* Section 10 J (3) states, 'Neither the IPA nor agency personnel shall release any information to the public relating to the audit at the time of the exit conference or at any other time until the audit report becomes public record.' The report becomes public record upon release by the State Auditor's office and there can be no public discussion concerning the audit report until that time. The Housing Authority failed to comply with the administrative code regarding the discussion of the audit report in a Board of Commissioners public meeting.

**Effect** – Preliminary discussions of internal control deficiencies and compliance issues that have not been properly reviewed could lead to erroneous conclusions that become public record as a matter of discussion. Authority officials and personnel are subject to penalties and fines as defined in the New Mexico Administrative Code 2.2.2 and the New Mexico State Statutes.

**Cause** – The Board of Commissioners and the executive director were unaware of the requirements of the Administrative Code and the State Auditor's office concerning the public discussion of the audit report, prior to the report being reviewed, approved, and released by the State Auditor's office and becoming public record.

**Recommendation** – We recommend Housing Authority officials and staff reviews the New Mexico Administrative Code 2.2.2 and establish procedures to provide assurance of compliance with laws and regulations.

**View of Responsible Officials and Planned Corrective Actions** – Housing Authority staff and the Board of Directors were not aware that the audit could not be discussed until the audit had been approved by the State Auditor. It was misunderstood that the audit could be discussed after the audit presentation (exit conference). Housing Authority staff and the Board of Directors are now aware of this rule and will be in compliance.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**COMPONENT UNIT (continued)**

*Item CU 2010-02 – Travel and Per Diem*

**Statement of Condition** – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was three transactions, as there were only four transactions for the fiscal year, which were haphazardly selected throughout the fiscal year, and contained the following discrepancies:

- There were two instances which required mileage (actual or per diem) reimbursement. Of those two instances, both instances had the mileage reimbursement rate calculated incorrectly, due to changes to the Travel and Per Diem Act, instituted by the New Mexico Department of Finance and Administration via a memorandum issued to all governmental entities throughout New Mexico. For both instances, the employee was overpaid. The variance totaled \$135.
- We noted one instance of the three transactions tested, where an elected official did not certify their travel reimbursement form.
- We noted one instance of the three transactions tested, where the Authority failed to approve an elected official's trip on behalf of the Housing Authority.

**Criteria** – The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

On June 19, 2009, the New Mexico Department of Finance and Administration issued a memorandum to all governmental entities, including municipalities, concerning an immediate increase in the mileage reimbursement rate for all employees. The emergency amendment states, "*HB 336 amended Section 10-8-4 D NMSA 1078 of the Per Diem and Mileage Act to increase the current statutory mileage reimbursement rate of \$0.32 per mile up to a new maximum statutory mileage reimbursement rate – the Internal Revenue Service ("IRS") standard mileage rate "set January 1<sup>st</sup> of the previous year."* The IRS rate on January 1, 2008 ("the previous year") was \$.505 per mile. Therefore, this emergency amendment to the Rule states your local government shall, effective immediately, reimburse your local public bodies' public officers and employees for mileage accrued in the use of a privately owned vehicle in the discharge of official duties at a rate of eighty percent of \$0.505 per mile."

**Effect** – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

**Cause** – Upon increasing the mileage reimbursement rate, staff failed to calculate the mileage rate up to the eighty percent of the IRS rates.

**Recommendation** – We recommend review the memorandum issued by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates. We recommend the Authority review the Travel and Per Diem Act.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**COMPONENT UNIT (continued)**

*Item CU 2010-02 – Travel and Per Diem*

**Recommendation (continued)** - We recommend Authority staff reevaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem. Furthermore, we recommend the Authority amend their travel and per diem policy to reflect the correct allowable mileage reimbursement rates.

**Views of Responsible Officials and Planned Corrective Actions** – Housing Authority staff and the Board of Directors were not aware that only 80% of the mileage rate could be paid. In the two instances, that were found, 100% of reimbursement mileage rate was paid.

Housing Authority staff and the Board of Directors were not aware that formal approval was needed to approve a travel reimbursement form. In the three instances, the Board of Directors was aware and in agreement of the travel; however, no formal approval was made. Since the audit was completed, this item has been taken care of. Furthermore, all future travel will be approved by either a formal vote of the Board of Directors or written approval with signatures from two board members, which duplicates the same policy for check signing.

