

**STATE OF NEW MEXICO
TOWN OF CLAYTON**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2013

STATE OF NEW MEXICO
TOWN OF CLAYTON
Table of Contents
June 30, 2013

	<u>PAGE</u>
Directory of Officials.....	1
Independent Auditors' Report.....	2-4
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities.....	6
 Governmental Funds Financial Statements:	
Balance Sheet.....	7
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Position	8
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis with Reconciliation to GAAP:	
General Fund	11
 Proprietary Funds Financial Statements:	
<u>Enterprise Funds:</u>	
Statement of Net Position.....	12
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	13
Statement of Cash Flows	14
Notes to the Financial Statements.....	15-45
 SUPPLEMENTARY INFORMATION	
Combining and Individual Other Governmental Funds Financial Statements:	
Combining Balance Sheet.....	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	47

**STATE OF NEW MEXICO
TOWN OF CLAYTON**
Table of Contents
June 30, 2013

	<u>PAGE</u>
Other Special Revenue Funds Budgetary Comparison Statements:	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis with Reconciliation to GAAP:	
Municipal Streets Fund.....	48
Library Fund.....	49
Cemetery Fund	50
Lodgers' Tax Fund	51
Fire Fund.....	52
Recreation Fund.....	53
Emergency Medical Services Fund	54
Local Government Corrections Fund.....	55
Law Enforcement Protection Fund	56
Senior Citizens Fund.....	57
Major Capital Projects Fund Budgetary Comparison Statement:	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis with Reconciliation to GAAP:	
Government Assistance Fund	58
Major Permanent Fund Budgetary Comparison Statement:	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis with Reconciliation to GAAP:	
Municipal Income Permanent Fund.....	59
Major Enterprise Fund Budgetary Comparison Statement:	
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis with Reconciliation to GAAP:	
Joint Utility Fund.....	60
OTHER SUPPLEMENTAL FINANCIAL INFORMATION	
Schedule of Cash Accounts	61
Schedule of Pledged Collateral	62
Schedule of Joint Power Agreements and Memorandum of Agreement.....	63-64

STATE OF NEW MEXICO
TOWN OF CLAYTON
Table of Contents
June 30, 2013

	<u>PAGE</u>
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	
Schedule of Expenditures of Federal Awards.....	65
Notes to Schedule of Expenditures of Federal Awards.....	66
ADDITIONAL INDEPENDENT AUDITORS' REPORTS	
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>	67-68
Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	69-70
Schedule of Findings and Questioned Costs.....	71-83
Exit Conference and Preparation of Financial Statements	84

STATE OF NEW MEXICO
TOWN OF CLAYTON
Directory of Officials
June 30, 2013

ELECTED OFFICIALS

Jack Chosvig	Mayor
Coby Beckner	Mayor Pro-Tem
Deano Arellano	Trustee
Leroy Montoya	Trustee
Tony Naranjo	Trustee

DEPARTMENT HEADS

Ferron Lucero	Town Manager
Karen Bray	Town Clerk
Amber Painter	Town Treasurer

HOUSING AUTHORITY

Carolta Ulibarri	Chairperson
Lonnie Wiseman	Vice-Chairperson
Jeff Harris	Commissioner
Ilene Taylor	Commissioner
Renee Valdez	Commissioner

ADMINISTRATION

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

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

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

Report on Financial Statements

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 of the town of Clayton (town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the town's nonmajor governmental, and the budgetary comparisons for the major capital project, permanent fund, enterprise and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the Town of Clayton, a component unit of the town, that is the only presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the Town is based on the report of the other auditors. 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 from material misstatement.

Auditors' Responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the town, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds of the town as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In our opinion, the budgetary comparisons for the general, major capital project, enterprise and all nonmajor funds referred to above present fairly, in all material respects, the budgetary comparisons of the town for the year ended June 30, 2013, 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.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Other Matters (continued)

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014 on our consideration of the town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the town's internal control over financial reporting and compliance.



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

February 7, 2014

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TOWN OF CLAYTON
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash	\$ 781,440	\$ 1,114,884	\$ 1,896,324	\$ 131,406
Receivables, net	479,959	302,035	781,994	683
Inventory	-	-	-	15,685
Prepaid expenses	-	-	-	424
Restricted cash	1,198,017	-	1,198,017	8,175
Restricted investments	34,990	1,062,075	1,097,065	-
Capital assets:				
Land and construction in progress	367,634	3,989,151	4,356,785	52,157
Other capital assets, net of depreciation	8,810,035	11,253,345	20,063,380	1,082,240
Total capital assets	<u>9,177,669</u>	<u>15,242,496</u>	<u>24,420,165</u>	<u>1,134,397</u>
Total assets	<u>\$ 11,672,075</u>	<u>\$ 17,721,490</u>	<u>\$ 29,393,565</u>	<u>\$ 1,290,770</u>
Liabilities:				
Accounts payable	\$ 23,529	\$ 761,271	\$ 784,800	\$ 8,773
Accrued salaries	32,959	7,361	40,320	2,445
Accrued payroll taxes	3,157	983	4,140	-
Accrued sales tax	190	4,386	4,576	-
Accrued interest payable	2,771	7,290	10,061	-
Deposits payable	-	11,320	11,320	8,175
Long-term liabilities:				
Due within one year	210,035	125,595	335,630	1,400
Due in more than one year	342,468	2,897,781	3,240,249	-
Total liabilities	615,109	3,815,987	4,431,096	20,793
Deferred Inflows of Resources:				
Deferred revenues	30,842	-	30,842	2,348
Net Position:				
Net investment in capital assets	8,695,840	14,638,364	23,334,204	1,134,397
Restricted for:				
Debt service	33,608	125,144	158,752	-
State mandated per statutes	62,367	-	62,367	-
Endowment:				
Expendable	1,174,614	-	1,174,614	-
Unrestricted	<u>1,059,695</u>	<u>(858,005)</u>	<u>201,690</u>	<u>133,232</u>
Total net position	<u>11,026,124</u>	<u>13,905,503</u>	<u>24,931,627</u>	<u>1,267,629</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 11,672,075</u>	<u>\$ 17,721,490</u>	<u>\$ 29,393,565</u>	<u>\$ 1,290,770</u>

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, 2013**

Functions/Programs	Program Revenues				Primary Government Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities		
						Total		
Primary Government:								
Governmental activities:								
General government	\$ 719,477	\$ 27,364	\$ 464,993	\$ 472,901	\$ 245,781	\$ -	\$ 245,781	
Public safety	2,172,050	317,830	524,570	41,752	(1,287,898)	-	(1,287,898)	
Public works	473,127	4,812	36,201	-	(432,114)	-	(432,114)	
Culture and recreation	379,194	9,894	11,870	69,158	(288,272)	-	(288,272)	
Health and welfare	182,450	22,931	79,360	23,632	(56,527)	-	(56,527)	
Interest on long-term debt	16,792	-	-	-	(16,792)	-	(16,792)	
Total governmental activities	3,943,090	382,831	1,116,994	607,443	(1,835,822)	-	(1,835,822)	
Business-type activities:								
Water	779,119	535,547	13,728	186,112	-	(43,732)	(43,732)	
Wastewater	337,340	265,559	29,470	1,800,000	-	1,757,689	1,757,689	
Solid waste	339,729	341,447	-	214,500	-	216,218	216,218	
Interest on long-term debt	8,689	-	-	-	-	(8,689)	(8,689)	
Total business-type activities	1,464,877	1,142,553	43,198	2,200,612	-	1,921,486	1,921,486	
Total primary government	\$ 5,407,967	\$ 1,525,384	\$ 1,160,192	\$ 2,808,055	(1,835,822)	1,921,486	85,664	
Component Unit:								
Public Housing Authority	\$ 377,878	\$ 151,605	\$ 89,697	\$ 33,836				\$ (102,740)
General Revenues:								
Sales taxes					1,505,513	188,473	1,693,986	-
Property taxes, levied for general purposes					138,090	-	138,090	-
Lodgers' taxes					131,362	-	131,362	-
Franchise taxes					77,436	-	77,436	-
Public service taxes					71,771	-	71,771	-
Miscellaneous					-	55,467	55,467	-
Interest income					8,306	6,949	15,255	137
<i>Special Item</i> - Gain on disposal of assets					500	-	500	-
Transfers					(8,330)	8,330	-	-
Total general revenues, special items, and transfers					1,924,648	259,219	2,183,867	137
Change in net position					88,826	2,180,705	2,269,531	(102,603)
Net position, beginning of year					10,877,390	11,812,722	22,690,112	1,370,232
Restatement					59,908	(87,924)	(28,016)	-
Net position, beginning of year restated					10,937,298	11,724,798	22,662,096	1,370,232
Net position, end of year					\$ 11,026,124	\$ 13,905,503	\$ 24,931,627	\$ 1,267,629

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, 2013

	General Fund	Government Assistance Fund	Municipal Income Permanent Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash	\$ 184,445	\$ 16,805	\$ -	\$ 580,190	\$ 781,440
Receivables, net	408,335	-	-	71,624	479,959
Due from other funds	350	23,403	-	-	23,753
Restricted:					
Cash	-	-	1,198,017	-	1,198,017
Investments	-	-	-	34,990	34,990
Total assets	<u>\$ 593,130</u>	<u>\$ 40,208</u>	<u>\$ 1,198,017</u>	<u>\$ 686,804</u>	<u>\$ 2,518,159</u>
Liabilities:					
Accounts payable	\$ 11,116	\$ -	\$ -	\$ 12,413	\$ 23,529
Accrued salaries	27,951	-	-	5,008	32,959
Accrued payroll taxes	2,723	-	-	434	3,157
Accrued sales taxes	-	-	-	190	190
Due to other funds	-	-	23,403	350	23,753
Total liabilities	41,790	-	23,403	18,395	83,588
Deferred Inflows of Resources:					
Deferred revenues	44,296	-	-	14,048	58,344
Fund Balances:					
Restricted for:					
Debt service	-	-	-	33,608	33,608
State mandated per statutes	-	-	-	62,367	62,367
Expendable endowment	-	-	1,174,614	-	1,174,614
Committed for:					
Perpetual care	-	-	-	127,757	127,757
One twelfth budget reserve	228,831	-	-	-	228,831
Subsequent years' expenditures	135,685	-	-	219,997	355,682
Assigned	-	40,208	-	213,955	254,163
Unassigned	142,528	-	-	(3,323)	139,205
Total fund balances	<u>507,044</u>	<u>40,208</u>	<u>1,174,614</u>	<u>654,361</u>	<u>2,376,227</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 593,130</u>	<u>\$ 40,208</u>	<u>\$ 1,198,017</u>	<u>\$ 686,804</u>	<u>\$ 2,518,159</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 POSITION
JUNE 30, 2013

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

Total fund balance governmental funds (page seven)	\$	2,376,227
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,177,669
Recognition of property tax and lodgers' tax revenue is reflected on full accrual basis within the statement of net position. Governmental funds recognize these taxes on the modified accrual basis.		27,502
Accrued interest payable on long-term debt as of year-end is reflected as such within the statement of net position. Governmental funds recognize the interest as it becomes due.		(2,771)
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>(552,503)</u>
Net position of governmental activities (page five)	\$	<u><u>11,026,124</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, 2013

	General Fund	Government Assistance Fund	Municipal Income Permanent Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Sales taxes	\$ 1,316,654	\$ -	\$ -	\$ 188,859	\$ 1,505,513
Property taxes	138,545	-	-	-	138,545
Franchise taxes	77,436	-	-	-	77,436
Lodgers' taxes	-	-	-	117,314	117,314
Public service taxes	-	-	-	71,771	71,771
Intergovernmental:					
Federal	28,582	381,393	-	21,748	431,723
State	370,586	37,502	-	520,874	928,962
Charges for services	218,503	-	-	32,691	251,194
Licenses and permits	12,145	-	-	-	12,145
Fines and forfeitures	79,704	-	-	36,876	116,580
Interest	548	-	2,997	4,761	8,306
Miscellaneous	367,968	-	-	5,864	373,832
Total revenues	2,610,671	418,895	2,997	1,000,758	4,033,321
Expenditures:					
Current:					
General government	689,852	-	-	-	689,852
Public safety	1,558,369	7,711	-	333,948	1,900,028
Public works	61,027	-	-	319,734	380,761
Culture and recreation	226,527	-	-	114,240	340,767
Health and welfare	-	-	-	172,958	172,958
Capital outlay	163,868	432,386	-	99,195	695,449
Debt service:					
Principal	16,916	-	-	130,398	147,314
Interest and other charges	649	-	-	17,413	18,062
Note issuance costs	-	-	-	1,298	1,298
Total expenditures	2,717,208	440,097	-	1,189,184	4,346,489
Excess (deficiency) of revenues over expenditures	(106,537)	(21,202)	2,997	(188,426)	(313,168)
Other Financing Sources (Uses):					
Note proceeds	-	-	-	87,867	87,867
Transfers in	100,000	21,448	-	81,000	202,448
Transfers (out)	(100,824)	-	-	(109,954)	(210,778)
Total other financing sources (uses)	(824)	21,448	-	58,913	79,537
Special Item:					
Sale of assets	500	-	-	-	500
Net change in fund balances	(106,861)	246	2,997	(129,513)	(233,131)
Fund balances, beginning of year	613,905	39,962	1,171,617	783,874	2,609,358
Fund balances, end of year	<u>\$ 507,044</u>	<u>\$ 40,208</u>	<u>\$ 1,174,614</u>	<u>\$ 654,361</u>	<u>\$ 2,376,227</u>

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

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

Net change in fund balances - total governmental funds (page nine)	\$	(233,131)
Governmental funds report capital outlay as expenditures in the amount of \$695,449; 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 \$450,178. The net adjustment is \$245,271.		245,271
Proceeds of long-term debt are considered current financial resources within the funds; however, the proceeds are not considered revenues within the statement of activities.		(87,867)
Some of the town's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenues in the funds. The taxes are considered revenues within the statement of activities.		13,593
Accrued interest expense not due within thirty days after year-end is not considered in the current period and is not reported in the funds. The net change between accrued interest payable from one year to the next affects interest expense within the statement of activities.		2,568
Compensated absences not due within thirty days after year-end, are not considered in the current period and are not reported in the funds. The net change between compensated absences between accounting periods affects the expense within the statement of activities.		1,078
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.		147,314
Change in net position of governmental activities (page six)	\$	88,826

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Sales taxes	\$ 1,367,732	\$ 1,367,732	\$ 1,189,952	\$ 126,702	\$ 1,316,654	\$ (177,780)
Property taxes	129,000	129,000	136,125	2,420	138,545	7,125
Franchise taxes	95,000	95,000	74,962	2,474	77,436	(20,038)
Intergovernmental:						
Federal	14,000	14,000	-	28,582	28,582	(14,000)
State	364,600	364,600	423,643	(53,057)	370,586	59,043
Charges for services	213,400	213,400	153,477	65,026	218,503	(59,923)
Licenses and permits	10,400	10,400	12,145	-	12,145	1,745
Fines and forfeitures	73,500	73,500	79,704	-	79,704	6,204
Interest	3,400	3,400	715	(167)	548	(2,685)
Miscellaneous	405,372	468,700	518,804	(150,836)	367,968	50,104
Total revenues	2,676,404	2,739,732	2,589,527	21,144	2,610,671	(150,205)
Expenditures:						
Current:						
General government	950,905	921,282	840,680	(150,828)	689,852	80,602
Public safety	1,692,786	1,633,561	1,502,616	55,753	1,558,369	130,945
Public works	58,859	58,859	60,292	735	61,027	(1,433)
Culture and recreation	239,502	239,502	257,673	(31,146)	226,527	(18,171)
Capital outlay	37,750	55,800	163,868	-	163,868	(108,068)
Debt service:						
Principal	-	-	16,916	-	16,916	(16,916)
Interest	-	-	649	-	649	(649)
Total expenditures	2,979,802	2,909,004	2,842,694	(125,486)	2,717,208	66,310
(Deficiency) of revenues over expenditures	(303,398)	(169,272)	(253,167)	146,630	(106,537)	(83,895)
Other Financing Sources (Uses):						
Transfers in	160,975	100,000	100,000	-	100,000	-
Transfers (out)	(112,379)	(128,879)	(100,824)	-	(100,824)	28,055
Total other financing sources (uses)	48,596	(28,879)	(824)	-	(824)	28,055
Special Item:						
Proceeds from sale of capital assets	130,000	130,000	500	-	500	(129,500)
Net change	(124,802)	(68,151)	(253,491)	\$ 146,630	\$ (106,861)	(185,340)
Cash balance, beginning of year	474,227	474,227	474,227			-
Bank overdraft repaid	-	-	(35,941)			(35,941)
Interfund advance	-	-	(350)			(350)
Cash balance, end of year	\$ 349,425	\$ 406,076	\$ 184,445			\$ (221,631)
Explanation of Differences:						
Change in receivables				\$ 175,375		
Change in investments				(62)		
Change in accounts payable				5,438		
Change in accrued salaries				(4,065)		
Change in accrued payroll taxes				331		
Change in deferred revenues				(30,387)		
				\$ 146,630		

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 POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Joint Utility Enterprise Fund
Assets:	
Current assets:	
Cash	\$ 1,114,884
Receivables, net	302,035
Total current assets	1,416,919
Noncurrent assets:	
Restricted investments	1,062,075
Capital assets:	
Capital assets, not being depreciated	3,989,151
Other capital assets, being depreciated	11,253,345
Total noncurrent assets	16,304,571
Total assets	\$ 17,721,490
Liabilities:	
Current liabilities:	
Accounts payable	\$ 761,271
Accrued salaries	7,361
Accrued payroll taxes	983
Accrued sales tax	4,386
Accrued interest payable	7,290
Deposits payable	11,320
Current maturities of liabilities:	
Notes payable	77,595
Compensated absences	28,000
Landfill post-closure	20,000
Total current liabilities	918,206
Noncurrent liabilities:	
Notes payable	1,463,468
Compensated absences	38,503
Landfill post-closure	1,395,810
Total noncurrent liabilities	2,897,781
Total liabilities	3,815,987
Net Position:	
Net investment in capital assets	14,638,364
Restricted:	
Debt service	125,144
Unrestricted	(858,005)
Total net position	13,905,503
Total liabilities and net position	\$ 17,721,490

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Joint Utility Enterprise Fund</u>
Operating Revenues:	
Charges for services	\$ 1,142,553
Operating Expenses:	
Personnel services	509,471
Depreciation	363,070
Other operating expenses	292,956
Utilities	155,943
Contractual services	20,422
Repairs and maintenance	75,937
Insurance claims and expenses	<u>15,781</u>
Total operating expenses	<u>1,433,580</u>
Operating (loss)	(291,027)
Non-Operating Revenues (Expenses):	
Sales taxes	188,473
Miscellaneous revenues	98,665
Interest income	6,949
Debt issuance costs	(22,608)
Interest expense	<u>(8,689)</u>
Total non-operating revenues (expenses)	<u>262,790</u>
(Loss) before contributions and transfers	(28,237)
Capital contributions	2,200,612
Transfers in	<u>8,330</u>
Change in net position	2,180,705
Net position, beginning of year	11,812,722
Restatement	<u>(87,924)</u>
Net position, beginning of year, restated	<u>11,724,798</u>
Net position, end of year	<u><u>\$ 13,905,503</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, 2013**

	<u>Joint Utility Enterprise Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 1,188,485
Cash payments to suppliers for goods and services	(559,280)
Cash payments to employees for services	<u>(511,706)</u>
Net cash provided by operating activities	117,499
Cash Flows From Non-Capital and Related Financing Activities:	
Cash received from gross receipts taxes	167,310
Miscellaneous revenues	43,198
Change in customer deposits	922
Transfers in	<u>8,330</u>
Net cash provided by non-capital and related financing activities	219,760
Cash Flows From Capital and Related Financing Activities:	
Capital contributions	2,403,212
Loan proceeds	200,000
Acquisition of capital assets	(2,467,189)
Principal payments on capital debt	(86,795)
Retirement of landfill post-closure liability	(16,606)
Interest and other charges on capital debt	<u>(46,583)</u>
Net cash (used) by capital and related financing activities	(13,961)
Cash Flows From Investing Activities:	
Interest income	6,138
Investment redemption	243,345
Purchase of investments	<u>(12,303)</u>
Net cash provided by investing activities	<u>237,180</u>
Net increase in cash	560,478
Cash and cash equivalents, beginning of year	<u>154,406</u>
Cash and cash equivalents, end of year	<u>\$ 714,884</u>
Displayed as:	
Cash	\$ 1,114,884
Time deposits not considered cash equivalents	<u>(400,000)</u>
	<u>\$ 714,884</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating (loss)	\$ (291,027)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	363,070
Bad debts	12,300
Changes in Assets and Liabilities:	
Decrease in accounts receivable	33,485
Increase in accounts payable	1,759
Increase in accrued salaries	2,101
Increase in payroll taxes liability	314
Increase in accrued sales tax	147
(Decrease) in compensated absences	<u>(4,650)</u>
Total adjustments	<u>408,526</u>
Net cash provided by operating activities	<u>\$ 117,499</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, 2013

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).

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 Housing Authority of the town of Clayton is considered a component unit of the town. The financial statements of the Housing Authority of the town of Clayton 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, 2013. Complete financial statements for the Housing Authority can be obtained from the housing authority's administrative office.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Please address those requests to the Executive Director, Housing Authority, Town of Clayton, 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 as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, 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. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 and reported as *other* funds. 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.

In addition to assets, the statement of net position will, at times, report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future reporting period(s); therefore, is not recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will, at times, report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future reporting period(s); therefore, will not be recognized as an inflow of resources (revenues) until that time.

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.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

For this purpose, the town considers revenues to be available if they are collected within sixty 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, sales and public service 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. 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.

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.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (continued)

The *general fund* (continued) – 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 *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, and is considered an enterprise fund. 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 ten other governmental funds that are considered nonmajor funds, and are classified as special revenue funds. A description of each nonmajor governmental fund is as follows:

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.

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 Section 3-40-1 NMSA 1978.

The *lodgers' tax fund* accounts for funds received from a 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. Section 3-38-15(E) NMSA 1978, restricts the use of the tax for advertising, publicizing and promoting tourist-related attractions, facilities and events.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Presentation (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 59A-53-1, of the New Mexico State Insurance Code. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the Town's fire department.

The *recreation fund* accounts for revenues that are restricted for use in recreational areas only. The fund was established by local ordinance.

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. Section 24-10A-7 NMSA 1978 restricts expenditures from the fund from only emergency medical services.

The *local government correction fund* accounts for 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. Section 29-13-17A NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning and training.

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.

D. Budgets

Budgets for all funds are prepared by management; approved by the board of trustees and the New Mexico Department of Finance and Administration.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

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 a balanced budget. The comprehensive budget package is brought before the board of trustees for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the original 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, and secure appropriation of funds for only one year. Carryover funds from the previous final year 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 presented as a committed 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 prepared 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.

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.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Interfund Receivables and Payables (continued)

Long term advances between funds, reported in the fund financial statements as noncurrent, are offset by a nonspendable fund balance 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 capital 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. 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets (continued)

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.