*Item CU 2010-03 – Budget Authority*

**Statement of Condition** - During our review of the U.S. Department of Housing and Urban Development (HUD) Low Rent Budget for the fiscal year ended June 30, 2010, we noted that the final budget limited operating expenses to \$247,900. During the fiscal year operating expenses amounted to \$249,035 an excess of \$1,135 from the final budget.

**Criteria** – As discussed in footnote 1C, the Authority submits its budget to the U.S. Department of Housing and Urban Development for final approval. The budget is a guideline to operations and the budget is not a legally enforceable document. However, the Authority should have made the necessary amendments to insure that its expenses did not exceed the established limits.

**Effect** – Although the budget is not a legally enforceable document, the Authority should attempt to limit expenses to the authorized budgetary authority. The expenses are only a part of the budget. Revenues and projected cash balance becomes an integral part of the budget. If actual revenues fall short of budgeted revenues, as they did in the current year, then overspending authorized expenses adds to the short fall of anticipated cash balances.

**Cause** – The Authority's staff did review their budget during the fiscal year and made budget adjustments. However, at the end of the fiscal year, the Authority failed to approve a final budget adjustment for the line items that needed to be adjusted.

**Recommendation** – We suggest that the Authority limit expenses to the authorized budget. If budget adjustments are necessary during the fiscal year the budget should be amended as required. However, the budget should not be merely amended to avoid excess in authorized budget amounts.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**COMPONENT UNIT (continued)**

*Item CU 2010-03 – Budget Authority (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – In future years, we will continue to monitor our budget to ensure compliance. We will implement policies and procedures to ensure a final review of the budget will be completed at the end of the fiscal year.

**STATUS OF PRIOR YEAR'S FINDINGS – PRIMARY GOVERNMENT**

*Item 2008-01 – Internal Control Deficiencies* – In the previous year's audit report, the auditor noted the Town's policies and procedures in place did not address policies such as fraud, risk assessment and information technology. The auditor also noted the Town did not establish a disaster recovery plan. The Town has improved its policies and procedures for accounting duties and functions. The Town has established a disaster recovery plan. The prior year's finding is considered resolved.

*Item 2008-02 – Internal Control over Credit Card Usage* – In the prior year's audit report, the auditor noted the Town's policies and procedures relating to credit card usage did not address the usage and reimbursement of personal charges. During the current fiscal year, we noted several discrepancies regarding the use of the Town's credit cards. The prior year's finding has been repeated, modified and renamed as "Credit Card Transactions." The prior year's finding is not considered resolved.

*Item 2008-03 – Audit Report* – In the prior year's audit report, the auditor noted the audit report for the fiscal year ended June 30, 2009 was not submitted to the office of the New Mexico State Auditor on a timely basis. The audit report for the fiscal year ended June 30, 2010 was not submitted to the office of the New Mexico State Auditor on a timely basis. The prior year's finding has been repeated, modified and renamed as "Submission of Audit Report."

*Item 2009-01 – Internal Control Structure Standards* – In the prior year's audit report, the auditor noted the Town had 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. During the current year, the Town documented its accounting procedures. The prior year's finding is considered resolved.

*Item 2009-02 – Credit Cards* – During the prior year, the auditor noted the Town was utilizing a debit card to pay for certain purchases. The Town states that they do not have a debit card. The prior year's finding is considered resolved.

*Item 2009-03 – Bank Reconciliations* – During the prior year, the auditor noted the Town did not perform the bank reconciliations of cash accounts for the months of October 2008 through March 2009 on a timely basis. The auditor also noted the reconciliations did not provide evidence that they have been reviewed by an employee other than the employee who performed the reconciliation. The Town has improved its procedures and the finding is considered resolved.

**STATE OF NEW MEXICO  
TOWN OF CLAYTON  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010**

**STATUS OF PRIOR YEAR'S FINDINGS – PRIMARY GOVERNMENT (continued)**

Item 2009-04 – Internal Control over Financial Reporting – During the prior year, the auditor noted that individuals responsible for the accounting and financial reporting functions for the Town lack the skills and knowledge to apply generally accepted accounting principles in preparing the entity's financial statement. No resolution of the finding has occurred and it is repeated, modified and renamed as "Preparation of Financial Statements and Disclosures." The prior year's finding is not considered resolved.