Vacation time is not cumulative from year to year. Part-time or temporary employees are not granted vacation time.

Effective November 2012, the town changed its policy regarding accumulated compensated absences. Accumulated vacation pay for employees with less than six years of employment, was required to be utilized within the current fiscal year; any unused vacation at June 30, 2013, was considered null and void. Employees with an employment history greater than six years were allowed to carry forward any accumulated vacation that existed as of June 30, 2012. Such employees are not allowed to add to their accumulated amount. Accumulated vacation is payable upon separation as follows:

- One third in the sixth year of employment;
- Two thirds in the seventh year of employment;
- One hundred percent for those employees with eight or more years of employment.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Compensated Absences

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.
- 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 Inflows of Resources

Deferred inflow of resources represents the acquisition of net assets that is applicable to a future reporting period. Currently, the town reports deferred revenues as deferred inflows of resources.

Government-Wide Statements – Deferred revenues represent unearned revenues advanced to the town. Such advances are reported as deferred revenue until the earnings process is complete.

Fund Financial Statements – Within the governmental funds, revenues must be available in order to be recognized. Revenues, such as property taxes that have been assessed and remain uncollected, are reflected as deferred revenues if they are not available in the current period, which the town has established as sixty days after year end. Within the proprietary funds, advances received are reported as deferred revenues until the earnings process is complete.

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, or business-type activities within the statement of net position. Issuance costs associated with notes entered into are expensed in the year of issuance.

In the governmental funds the long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Net Assets

The government-wide financial statements and proprietary funds utilize a net position presentation. Net positions are categorized as follows:

Net investment in capital assets – This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

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

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

12. Fund Equity

Governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of trustees—the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of trustees removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the town’s “intent” to be used for specific purposes, but are neither restricted nor committed. The board of trustees and town manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Fund Equity (continued)

Unassigned fund balance – This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

13. Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the town's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

F. Other Matters

1. Presentation

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

2. Cash Flows

For the purpose of the statement of cash flows, the town considers all highly liquid investments, including restricted and unrestricted time deposits 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.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash (continued)

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, 2013, 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:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$ -	\$ 452	\$ 452
First Nat'l Bank of NM	1,176,494	(62,460)	1,114,034
Farmer's & Stockmen's Bank	2,284,793	(304,938)	1,979,855
Total cash deposits	<u>\$ 3,461,287</u>	<u>\$ (366,946)</u>	<u>\$ 3,094,341</u>

The amounts reported as cash for the government within the financial statements is displayed as:

Statement of Net Position:	
Cash	\$ 1,896,324
Restricted cash	<u>1,198,017</u>
Total cash reported on financial statements	<u>\$ 3,094,341</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).

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

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.

	First National Bank of New Mexico	Farmer's & Stockmen's Bank
Total deposit in bank	\$ 1,176,494	\$ 2,284,793
Less: FDIC insurance	<u>(250,000)</u>	<u>(250,000)</u>
Uninsured public funds	926,494	2,034,793
Pledged collateral held by pledging bank's agent, but not in the town's name	<u>(550,000)</u>	<u>(785,570)</u>
Uninsured and uncollateralized public funds	<u>\$ 376,494</u>	<u>\$ 1,249,223</u>
Total pledged collateral	\$ 550,000	\$ 785,570
50% pledged collateral requirement per state statute	<u>463,247</u>	<u>(1,017,397)</u>
Pledged collateral (under) over the requirement	<u>\$ 86,753</u>	<u>\$ (231,827)</u>

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

Demand, time, and savings deposits, along with interest bearing money market accounts, are insured up to \$250,000 in the aggregate.

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, 2013, \$2,961,287 of the town's bank balance of \$3,461,287 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	<u>\$ 926,494</u>	<u>\$ 2,034,793</u>	<u>\$ 2,961,287</u>

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3. RESTRICTED INVESTMENTS

The amounts reported as restricted investments for the town within the statement of net position, are displayed as:

Restricted investments	<u>\$ 1,097,065</u>
------------------------	---------------------

At June 30, 2013, the restricted investments were held and invested by the New Mexico Finance Authority (NMFA). As part of the loan agreement with NMFA, cash is held in three separate pools: program, debt reserve, and debt service pools.

The town's deposits in the pools are co-mingled with cash from other local governments from the state. At June 30, 2013, the town had the following amounts held by NMFA:

Program Funds Pool	\$ 938,313
Debt Reserve Pool	117,862
Debt Service Pool	<u>40,890</u>
	<u>\$ 1,097,065</u>

NMFA - Program Funds Pool

Money held in this pool is available to be used by the town for the intended purpose of the loan. At June 30, 2013, the town had \$936,931 available for wastewater system improvements. The remaining amount of \$1,382 represents unused loan proceeds designed for the purchase of police vehicles and equipment. The NMFA program funds pool contained 55.30% of United States Treasury obligations. The remaining 44.70% was held in the premier U.S. Government investment fund.

NMFA - Debt Reserve Pool

The \$117,862 represents funds held for debt service payments, if needed. The amounts have been determined by the various loan agreements. At June 30, 2013, the NMFA debt reserve pool was composed of 5.42% money market funds; 59.33% of fixed income agencies' funds; and 35.25% fixed income U.S. Treasury obligations.

NMFA - Debt Service Pool

This pool holds cash accumulated to make future principal and interest payments. At June 30, 2013, the NMFA debt service pool was composed of money market funds.

Interest Rate Risk

Interest rate risk is the risk that interest rate variations may adversely affect an investments' 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, 2013**

3. RESTRICTED INVESTMENTS (continued)

The NMFA debt service pool fund weighted average maturity is 42.41-day WAM. The NMFA debt reserve pool fund weighted average maturity is 1.335 WAM. The NMFA program funds pool fund weighted average maturity is .089 WAM.

4. RECEIVABLES, NET

Receivables net of allowance for doubtful accounts at June 30, 2013 consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 131,008	\$ 216,481
Allowance for doubtful accounts	(54,400)	(29,800)
Total	76,608	186,681
Taxes receivable:		
Sales taxes	281,193	35,035
Franchise taxes	20,070	-
Property taxes	20,295	-
Lodgers' taxes	29,240	-
Public service taxes	5,190	-
Allowance for doubtful accounts	-	-
Total	355,988	35,035
Intergovernmental receivables:		
Landfill monitoring well	-	49,500
Water system improvements	-	30,804
Public safety grants	14,670	-
Senior citizens grants	1,828	-
Total	16,498	80,304
Receivable - Clayton Main Street	30,842	-
Interest receivable	23	15
Receivables, net	\$ 479,959	\$ 302,035

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

5. PROPERTY TAX

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st 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 1st.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

5. PROPERTY TAX (continued)

Tax notices are sent by the Union County Treasurer to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th 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 2012, was \$4.938 per \$1,000 for non-residential and \$4.903 for residential property. In the year 2012, there was no tax rate established for payment of bonds principal and interest.

6. CAPITAL ASSETS

The town has restated the June 30, 2012 governmental activities construction in progress amount from \$796,104 to \$837,475. The increase of \$41,371 is attributed to items incurred in a long-term construction project that had been expensed in previous year.

Governmental activities capital assets for the fiscal year ended June 30, 2013, are as follows:

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 278,730	\$ -	\$ -	\$ 278,730
Construction in progress	837,475	520,605	(1,269,176)	88,904
Total capital assets, not being depreciated	1,116,205	520,605	(1,269,176)	367,634
Other capital assets being depreciated:				
Buildings and improvements	2,334,449	918,274	-	3,252,723
Airport runway	3,203,972	37,317	-	3,241,289
Infrastructure	3,059,141	-	-	3,059,141
Furniture, fixtures and equipment	3,082,711	488,429	-	3,571,140
Total other capital assets, being depreciated	11,680,273	1,444,020	-	13,124,293

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Governmental Activities (continued):				
Less accumulated depreciation:				
Buildings and improvements	(1,489,044)	(79,733)	-	(1,568,777)
Airport runway	(467,861)	(99,631)	-	(567,492)
Infrastructure	(104,874)	(63,021)	-	(167,895)
Furniture, fixtures and equipment	(1,802,301)	(207,793)	-	(2,010,094)
Total accumulated depreciation	(3,864,080)	(450,178)	-	(4,314,258)
Other capital assets, net	7,816,193	993,842	-	8,810,035
Total capital assets, net	<u>\$ 8,932,398</u>	<u>\$ 1,514,447</u>	<u>\$ (1,269,176)</u>	<u>\$ 9,177,669</u>

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

General government	\$ 35,137
Public safety	267,410
Public works	93,106
Culture and recreation	36,410
Health and welfare	18,115
	<u>\$ 450,178</u>

The town has restated the June 30, 2012 business-type activities construction in progress amount from \$856,348 to \$894,195. The increase of \$37,847 is interest on long-term debt incurred in the prior year that was expensed rather than capitalized during the construction phase of a long-term construction project.

Business-type activities capital assets for the fiscal year ended June 30, 2013 are as follows:

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 745,966	\$ -	\$ -	\$ 745,966
Construction in progress	894,195	2,820,900	(471,910)	3,243,185
Total capital assets, not being depreciated	1,640,161	2,820,900	(471,910)	3,989,151

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

6. CAPITAL ASSETS (continued)

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business-Type Activities (continued):				
Other capital assets, being depreciated:				
Water utility system	9,448,903	471,910	-	9,920,813
Sewer utility system	8,459,734	-	-	8,459,734
Solid waste system	5,400	69,055	-	74,455
Furniture, fixtures and equipment	728,920	230,400	(100,515)	858,805
Total other capital assets, being depreciated	18,642,957	771,365	(100,515)	19,313,807
Less accumulated depreciation:				
Water utility system	(3,608,131)	(214,730)	-	(3,822,861)
Sewer utility system	(3,556,431)	(119,518)	-	(3,675,949)
Solid waste system	(5,400)	-	-	(5,400)
Furniture, fixtures and equipment	(627,945)	(28,822)	100,515	(556,252)
Total accumulated depreciation	(7,797,907)	(363,070)	100,515	(8,060,462)
Other capital assets, net	10,845,050	408,295	-	11,253,345
Total capital assets, net	<u>\$ 12,485,211</u>	<u>\$ 3,229,195</u>	<u>\$ (471,910)</u>	<u>\$ 15,242,496</u>

7. CAPITAL ASSETS – COMPONENT UNIT

The housing authority of the town of Clayton reclassified capital assets reported at June 30, 2012. The following reflects the reclassifications and activity for the fiscal year ended June 30, 2013:

	Balance 06/30/12	Reclassifications	Increases	Decreases	Balance 06/30/13
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 51,294	\$ -	\$ -	\$ -	\$ 51,294
Construction in progress	63,427	(63,427)	863	-	863
Total capital assets, not being depreciated	114,721	(63,427)	863	-	52,157
Other capital assets, being depreciated:					
Buildings	1,805,791	354,385	28,891	-	2,189,067
Building improvements	933,806	(290,958)	-	-	642,848
Equipment and furniture	505,272	-	6,755	-	512,027
Vehicles	32,324	-	-	-	32,324
Total other capital assets, being depreciated	3,277,193	63,427	35,646	-	3,376,266

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

7. CAPITAL ASSETS – COMPONENT UNIT (continued)

	Balance 06/30/12	Reclassifications	Increases	Decreases	Balance 06/30/13
Business-Type Activities (continued):					
Less accumulated depreciation:					
Buildings	(1,282,036)	(35,230)	(56,682)	-	(1,373,948)
Building improvements	(473,934)	33,415	(34,883)	-	(475,402)
Equipment and furniture	(400,555)	1,835	(21,198)	-	(419,918)
Vehicles	(22,292)	(20)	(2,446)	-	(24,758)
Total accumulated depreciation	<u>(2,178,817)</u>	<u>-</u>	<u>(115,209)</u>	<u>-</u>	<u>(2,294,026)</u>
Other capital assets, net	<u>1,098,376</u>	<u>63,427</u>	<u>(79,563)</u>	<u>-</u>	<u>1,082,240</u>
Component unit capital assets, net	<u>\$ 1,213,097</u>	<u>\$ -</u>	<u>\$ (78,700)</u>		<u>\$ 1,134,397</u>

8. LONG-TERM OBLIGATIONS

The town has restated its government and business-type activities compensated absences balance at June 30, 2012. The town transferred one employee's compensated absences balance from the governmental activities to the business-type activities. The governmental activities balance of \$158,294 has decreased by \$18,537, resulting in a restated balance of \$139,757 at June 30, 2012. The business-type activities balance of \$52,616 has been increased by \$18,537, resulting in a restated balance of \$71,153 at June 30, 2012.

Changes in governmental activities obligations during the year ended June 30, 2013, were as follows:

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13	Amounts Due Within One Year
Leases payable	\$ 124,532	\$ -	\$ (64,265)	\$ 60,267	\$ 32,632
Notes payable:					
Golf course irrigation loan	175,003	-	(26,479)	148,524	27,416
Fire pumper loan	173,736	-	(56,570)	117,166	57,870
Police vehicles loan	-	87,867	-	87,867	17,117
Compensated absences	<u>139,757</u>	<u>72,966</u>	<u>(74,044)</u>	<u>138,679</u>	<u>75,000</u>
	<u>\$ 613,028</u>	<u>\$ 160,833</u>	<u>\$ (221,358)</u>	<u>\$ 552,503</u>	<u>\$ 210,035</u>

Leases Payable

The town has entered into two lease agreements to purchase street equipment and three police vehicles. The economic substance of the two leases is that the town is financing the acquisition of the assets through the leases and, accordingly, they are recorded in the Town's assets and liabilities. The town has capitalized street equipment in the amount of \$129,383, and three police vehicles in the amount of \$66,000. The obligation under the street equipment lease has been recorded in the accompanying financial statement at the present value of future minimum lease payments, discounted at an interest rate of 5.00% per annum.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Leases Payable (continued)

The street equipment lease will be financed from municipal street fund resources. The obligation under the police vehicles lease has been recorded at the present value of future minimum lease payments, discounted at an interest rate of 4.67% per annum. The police vehicles lease will be financed from law enforcement fund resources.

The future minimum obligations under capital leases at June 30, 2013, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 32,632	\$ 2,901	\$ 35,533
2015	<u>27,635</u>	<u>1,261</u>	<u>28,896</u>
	<u>\$ 60,267</u>	<u>\$ 4,162</u>	<u>\$ 64,429</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 a blended rate of 4.057%.

The payment of principal and interest are paid from lodgers' tax revenues.

The annual requirement to amortize the loan outstanding as of June 30, 2013, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 27,416	\$ 6,274	\$ 33,690
2015	28,462	5,228	33,690
2016	29,599	4,091	33,690
2017	30,848	2,842	33,690
2018	<u>32,199</u>	<u>1,485</u>	<u>33,684</u>
	<u>\$ 148,524</u>	<u>\$ 19,920</u>	<u>\$ 168,444</u>

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.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Fire Pumper Note (continued)

The annual requirement to amortize the loan outstanding as of June 30, 2013, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 57,870	\$ 3,014	\$ 60,884
2015	59,296	1,588	60,884
	<u>\$ 117,166</u>	<u>\$ 4,602</u>	<u>\$ 121,768</u>

Police Vehicle and Equipment Note

On November 2, 2012, the town entered into an agreement with the New Mexico Finance Authority to borrow \$87,867 in order to purchase police vehicles and associated equipment. The note matures on May 1, 2018, and accrues interest at a blended rate of .9749%. The payment of principal and interest are paid from pledged law enforcement funds. Such funds are made available annually by the state treasurer, and are authorized by Section 29-13-2, NMSA 1978.

The annual requirement to amortize the loan outstanding as of June 30, 2013, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 17,117	\$ 997	\$ 18,114
2015	17,516	598	18,114
2016	17,607	507	18,114
2017	17,733	381	18,114
2018	17,894	220	18,114
	<u>\$ 87,867</u>	<u>\$ 2,703</u>	<u>\$ 90,570</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).

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Compensated Absences (continued)

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

Changes in the business-type activities obligations during the year ended June 30, 2013, are as follows:

	Restated Balance 06/30/12	Increases	Decreases	Balance 06/30/13	Amounts Due Within One Year
Notes payable:					
NM Environment Department loan	\$ 20,853	\$ -	\$ (20,853)	\$ -	\$ -
Land Acquisition & Water Wells Imp #1	188,789	-	(20,370)	168,419	21,198
Land Acquisition & Water Wells Imp #2	40,602	-	(5,031)	35,571	5,043
Wastewater System Improvement	1,177,614	-	(40,541)	1,137,073	41,062
Water Reuse Discharge System	-	200,000	-	200,000	10,292
Compensated absences	71,153	21,946	(26,596)	66,503	28,000
Landfill Closure & Post-Closure Liability	1,487,883	-	(72,073)	1,415,810	20,000
	<u>\$ 2,986,894</u>	<u>\$ 221,946</u>	<u>\$ (185,464)</u>	<u>\$ 3,023,376</u>	<u>\$ 125,595</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 accrued interest at a rate of 3.00% per annum, and the note was paid in full on January 21, 2013.

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 blended rate of 4.115%, 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, 2013, including interest payments, is as follows:

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Land Acquisition and Water Well Improvement #1 (continued)

Due in year ending June 30:

	Principal	Interest	Total
2014	\$ 21,198	\$ 6,733	\$ 27,931
2015	22,070	5,915	27,985
2016	22,989	5,053	28,042
2017	23,957	4,143	28,100
2018	24,978	3,185	28,163
2019-2020	53,227	3,294	56,521
	\$ 168,419	\$ 28,323	\$ 196,742

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, 2013, is as follows:

Due in year ending June 30:

	Principal
2014	\$ 5,043
2015	5,056
2016	5,069
2017	5,082
2018	5,094
2019-2020	10,227
	\$ 35,571

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%. The payment of principal and interest are paid from the net revenues of the Joint Utility Fund.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Wastewater System Improvement Note (continued)

The annual requirement to amortize the loan outstanding as of June 30, 2013, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 41,062	\$ 37,008	\$ 78,070
2015	41,693	36,377	78,070
2016	42,420	35,650	78,070
2017	43,245	34,825	78,070
2018	44,171	33,899	78,070
2019-2023	238,138	152,212	390,350
2024-2028	277,956	112,394	390,350
2029-2033	333,442	56,908	390,350
2034	74,946	3,124	78,070
	<u>\$ 1,137,073</u>	<u>\$ 502,397</u>	<u>\$ 1,639,470</u>

Water Reuse Discharge System Note

On September 21, 2012, the town received a grant in the amount of \$1,800,000 from the New Mexico Water Trust Board and the town entered into a loan agreement to borrow \$200,000 from the New Mexico Finance Authority (NMFA). The grant and loan proceeds are financing the cost of construction of water reuse infrastructure.

The town is providing matching funds of \$400,000 for the construction project. The \$200,000 note does not bear any interest; however, it accrues an administration fee of .25% per annum payable to the NMFA. The note matures on June 1, 2032. The town has pledged net revenues from the joint water and sewer fund.

The annual requirements to amortize the loan outstanding as of June 30, 2013, are as follows:

Due in year ending June 30:

	<u>Principal</u>
2014	\$ 10,292
2015	10,317
2016	10,343
2017	10,369
2018	10,394
2019-2023	52,364
2024-2028	53,023
2029-2032	42,898
	<u>\$ 200,000</u>

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM OBLIGATIONS (continued)

2013 Joint Utility System Improvement Bonds

The town has entered into water and wastewater grant agreement with the United States Department of Agriculture Rural Utilities Service Division (RUS) to receive funds for a project of capital improvements and repairing of the town's water and wastewater utility system. RUS has determined the town is able to support debt of \$1,181,000 through utility revenues and charges; therefore, they have committed \$1,181,000 for financing debt of the project. Additionally, RUS has committed grant funds not to exceed \$965,500 for the project.

On April 26, 2013, the town issued \$1,181,000 of joint utility system revenue bonds, which will be purchased by RUS. The bonds will be amortized over a period of forty years and will bear interest at 2.75% per annum. The first payment will be due on April 26, 2014 in the amount of \$52,400. As of June 30, 2013, the bonds had not been purchased and no loan proceeds had been received.

Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the town 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 fiscal year ended June 30, 2010, 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 anticipates expending approximately \$20,000 on post-closure monitoring during the upcoming fiscal year.

9. 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. 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 balance of the bonds at June 30, 2013 is \$69,080,000.

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.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

10. DEFICIT FUND BALANCE

The following fund had a deficit fund balance as of June 30, 2013:

Fund	Amount
Fire Fund	\$ 3,314

The deficit balance is 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 balance.

11. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2013, the town incurred expenditures over appropriations of the following amounts and funds:

Fund	Amount
Fire Fund	\$ 1,702

The town will establish a procedure to ensure appropriate controls over the purchasing process, including timely budget adjustments where required.

12. INTERFUND BALANCES AND TRANSFERS

Receivable Fund	Payable Fund	Amount
Government Assistance Fund	Municipal Income	\$ 23,403
General Fund	Permanent Fund	
	Fire Fund	\$ 350

Interfund balances represent short-term advances for funds that receive grants on a reimbursement basis. They also represent short-term advances for deficit cash balances within pooled cash accounts.

	Transfers In				Total
	General Fund	Government Assistance Fund	Joint Utility Fund	Other Governmental Funds	
Transfers (out):					
General Fund	\$ -	\$ 19,824	\$ -	\$ 81,000	\$ 100,824
Other Governmental Funds	100,000	1,624	8,330	-	109,954
	\$ 100,000	\$ 21,448	\$ 8,330	\$ 81,000	\$ 210,778

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

12. INTERFUND BALANCES AND TRANSFERS (continued)

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.

13. BAD DEBT EXPENSE

Governmental Activities - During the current fiscal year, the town recorded bad debt expense by reducing gross ambulance fees of \$156,605 by \$24,382. Ambulance fees are reflected as public safety charges for services revenue in the government-wide statement of activities and charges for services within the general fund.

Business-Type Activities - The town recorded bad debt expense of \$12,300 by reducing water sales by \$6,344; wastewater sales by \$2,773 and solid waste sales by \$3,183.

14. ADOPTION OF ACCOUNTING PRONOUNCEMENTS

The town adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* contained in pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62), GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) for the fiscal year ended June 30, 2013.

Implementation of GASB 62 did not have any financial reporting impact on the town for the fiscal year ended June 30, 2013. Implementation of GASB 63 required the reclassification of net assets to net position, and it also required reclassification of deferred outflows and deferred inflows into new categories called Deferred Outflows of Resources and Deferred Inflows of Resources.

Implementation of GASB 65 required debt issuance costs except any portion related to prepaid insurance costs should be recognized as an expense in the period incurred; therefore, the net position within the joint utility fund as of June 30, 2012 has been restated.