Item 2009-05 – Internal Control over Non-Standard Journal Entries – During the prior year, the auditor noted the Town did not have adequate internal controls over non-standard journal entries entered into its accounting system. The auditor noted the entries were not reviewed by an employee other than the employee who prepared the entries. The Town has documented procedures to be used when entering non-standard journal entries. The prior year's finding is considered resolved.

Item 2009-06 – Internal Control over Receipts – During the prior year, the auditor noted that errors in utility billings were discovered when they were tested by the auditing firm. When we performed our tests of utility billings we did not discover any errors. The prior year's finding is considered resolved.

Item 2009-07 – Communication and Monitoring Controls – Audit Committee – During the prior year, the auditor noted the Town has not utilized an audit committee which includes key members of management and at least one board member. While the use of an audit committee in a larger municipality would aid in improving the communication and monitoring of internal control components, such a committee at a smaller municipality, such as the Town of Clayton, would not necessarily improve communication and monitoring of internal control. Due to the size of the Town, we do not feel that the use of an audit committee would be useful. The prior year's finding is considered resolved.

Item 2009-08 – Capital Assets Subsidiary Records – During the prior year, the auditor noted the Town did not have sufficient internal controls to safeguard its capital assets, track asset additions and deletions, or maintain an accurate depreciation schedule. The prior year's auditors also noted the Town staff did not conduct an annual inventory of all capital assets. During the current year, we noted weaknesses in the capital assets subsidiary records and we have modified the prior year's audit finding. We did note the Town's staff performed a physical inventory of all capital assets owned by the Town. The prior year's audit finding has been modified and repeated as Item 2009-08.

Item 2009-09 – Payroll – During the prior year, the auditor noted the Town failed to maintain proper payroll documentation such as the I-9 form. During our testing of payroll transactions and employee personnel files we did not discover any errors. The prior year's finding is considered resolved.

Item 2009-10 – Budget Over-Expenditures – During the prior year, the auditor noted the Town had incurred expenditures in excess of the approved budget in the Emergency Medical Services and Law Enforcement funds. During the current year, the Town did not spend beyond approved appropriations in any of their funds. The prior year's finding is considered resolved.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2010

**STATUS OF PRIOR YEAR'S FINDINGS – COMPONENT UNIT**

Item CU2007-03 – 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.

Item CU2009-01 – Internal Controls over Disbursements – In the previous year's audit report, it was noted that the clerk was preparing checks for payment as well as signing checks. During the fiscal year, the Clerk was removed from the bank signature card and replaced with a member from the Board of Directors. This finding is considered resolved.

Item CU2009-02 – Board Minutes – In the previous year's audit report, it was noted the Housing Authority failed to follow the New Mexico Open Meetings Act in respect to their Board minutes. During the fiscal year, the Housing Authority has reviewed the Open Meetings Act and has made the necessary changes to their policies and procedures concerning their Board minutes. This finding is considered resolved.

**STATE OF NEW MEXICO**  
**TOWN OF CLAYTON**  
EXIT CONFERENCE AND  
PREPARATION OF FINANCIAL STATEMENTS  
JUNE 30, 2010

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on August 10, 2011. Present for the Town was Noel Allen, mayor pro tem; Ferron Lucero, Town manager; Carla Taylor, Administrative assistant and grant administrator; Karen Bray; Town clerk; and Amber Painter, Town treasurer. Present for the auditing firm was Ed Fierro, CPA.

**PUBLIC HOUSING AUTHORITY**  
EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on November 22, 2010. Present for the Public Housing Authority was Carlota Ulibarri, chairperson; and Angela Lucero, executive director. Present for the auditing firm was Dominic Fierro, manager.

**FINANCIAL STATEMENT PREPARATION**

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the Town of Clayton as of June 30, 2010. The Town's along with the Housing Authority's upper management have reviewed and approved the financial statements and related notes, and they believe that the Town's and the Housing Authority's books and records adequately support them.