15. RESTATEMENT OF NET POSITION

The statement of net position for the government-wide (governmental and business-type activities) and the joint utility fund as of June 30, 2012 have been restated for the reasons described below:

**STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

15. RESTATEMENT OF NET POSITION (continued)

	Government-Wide		Individual
	Governmental Activities	Business-Type Activities	Funds
Government-Wide Financial Statements:			
Capital assets were understated	\$ 41,371		
<i>Major Fund</i>			
Joint Utility Fund			
Governmental receivables were overstated		\$ (90,390)	\$ (90,390)
Capital assets were understated		37,847	37,847
Compensated absences liability transferred	18,537	(18,537)	(18,537)
Removal of debt issuance costs - GASB 65		(16,844)	(16,844)
	<u>\$ 59,908</u>	<u>\$ (87,924)</u>	<u>\$ (87,924)</u>
Total restatements	<u>\$ 59,908</u>	<u>\$ (87,924)</u>	<u>\$ (87,924)</u>

16. 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.

Funding Policy

Plan members are required to contribute from 7.0% to 12.8% (ranges from 3.78% 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. The Town is required to from 11.30% to 23.40% (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, 2013, 2012, and 2011 were \$257,230, \$254,093, and \$244,872, respectively; equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

17. 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.

18. 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.

19. VIOLATIONS OF FINANCE-RELATED PROVISIONS

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. As of June 30, 2013, 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 ninety days after year end.

The town did not submit any audited financial statements related to the prison activity within the required deadline to the insurer. During the month of November 2013, the town engaged a certified public accounting firm to create a general ledger for the prison facility in order to be in compliance with the bond ordinance. Further, the town engaged a different certified public accounting firm to perform prison audits for the years 2006 through 2012. The town's desire is to stay current with the requirement to have an annual audit performed on a timely basis.

Wastewater System Improvement Note

The town has borrowed \$1,274,166 from the New Mexico Finance Authority in order to install water and wastewater infrastructure. Within the loan agreement, the town agreed to provide their audited financial statements by December 31st of each year. The audit report for the fiscal year ended June 30, 2013 was not completed by December 31, 2013. The lateness of the report was caused by the auditing firm. The town intends to be in compliance with the submittal requirement in the future.

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

20. 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.

21. CONSTRUCTION COMMITMENTS

Business-Type Activities

As of June 30, 2013, the town has construction contracts in progress with total cost of \$5,576,803. The projects are funded through; revenue bonds, debt with New Mexico Finance Authority, federal grants, state grants and local resources. The remaining construction commitments are \$2,381,220.

22. SUBSEQUENT EVENTS

2013 Joint Utility System Improvement Bonds

On April 26, 2013, the town issued revenue bonds that are to be purchased by the United States Department of Agriculture Rural Utilities Service Division (RUS). As of June 30, 2013, none of the bonds had been purchased subsequent to that date and, as of January 29, 2014; RUS had purchased \$925,800 of the outstanding bonds. The town anticipates the remaining amount of \$255,200 will be purchased by RUS prior to the completion of the project.

SUPPLEMENTARY INFORMATION

**COMBINING AND INDIVIDUAL OTHER
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
TOWN OF CLAYTON
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds										
	Municipal Streets Fund	Library Fund	Cemetery Fund	Lodgers' Tax Fund	Fire Fund	Recreation Fund	Emergency Medical Services Fund	Local Governmental Corrections Fund	Law Enforcement Protection Fund	Senior Citizens Fund	Total Other Government Funds
Assets											
Cash and cash equivalents	\$ 96,067	\$ 122,370	\$ 131,151	\$ 62,043	\$ -	\$ 4,024	\$ -	\$ 154,687	\$ -	\$ 9,848	\$ 580,190
Receivables, net	40,533	-	12	29,242	-	-	-	9	-	1,828	71,624
Restricted assets:											
Investments	-	-	-	33,599	9	-	-	-	1,382	-	34,990
Total assets	<u>\$ 136,600</u>	<u>\$ 122,370</u>	<u>\$ 131,163</u>	<u>\$ 124,884</u>	<u>\$ 9</u>	<u>\$ 4,024</u>	<u>\$ -</u>	<u>\$ 154,696</u>	<u>\$ 1,382</u>	<u>\$ 11,676</u>	<u>\$ 686,804</u>
Liabilities:											
Accounts payable	\$ 3,378	\$ -	\$ 256	-	\$ 2,973	\$ 1,530	\$ -	\$ -	\$ -	\$ 4,276	\$ 12,413
Accrued salaries	2,623	-	-	-	-	1,286	-	-	-	1,099	5,008
Accrued payroll taxes	434	-	-	-	-	-	-	-	-	-	434
Accrued sales tax	-	-	-	-	-	190	-	-	-	-	190
Due to other funds	-	-	-	-	350	-	-	-	-	-	350
Total liabilities	6,435	-	256	-	3,323	3,006	-	-	-	5,375	18,395
Deferred Inflows of Resources:											
Deferred revenues	-	-	-	14,048	-	-	-	-	-	-	14,048
Fund Balances:											
Reserved for:											
Debt service	-	-	-	33,599	9	-	-	-	-	-	33,608
State mandated per statutes	-	-	-	62,367	-	-	-	-	-	-	62,367
Committed for:											
Perpetual care	-	-	127,757	-	-	-	-	-	-	-	127,757
Subsequent years' expenditures	64,180	-	3,150	14,870	-	-	-	136,100	-	1,697	219,997
Assigned	65,985	122,370	-	-	-	1,018	-	18,596	1,382	4,604	213,955
Unassigned	-	-	-	-	(3,323)	-	-	-	-	-	(3,323)
Total fund balances	130,165	122,370	130,907	110,836	(3,314)	1,018	-	154,696	1,382	6,301	654,361
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 136,600</u>	<u>\$ 122,370</u>	<u>\$ 131,163</u>	<u>\$ 124,884</u>	<u>\$ 9</u>	<u>\$ 4,024</u>	<u>\$ -</u>	<u>\$ 154,696</u>	<u>\$ 1,382</u>	<u>\$ 11,676</u>	<u>\$ 686,804</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 - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue Funds										
	Municipal Streets Fund	Library Fund	Cemetery Fund	Lodgers' Tax Fund	Fire Fund	Recreation Fund	Emergency Medical Services Fund	Local Governmental Corrections Fund	Law Enforcement Protection Fund	Senior Citizens Funds	Total Other Governmental Funds
Revenues:											
Sales taxes	\$ 188,530	\$ -	\$ -	\$ -	\$ -	\$ 329	\$ -	\$ -	\$ -	\$ -	\$ 188,859
Lodgers' taxes	-	-	-	117,314	-	-	-	-	-	-	117,314
Public service taxes	71,771	-	-	-	-	-	-	-	-	-	71,771
Intergovernmental:											
Federal	-	-	-	-	-	-	-	-	-	21,748	21,748
State	36,201	8,018	-	-	351,719	-	14,354	-	24,800	85,782	520,874
Charges for services	-	74	1,900	-	-	7,813	-	-	-	22,904	32,691
Fines and forfeitures	-	-	-	-	-	-	-	36,876	-	-	36,876
Interest	371	436	416	210	9	-	-	3,319	-	-	4,761
Miscellaneous	4,812	322	730	-	-	-	-	-	-	-	5,864
Total revenues	301,685	8,850	3,046	117,524	351,728	8,142	14,354	40,195	24,800	130,434	1,000,758
Expenditures:											
Current:											
Public safety	-	-	-	-	293,835	-	13,935	24,011	2,167	-	333,948
Public works	319,734	-	-	-	-	-	-	-	-	-	319,734
Culture and recreation	-	11,073	-	71,490	-	31,677	-	-	-	-	114,240
Health and welfare	-	-	3,645	-	-	-	-	-	-	169,313	172,958
Capital outlay	-	-	-	-	-	-	-	-	83,183	16,012	99,195
Debt service:											
Principal	25,267	-	-	26,479	56,570	-	-	-	22,082	-	130,398
Interest and other charges	3,333	-	-	7,211	4,314	-	-	-	2,555	-	17,413
Note issuance costs	-	-	-	-	-	-	-	-	1,298	-	1,298
Total expenditures	348,334	11,073	3,645	105,180	354,719	31,677	13,935	24,011	111,285	185,325	1,189,184
Excess (deficiency) of revenues over expenditures	(46,649)	(2,223)	(599)	12,344	(2,991)	(23,535)	419	16,184	(86,485)	(54,891)	(188,426)
Other Financing Sources (Uses):											
Note proceeds	-	-	-	-	-	-	-	-	87,867	-	87,867
Transfers in	-	4,000	-	-	-	25,000	-	-	-	52,000	81,000
Transfers (out)	(8,330)	-	-	(1,624)	-	-	-	(100,000)	-	-	(109,954)
Total other financing sources and (uses)	(8,330)	4,000	-	(1,624)	-	25,000	-	(100,000)	87,867	52,000	58,913
Net change in fund balances	(54,979)	1,777	(599)	10,720	(2,991)	1,465	419	(83,816)	1,382	(2,891)	(129,513)
Fund balances, beginning of year	185,144	120,593	131,506	100,116	(323)	(447)	(419)	238,512	-	9,192	783,874
Fund balances, end of year	\$ 130,165	\$ 122,370	\$ 130,907	\$ 110,836	\$ (3,314)	\$ 1,018	\$ -	\$ 154,696	\$ 1,382	\$ 6,301	\$ 654,361

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

**OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
TOWN OF CLAYTON
MUNICIPAL STREETS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Sales taxes	\$ 196,405	\$ 196,405	\$ 170,276	\$ 18,254	\$ 188,530	\$ (26,129)
Public service taxes	88,400	88,400	73,790	(2,019)	71,771	(14,610)
Intergovernmental:						
State	84,923	84,923	47,726	(11,525)	36,201	(37,197)
Interest	500	500	371	-	371	(129)
Miscellaneous	400	400	4,812	-	4,812	4,412
Total revenues	370,628	370,628	296,975	4,710	301,685	(73,653)
Expenditures:						
Current:						
Public works	334,312	334,312	318,898	836	319,734	15,414
Capital outlay	94,923	94,923	-	-	-	94,923
Debt service:						
Principal	-	-	-	25,267	25,267	-
Interest and other charges	30,000	38,376	28,600	(25,267)	3,333	9,776
Total expenditures	459,235	467,611	347,498	836	348,334	120,113
(Deficiency) of revenues over expenditures	(88,607)	(96,983)	(50,523)	3,874	(46,649)	46,460
Other Financing Sources (Uses):						
Transfers (out)	-	-	(8,330)	-	(8,330)	(8,330)
Net change	(88,607)	(96,983)	(58,853)	\$ 3,874	\$ (54,979)	38,130
Cash balance, beginning of year	154,920	154,920	154,920			-
Cash balance, end of year	\$ 66,313	\$ 57,937	\$ 96,067			\$ 38,130
Explanation of Differences:						
Change in receivables				\$ 4,710		
Change in accounts payable				(413)		
Change in accrued salaries				(408)		
Change in accrued payroll taxes				(15)		
				\$ 3,874		

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 8,700	\$ 8,700	\$ 8,018	\$ -	\$ 8,018	\$ (682)
Charges for services	-	-	74	-	74	74
Interest	1,100	1,100	455	(19)	436	(645)
Miscellaneous	900	900	322	-	322	(578)
Total revenues	10,700	10,700	8,869	(19)	8,850	(1,831)
Expenditures:						
Current:						
Culture and recreation	14,700	14,700	12,235	(1,162)	11,073	2,465
(Deficiency) of revenues over expenditures	(4,000)	(4,000)	(3,366)	1,143	(2,223)	634
Other Financing Sources (Uses):						
Transfers in	4,000	4,000	4,000	-	4,000	-
Net change	-	-	634	<u>\$ 1,143</u>	<u>\$ 1,777</u>	634
Cash balance, beginning of year	121,736	121,736	121,736			-
Cash balance, end of year	<u>\$ 121,736</u>	<u>\$ 121,736</u>	<u>\$ 122,370</u>			<u>\$ 634</u>
Explanation of Differences:						
Change in receivables				\$ (19)		
Change in accounts payable				<u>1,162</u>		
				<u>\$ 1,143</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Charges for services	\$ 4,000	\$ 4,000	\$ 1,900	\$ -	\$ 1,900	\$ (2,100)
Interest	700	700	422	(6)	416	(278)
Miscellaneous	1,000	1,000	730	-	730	(270)
Total revenues	5,700	5,700	3,052	(6)	3,046	(2,648)
Expenditures:						
Current:						
Health and welfare	5,250	5,250	3,545	100	3,645	1,705
Net change	450	450	(493)	<u>\$ (106)</u>	<u>\$ (599)</u>	(943)
Cash balance, beginning of year	131,644	131,644	131,644			-
Cash balance, end of year	<u>\$ 132,094</u>	<u>\$ 132,094</u>	<u>\$ 131,151</u>			<u>\$ (943)</u>
Explanation of Differences:						
Change in receivables				\$ (6)		
Change in accounts payable				<u>(100)</u>		
				<u>\$ (106)</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Lodgers' taxes	\$ 130,000	\$ 130,000	\$ 116,796	\$ 518	\$ 117,314	\$ (13,204)
Interest	400	400	119	91	210	(281)
Total revenues	130,400	130,400	116,915	609	117,524	(13,485)
Expenditures:						
Current:						
Culture and recreation	88,920	88,920	71,490	-	71,490	17,430
Debt service:						
Principal	33,690	33,690	33,690	(7,211)	26,479	-
Interest and other charges	-	-	-	7,211	7,211	-
Total expenditures	122,610	122,610	105,180	-	105,180	17,430
Excess of revenues over expenditures	7,790	7,790	11,735	609	12,344	3,945
Other Financing Sources (Uses):						
Transfers (out)	-	(12,000)	(1,624)	-	(1,624)	10,376
Net change	7,790	(4,210)	10,111	<u>\$ 609</u>	<u>\$ 10,720</u>	14,321
Cash balance, beginning of year	51,932	51,932	51,932			-
Cash balance, end of year	<u>\$ 59,722</u>	<u>\$ 47,722</u>	<u>\$ 62,043</u>			<u>\$ 14,321</u>
Explanation of Differences:						
Change in receivables				\$ 14,567		
Purchase of investments				90		
Change in accounts payable				<u>(14,048)</u>		
				<u>\$ 609</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 290,844	\$ 290,844	\$ 290,844	\$ 60,875	\$ 351,719	\$ -
Interest	-	-	-	9	9	-
Total revenues	290,844	290,844	290,844	60,884	351,728	-
Expenditures:						
Current:						
Public safety	212,791	290,844	292,546	1,289	293,835	(1,702)
Capital outlay	17,078	-	-	-	-	-
Debt service:						
Principal	-	-	-	56,570	56,570	-
Interest and other charges	-	-	-	4,314	4,314	-
Total expenditures	229,869	290,844	292,546	62,173	354,719	(1,702)
Excess (deficiency) of revenues over expenditures	60,975	-	(1,702)	(1,289)	(2,991)	(1,702)
Other Financing Sources (Uses):						
Transfers (out)	(60,975)	-	-	-	-	-
Net change	-	-	(1,702)	<u>\$ (1,289)</u>	<u>\$ (2,991)</u>	(1,702)
Cash balance, beginning of year	1,352	1,352	1,352			-
Interfund fund advance	-	-	350			350
Cash balance, end of year	<u>\$ 1,352</u>	<u>\$ 1,352</u>	<u>\$ -</u>			<u>\$ (1,352)</u>
Explanation of Differences:						
Fire allotment intercepted				\$ 60,875		
Interest income earned by agent				9		
Change in accounts payable				(1,289)		
Debt service				(60,884)		
				<u>\$ (1,289)</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Sales taxes	\$ -	\$ -	\$ 329	\$ -	\$ 329	\$ 329
Public service taxes	300	300	-	-	-	(300)
Charges for services	5,650	5,650	7,816	(3)	7,813	2,166
Total revenues	5,950	5,950	8,145	(3)	8,142	2,195
Expenditures:						
Current:						
Culture and recreation	37,943	37,943	30,429	1,248	31,677	7,514
(Deficiency) of revenues over expenditures	(31,993)	(31,993)	(22,284)	(1,251)	(23,535)	9,709
Other Financing Sources (Uses):						
Transfers in	32,000	32,000	25,000	-	25,000	(7,000)
Net change	7	7	2,716	<u>\$ (1,251)</u>	<u>\$ 1,465</u>	2,709
Cash balance, beginning of year	1,308	1,308	1,308			-
Cash balance, end of year	<u>\$ 1,315</u>	<u>\$ 1,315</u>	<u>\$ 4,024</u>			<u>\$ 2,709</u>
Explanation of Differences:						
Change in accounts payable				\$ (990)		
Change in accrued salaries				(258)		
Change in accrued sales tax				(3)		
				<u>\$ (1,251)</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Budget	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 14,354	\$ 14,354	\$ 14,354	\$ -	\$ 14,354	\$ -
Expenditures:						
Current:						
Public safety	14,354	14,354	14,354	(419)	13,935	137
Net change	-	-	-	<u>\$ 419</u>	<u>\$ 419</u>	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ 419</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Fines and forfeitures	\$ 30,000	\$ 30,000	\$ 36,876	\$ -	\$ 36,876	\$ 6,876
Interest	4,200	4,200	3,310	9	3,319	(890)
Total revenues	34,200	34,200	40,186	9	40,195	5,986
Expenditures:						
Current:						
Public safety	35,200	35,200	25,749	(1,738)	24,011	9,451
Capital outlay	3,800	3,800	-	-	-	3,800
Total expenditures	39,000	39,000	25,749	(1,738)	24,011	13,251
Excess (deficiency) of revenues over expenditures	(4,800)	(4,800)	14,437	1,747	16,184	19,237
Other Financing Sources (Uses):						
Transfers (out)	(100,000)	(100,000)	(100,000)	-	(100,000)	-
Net change	(104,800)	(104,800)	(85,563)	\$ 1,747	\$ (83,816)	19,237
Cash balance, beginning of year	240,250	240,250	240,250			-
Cash balance, end of year	\$ 135,450	\$ 135,450	\$ 154,687			\$ 19,237
Explanation of Differences:						
Change in receivables				\$ 9		
Change in accounts payable				1,738		
				\$ 1,747		

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 24,800	\$ 24,800	\$ 24,800	\$ -	\$ 24,800	\$ -
Expenditures:						
Current:						
Public safety	-	-	163	2,004	2,167	(163)
Capital outlay	24,800	24,800	-	83,183	83,183	24,800
Debt service:						
Principal	-	-	22,082	-	22,082	(22,082)
Interest and other charges	-	-	2,555	-	2,555	(2,555)
Loan issuance costs	-	-	-	1,298	1,298	-
Total expenditures	<u>24,800</u>	<u>24,800</u>	<u>24,800</u>	<u>86,485</u>	<u>111,285</u>	<u>-</u>
(Deficiency) of revenues over expenditures	-	-	-	(86,485)	(86,485)	-
Other Financing Sources (Uses):						
Loan proceeds	-	-	-	87,867	87,867	-
Net change	-	-	-	<u>\$ 1,382</u>	<u>\$ 1,382</u>	-
Cash balance, beginning of year	-	-	-		-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 1,382</u>	<u>\$ -</u>
Explanation of Differences:						
Change in investments				<u>\$ 1,382</u>		

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

STATE OF NEW MEXICO
TOWN OF CLAYTON
SENIOR CITIZENS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 20,753	\$ 22,623	\$ 22,245	\$ (497)	\$ 21,748	\$ (378)
State	149,748	151,216	148,720	(62,938)	85,782	(2,496)
Charges for services	29,000	29,000	22,904	-	22,904	6,096
Total revenues	199,501	202,839	193,869	(63,435)	130,434	(8,970)
Expenditures:						
Current:						
Health and welfare	179,927	183,265	170,062	(749)	169,313	13,203
Capital outlay	24,587	24,587	16,012	-	16,012	8,575
Total expenditures	204,514	207,852	186,074	(749)	185,325	21,778
Excess (deficiency) of revenues over expenditures	(5,013)	(5,013)	7,795	(62,686)	(54,891)	12,808
Other Financing Sources (Uses):						
Transfers in	70,276	70,276	52,000	-	52,000	(18,276)
Net change	65,263	65,263	59,795	\$ (62,686)	\$ (2,891)	(5,468)
Cash balance, beginning of year	50	50	50			-
Interfund balance repaid	-	-	(49,997)			(49,997)
Cash balance, end of year	\$ 65,313	\$ 65,313	\$ 9,848			\$ (55,465)

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

**MAJOR CAPITAL PROJECTS 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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 392,639	\$ 392,639	\$ 390,725	\$ (9,332)	\$ 381,393	\$ (1,914)
State	35,729	334,229	37,748	(246)	37,502	(296,481)
Total revenues	428,368	726,868	428,473	(9,578)	418,895	(298,395)
Expenditures:						
Current:						
Public safety	15,000	15,000	7,711	-	7,711	7,289
Capital outlay	445,288	772,288	442,210	(9,824)	432,386	330,078
Total expenditures	460,288	787,288	449,921	(9,824)	440,097	337,367
(Deficiency) of revenues over expenditures	(31,920)	(60,420)	(21,448)	246	(21,202)	38,972
Other Financing Sources (Uses):						
Transfers in	16,226	44,726	21,448	-	21,448	(23,278)
Net change	(15,694)	(15,694)	-	\$ 246	\$ 246	15,694
Cash balance, beginning of year	40,208	40,208	40,208			-
Interfund advance	-	-	(23,403)			(23,403)
Cash balance, end of year	\$ 24,514	\$ 24,514	\$ 16,805			\$ (7,709)
Explanation of Differences:						
Change in receivables				\$ (9,578)		
Change in accounts payable				9,824		
				\$ 246		

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, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Actual on GAAP Basis	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Revenues:						
Interest	\$ 5,000	\$ 5,000	\$ 2,997	\$ -	\$ 2,997	\$ (2,003)
Net change	5,000	5,000	2,997	<u>\$ -</u>	<u>\$ 2,997</u>	(2,003)
Cash balance, beginning of year	1,121,620	1,121,620	1,121,620			-
Interfund advance	-	-	23,403			23,403
Interfund balance repaid	-	-	49,997			49,997
Cash balance, end of year	<u>\$ 1,126,620</u>	<u>\$ 1,126,620</u>	<u>\$ 1,198,017</u>			<u>\$ 71,397</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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 1,192,050	\$ 1,211,050	\$ 1,188,485	\$ (45,932)	\$ 1,142,553	\$ (22,565)
Operating Expenses:						
Personal services	476,732	561,629	511,706	(2,235)	509,471	49,923
Depreciation expense	-	-	-	363,070	363,070	-
Other operating expenses	261,350	296,400	293,432	(476)	292,956	2,968
Utilities	130,200	142,200	145,913	10,030	155,943	(3,713)
Contractual services	58,100	58,100	20,422	-	20,422	37,678
Repairs and maintenance	112,500	114,200	83,732	(7,795)	75,937	30,468
Insurance claims and expenses	16,400	17,400	15,781	-	15,781	1,619
Total operating expenses	1,055,282	1,189,929	1,070,986	362,594	1,433,580	118,943
Operating income (loss)	136,768	21,121	117,499	(408,526)	(291,027)	96,378
Non-Operating Revenues (Expenses):						
State shared taxes	194,443	194,443	167,310	21,163	188,473	(27,133)
Debt proceeds	200,000	200,000	200,000	(200,000)	-	-
Miscellaneous revenues	-	45,700	44,120	54,545	98,665	(1,580)
Interest income	7,500	7,500	6,138	811	6,949	(1,362)
Capital outlay	(6,652,559)	(6,700,559)	(2,467,189)	2,467,189	-	4,233,370
Debt service - principal	(151,408)	(188,536)	(103,401)	103,401	-	85,135
Debt issuance costs	-	-	-	(22,608)	(22,608)	-
Interest expense and other charges	-	-	(46,583)	37,894	(8,689)	(46,583)
Total non-operating revenues (expenses)	(6,402,024)	(6,441,452)	(2,199,605)	2,462,395	262,790	4,241,847
Capital contributions	5,399,773	5,399,773	2,403,212	(202,600)	2,200,612	(2,996,561)
Transfers:						
Transfers in	15,000	15,000	8,330	-	8,330	(6,670)
Net change	(850,483)	(1,005,558)	329,436	\$ 1,851,269	\$ 2,180,705	1,334,994
Cash balance, beginning of year	554,406	554,406	554,406			-
Investments purchased	-	-	(12,303)			(12,303)
Investment redemption	296,077	451,152	243,345			(207,807)
Cash balance, end of year	\$ -	\$ -	\$ 1,114,884			\$ 1,114,884
Explanation of Differences:						
Change in receivables				\$ (214,953)		
Change in investments				842		
Additions to capital assets				2,467,189		
Change in accounts payable				(1,759)		
Change in accrued salaries				(2,101)		
Change in accrued payroll taxes				(314)		
Change in accrued sales taxes				(147)		
Change in accrued interest payable				418		
Change in deposits payable				(922)		
Change in compensated absences				4,650		
Change in long-term debt				103,401		
Change in landfill closure liability				55,467		
Interest capitalized construction cost				37,476		
Debt proceeds				(200,000)		
Debt issuance costs				(22,608)		
Depreciation expense				(363,070)		
Bad debts				(12,300)		
				\$ 1,851,269		

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2013**

Financial Institution/Account Description	Type of Account	Bank Balance 06/30/13	Reconciling Items	Reconciled Balance 06/30/13
First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415				
Special Revenues Pool	Checking	\$ 65,805	\$ (16,476)	\$ 49,329
Payroll account	Checking	7,557	(5,984)	1,573
MMDA account	MMA	979,132	(40,000)	939,132
Certificate of Deposit	CD	24,000	-	24,000
Certificate of Deposit	CD	100,000	-	100,000
		<u>\$ 1,176,494</u>	<u>\$ (62,460)</u>	<u>\$ 1,114,034</u>
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415-0488				
General Fund	Checking	\$ 281,467	\$ (65,903)	\$ 215,564
Utility Pool	Checking	371,779	(52,467)	319,312
A W Thompson Library Fund	Checking	1,216	(440)	776
Capital Projects Fund	Checking	455,392	(186,128)	269,264
Vendor account	Checking	300,582	-	300,582
Severance account	Checking	56,534	-	56,534
Wastewater construction	Checking	-	-	-
TOC Pooled Money Market	MMA	289,043	-	289,043
Certificate of Deposit	CD	11,000	-	11,000
Certificate of Deposit	CD	117,780	-	117,780
Certificate of Deposit	CD	200,000	-	200,000
Certificate of Deposit	CD	200,000	-	200,000
		<u>\$ 2,284,793</u>	<u>\$ (304,938)</u>	<u>\$ 1,979,855</u>

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2013

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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Collateral Value</u>
Eastern NM Univ Revs	276785UA8	04/01/14	\$ 50,000
Lea Cnty Pub Sch Dist	521513CE9	07/15/19	100,000
Dulce NM Indpt Sch Dist 21	264430HK8	03/01/19	100,000
W Las Vegas NM Sch District	953869JV9	08/15/17	100,000
W Las Vegas NM Sch District	953769JW7	08/15/18	200,000
			<u>\$ 550,000</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

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Collateral Value</u>
Carlsbad, New Mexico	142735DG1	08/01/16	\$ 250,000
FNMA	31385XEC7	06/01/33	356,575
FNMA	3138AA655	04/01/26	178,995
			<u>\$ 785,570</u>

The holder of the security pledged by Farmers & Stockmen's Bank is the Federal Home Loan Bank of Dallas, 8500 Freeport Parkway South, Irving, TX 75063-2547.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF JOINT POWER AGREEMENTS AND
MEMORANDUM OF AGREEMENT
JUNE 30, 2013**

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, and was updated on November 16, 2011. The agreement is perpetual, unless terminated by one of the participants.

Total estimated amount of the project and portion applicable to the municipality – The total cost of the joint communication operations for the year ended June 30, 2013 is \$257,208. The town's share of the joint communication expenses is \$159,175.

Amount the municipality contributed during the current fiscal year – \$159,175.

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 and 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 was effective during the fiscal year ended June 30, 2013. The agreement may be extended in one year increments for up to four (4) years from the effective date. Both Union County board of commissioners and the town board of trustees must approve any extension of the agreement.

Amount the municipality contributed during the current fiscal year - \$6,894.

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.

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF JOINT POWER AGREEMENTS AND
MEMORANDUM OF AGREEMENT
JUNE 30, 2013

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.

Beginning dates and ending dates of JPA – The agreement began on July 1, 2012 and terminated on June 30, 2013.

Total estimated amount of the project and portion applicable to the municipality – The town is to fund a total of \$15,000 to the Committee. In addition, the town agreed to pay the general property and liability insurance premium for the fair complex. These items were included in the town's general insurance coverage.

Amount the municipality contributed during the current fiscal year – \$15,000.

Audit responsibility – Town of Clayton.

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

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Agriculture				
Water & Waste Disposal Systems for Rural Communities	10.760		\$ 1,181,000	\$ 463,437
U.S. Department of Commerce				
Investments for Public Works & Economic Development	11.300	08-01-04214	1,177,265	169,366
U.S. Department of Housing and Urban Development/ Passed through NM Department of Finance and Administration				
Community Development Block Grant	14.228	11-C-RS-I-01-G-36	461,121	1,871
U.S. Department of Transportation/Passed through New Mexico Department of Transportation				
Airport Improvement Program	20.106	3-35-0010-014-2011	65,185	3,164
U.S. Department of Energy				
Energy Efficiency and Conservation Block Grant-ARRA	81.128	10-521-R1DOE00002-0233	434,600	378,228
U.S. Department of Health and Human Services/Passed through NM Long-Term & Aging Department/Passed through Non-Metro New Mexico Area Agency on Aging				
Special Programs for the Aging - Title III, Part C	93.045	2011-12-68013	10,259	10,259
Nutrition Service Incentive Program	93.053	2011-12-68013	11,489	<u>11,489</u>
Total U.S. Department of Health and Human Services				21,748
U.S. Department of Homeland Security/Passed through New Mexico Department of Homeland Security/Passed through Union County, New Mexico				
Homeland Security Grant Program	97.067	2011-22-00094-S01-Union	28,582	<u>28,582</u>
Total Expenditures of Federal Awards				<u>\$ 1,066,396</u>

STATE OF NEW MEXICO
TOWN OF CLAYTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the town of Clayton under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of town of Clayton, it is not intended to and does not present the financial position, changes in net assets or cash flows of town of Clayton.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, wherein certain types of expenditures are not allowed or are limited to reimbursement.

3. NON-CASH ASSISTANCE

During the current fiscal year, the Town did not expend any federal non-cash assistance. The Town did not receive any federal assistance related to insurance nor did they have any loans or loan guarantees outstanding at year end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount of \$1,066,396. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund	
Capital outlay	\$ 28,582
Special Revenue Funds	
<u>Senior Citizens Fund</u>	
Health and welfare	21,748
Capital Project Funds	
<u>Government Assistance Fund</u>	
Capital outlay	381,392
Proprietary Funds	
<u>Joint Utility Fund</u>	
Capital outlay	634,674
	<u>\$ 1,066,396</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

Ed Fierro, CPA • Rose Fierro, CPA527 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*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund, of the town of Clayton (town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the town, presented as supplemental information, and have issued our report thereon dated February 7, 2014. Our report includes a reference to other auditors who audited the financial statement of the discretely presented component unit as described in our report on the town's financial statements. This report includes the results of the other auditor's testing of internal control over financial reporting or compliance and other matters.

Internal Control over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the town's internal control. Accordingly, we do not express an opinion on the effectiveness of the town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2009-08 to be a material weakness. A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-03, 2011-03, 2011-04, 2013-01, 2013-02, 2013-03, 2013-04, and 2013-05.

The Town's Responses to Findings

The town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

February 7, 2014

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.com

Report on Compliance for Each Major Federal Program;
and Report on Internal Control Over Compliance
Required by OMB Circular A-133

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the town of Clayton, New Mexico's (town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the town's major federal programs for the year ended June 30, 2013. The town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the town's compliance.

Opinion on Each Major Federal Program

In our opinion, the town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended, June 30, 2013.

Report on Internal Control over Compliance

Management of the town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

February 7, 2014

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported
- Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Type of auditors' report issued on compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>CFDA No.</u>	<u>Program</u>
10.760	Water & Wastewater Disposal Systems for Rural Communities
81.128	Energy Efficiency and Conservation Block Grant - ARRA

- Dollar threshold for distinguishing Types A and B programs was \$300,000.
- Auditee qualified as low-risk auditee? Yes No

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENTS FINDINGS

Primary Government

Item 2009-08 – Material Weakness - 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. This 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.

During our audit tests of capital assets, we noted the town is not consistently using a tagging system for all capital assets. Additionally, the town did not conduct a physical inventory of capital assets at the end of the fiscal year ended June 30, 2013.

During January 2014, a consulting firm has performed a detail inventory of all capital assets owned by the town and is in the process of presenting detailed reports to the town.

Criteria – New Mexico State Statutes Section 12-6-10(c) NMSA 1978 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies. 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, betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger. Section 12-6-10(A) NMSA 1978 requires the town at the end of each fiscal year to conduct a physical inventory of movable chattels and equipment costing more than \$5,000 that is under the control of the municipality.

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

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

Criteria (continued) – Additionally, New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, section 15 A (3) requires governments tag all fixed assets. Section 2.20.1.16 requires the town to conduct a physical inventory of its capital assets at the end of each fiscal year.

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. By not tagging all assets, it allows the possibility for errors to occur between actual assets owned and the subsidiary ledger. Finally, not conducting an annual physical inventory could allow assets that are no longer on site for whatever reason, to be included in the subsidiary ledger.

Cause – When the town implemented the new reporting model, the accounting staff made the decision to utilize an electronic work sheet rather than utilizing additional accounting software such as a capital asset management system. No changes have been made to the initial method of accounting for capital assets. Due to the numerous changes in personnel within the administrative staff, the tagging of assets has not been kept current. Due to normal daily requirements to maintain the operations of the town, the staff has not allocated sufficient time to perform the physical inventory.

Recommendation – The inventory performed by the consulting firm will resolve many of the deficiencies regarding the proper record keeping of capital assets owned by the town. We recommend that each department verify the accuracy of the work performed by the consultant. Additionally, we recommend the town commence its physical verification of the capital assets on hand during May 2014, so any changes to the records, including additions and deletions, are completed by July 2014. This will afford the town sufficient time to complete an accurate record of capital assets for the end of the fiscal year or June 30, 2014.

Views of Responsible Officials and Planned Corrective Actions – As mentioned by auditor there have been numerous personnel changes at the administrative level and the tracking of assets has not been maintained. In an effort to meet the accounting requirements for capital assets the town has contracted with a firm (RCI) to conduct a physical inventory and detailed reports. The town will maintain and update as is required.

Item 2010-03 – Other – 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 sixty transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were seven instances where the travel request form did not reflect written approval by authorized employee's supervisor. The travel requests totaled \$662.92.

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2010-03 – Other – Travel and Per Diem (continued)

Statement of Condition (continued) –

- There were eight instances where the per diem for partial day was miscalculated for the town employees. The overpayment amounted to \$43.60.
- There were two instances where an addition error caused an overpayment of \$0.06.
- There were two instances where the per diem was miscalculated. The employees were overpaid by \$60 as the town failed to correctly calculate the partial per diem amount.
- There was one instance where no documentation for purpose of trip was attached to the travel request form. The travel request totaled \$152.
- There was one instance where an employee departure's was greater than one day prior to the conference. The conference was held in College Station, Texas. The conference was scheduled to start on Sunday, July 22, 2012 and the employee's departure date was Friday, July 20, 2012. The travel request totaled \$304.
- There was one instance where an employee received 100% advance for per diem prior to departure. The employee received the advance on July 25, 2012 and the travel to pick up equipment was expected to occur on July 26, 2012. The total amount was \$20.
- There was one instance where elected official was paid for car rental and no travel request form was completed. The travel request totaled \$218.92.
- There were two instances where elected officials were paid both actual and per diem amounts on their travel request form. The travel requests totaled \$1,015.03.

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.

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 town's accounting staff processed the travel reimbursements without written proper authorization documented on the request form. The accounting department performs the calculation of the reimbursement and erred when calculating the reimbursement for partial day travel.

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2010-03 – Other – Travel and Per Diem (continued)

Recommendation – We recommend the town’s staff review the Mileage and Per Diem Act. We recommend that greater emphasis be placed on reviewing each travel reimbursement form prior to approving for payment. Additionally, no request should be processed until the form has been properly authorized by the appropriate supervisor, town manager or town trustee.

Views of Responsible Officials and Planned Corrective Actions – The town concurs with auditor’s recommendation.

Item 2011-03 – Other – Grant Compliance

Statement of Condition – On March 13, 2013, the town adopted ordinance number 690, in which the governing board adopted an economic development plan pursuant to the Local Economic Development Act. The Local Economic Development Act allows local governments to provide direct or indirect assistance to qualifying businesses and entities to further or implement their economic development plan and projects.

On March 22, 2013, the town entered into an intergovernmental and project participation agreement with the New Mexico Economic Development Department (NMEDD) in order to perform improvements to the Luna Theater, which is owned by the town. The award from NMEDD provided \$100,000 to the town for the theater.

Prior to the receipt of the grant award, the town decided the improvements to the theater would be performed in conjunction with a non-profit organization titled Clayton Main Street. The town interpreted ordinance 690 to require the economic development improvement to be done with another organization or entity. The agreement with NMEDD required the town to administer the grant funds and to comply with appropriate state statutes. When the funds were received the following took place:

- The town placed the \$100,000 in a bank account belonging to Clayton Main Street. The town required that one of the authorized check signers be an employee of the town.
- The town and Clayton Main Street purchased a digital projector in the amount of \$69,158. The NMEDD agreement stated that purchase of specialty items such as the digital projector was exempt from the procurement code.
- The town and Clayton Main Street remitted a down payment of 80% of the cost of a movie projector, prior to the receipt of the merchandise.
- At June 30, 2013, \$30,842, which represented the unexpended grant funds, remained in the Clayton Main Street bank account.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2011-03 – Other – Grant Compliance (continued)

Criteria – Violations of state statutes and the agreement with NMEDD occurred as detailed below:

- Section 6-10-9 NMSA 1978 states, “the governing board is designated as the board of finance. The board of finance shall receive, handle and account, for all public money received by it, and shall deposit the funds of the board of finance in a depository or depositories qualified in accordance with statutes.”
- As mentioned above, the NMEDD agreement states, “the purchase of specialty items such as a digital projector is exempt from the procurement code requirements.” Section 13-1-98 NMSA 1978 provides a list of items that are considered exempt from the procurement code. The digital projector purchase is not exempt from the procurement code. If only one source existed, then the town should have complied with section 13-1-126 NMSA 1978.
- Section 2 of the agreement with NMEDD states; “The parties agree that any and all state funds received will be accounted for the town as the fiscal agent for EDD in accordance with the procedures the town will use to account for its own funds...” Further, section 5, number 1 of the agreement the town certified that “It will comply with all applicable state laws, regulations, policies, guidelines and requirements with respect to the acceptance and use of state funds.”
- Section 13-1-158 (A) NMSA 1978 states; “No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the procurement code.”

Effect – State statutes have various penalties for noncompliance. The NMEDD could void the grant agreement for not complying with the various items discussed above.

Cause – Town officials incorrectly assessed the project should be completed with another entity in order to receive the funding from NMEDD. The agreement with NMEDD is very specific that the funding was for the benefit of the town and for specific improvement to the town’s theater.

Recommendation – We recommend any remaining funds be transferred to the town’s bank accounts. If a similar grant is received in the future, town management must adhere to the requirements of state statutes and the grant award.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2011-03 – Other – Grant Compliance (continued)

Views of Responsible Officials and Planned Corrective Actions – The town concurs with auditor’s recommendation.

Item 2011-04 – Other – Legal Compliance with Adopted Budget

Statement of Condition – During the current fiscal year, expenditures within the fire fund amounted to \$292,546 while the authorized budget amounted to \$290,844. The town exceeded the authorized budget within this fund by \$1,702.

Criteria – Section 6-6-6 NMSA 1978 states that no governing authority or official shall allow or approve claims in excess of the approved budget.

Effect – Noncompliance with New Mexico state statutes could subject officials and town employees to penalties and fines required by state statutes.

Cause – The town maintains their financial records on a modified cash basis throughout the fiscal year, as payables are reflected as expenditures. At year-end, the balances within the funds are converted to a cash basis. When the fire fund was converted to cash basis, expenditures in the current year exceeded the authorized budget.

Recommendation – We recommend the town communicate with the accounting software vendor to allow the accounting staff to prepare budget reports on the cash basis of accounting.

Views of Responsible Officials and Planned Corrective Actions – The town concurs with auditor’s recommendation.

Item 2013-01 – Other – Completion of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2013, was due to the New Mexico State Auditor’s office by December 2, 2013. The audit report was submitted February 27, 2014.

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 that the town submit its audit report by the first working day of December following the end of each fiscal year at June 30th.

The loan agreement entered into with the New Mexico Finance Authority (NMFA) in which the town borrowed \$1,274,166, required the town’s audit report be submitted to the NMFA by December 31, 2013.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2013-01 – Other – Completion of Audit Report (continued)

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – On September 20, 2006, the town issued special revenue bonds for the purpose of financing the design, construction, furnishing and equipping a jail facility for use by the town and other incarcerating jurisdictions. As part of the town's bond ordinance, the municipality was required to ensure an annual audit of the prison financial statements was performed on a timely basis. For various reasons, the town failed to have the annual audits of the prison fund completed on a timely basis as required by the bond ordinance.

During the summer of 2013, the town engaged the auditing firm of the basic financial statements to perform the audit of the prison fund. The complexity of the prison fund transactions and the condition of the accounting records required the auditing firm to expend more hours than originally planned.

During October 2013, the audit reports of the prison fund for the calendar years 2006 through 2012 were completed. Coupled with the hours expended on the audits of the prison fund, unforeseen problems in completing other governmental audit reports in which the auditing firm was involved occurred during 2013, thereby causing the delay in the submission of the town's audit report to the state auditor's office on a timely basis.

Recommendation – The completion of audit reports for seven years is a very unusual event. For the upcoming year, the town will not be trying to complete such a project; however, since several transactions through the year are linked between the prison and the basic financial statements, we recommend the town ensure the prison fund audit is performed in a timely manner so the information can be reconciled to the accounting records of the town's basic financial statements.

Views of Responsible Officials and Planned Corrective Actions – The auditing firm believed they would be able to complete the prison audit within a time frame that would not affect audit of the town's basic financial statements. The prison audit turned out to be more complex than anticipated. Additionally a key member in the audit firm became ill and further delayed the process. The initial letter to the office of New Mexico State Auditor regarding late submission estimated that audit firm would complete the audit by January 15, 2014.

Item 2013-02 – Other – 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 \$1,063,132, and at Farmers & Stockmen's Bank, in the amount of \$817,823.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2013-02 – Other – Allocation of Interest Bearing Bank Deposits (continued)

Statement of Condition (continued) – The interest bearing accounts at First National Bank of New Mexico represents 56.52% of the total deposits while the amount at Farmers & Stockmen’s Bank represents 43.48%.

The town had approximately \$69,316 over invested at First National Bank of New Mexico and \$69,316 under invested at Farmers & Stockmen’s Bank. In order to be in compliance with State statutes the allocation of interest bearing accounts should be one-half at each bank as each banks proportion of total deposits is equal to fifty percent.

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 adjust the balance of the interest bearing accounts invested at the banks.

Recommendation – We recommend the town monitor the allocation of the interest bearing deposits on a monthly basis to ensure compliance with state statutes.

Views of Responsible Officials and Planned Corrective Actions – The town concurs with auditor’s recommendation.

Item 2013-03 – Other - Security for Deposits of Public Money

Statement of Condition – The town had deposits in the amount of \$2,284,793 at Farmers & Stockmen’s Bank at June 30, 2013. The bank was required to provide security for the deposits in the amount of \$1,017,397; however, the amount pledged was \$785,570, a shortfall of \$231,827.

Criteria – Section 6-10-17 NMSA 1978 states in part the following: *“The securities delivered shall have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of Section 6-10-16 NMSA 1978.”*

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

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2013-03 – Other - Security for Deposits of Public Money (continued)

Cause – The town failed to verify that the security provided by the bank was sufficient to meet the requirement of Section 6-10-17 NMSA 1978.

Recommendation – We recommend the town verify the security provided by the banks on a monthly basis to ensure compliance with Section 6-10-17 NMSA 1978.

Views of Responsible Officials and Planned Corrective Actions – The town concurs with auditor's recommendation.

Item 2013-04 – Other - 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, 2013, there were a total of twenty-one transactions for items purchased with the town manager's credit card, and forty-four for items purchased with the EMS Department credit card, with the following discrepancies noted:

- There was one instance where membership to International City/County Management Association was purchased with the town manager's credit card. No receipt was attached to requisition form. The charge totaled \$656.
- There were six instances where travel expenses were purchased with the town manager's credit card. No receipt was attached to requisition form. The charges totaled \$926.10.
- There were three instances where meals were purchased with the EMS Department credit card. No requisition form was completed for these expenses. The charges totaled \$67.79.
- There was one instance where meal was purchased with the EMS Department credit card. No detailed receipt was attached to requisition form. The charge totaled \$43.33.

Criteria – The town has established procedures for the purchase of goods and services. Such procedures would 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.

STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2013-04 – Other - Credit Card Transactions (continued)

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 ensure that the goods and services have been received. Proper account classification is necessary to ensure 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.

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 council, and adhered to by the town staff.

View of Responsible Officials and Planned Corrective Actions – The town concurs with auditors' recommendation.

Item 2013-05 – Other – Required Accounting Documentation

Statement of Condition – During our testing of the documentation retained in regards to the purchase of goods and services, we tested sixty transactions. We discovered the following deviations:

- There were two instances where a purchase order was not created. The charges totaled \$126.50.
- There were four instances where the purchase order was created after the vendor's invoice was received by the town. The charges totaled \$7,732.71.

Criteria – Section 6-6-3(A) NMSA 1978 requires every local public body shall “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. This would require the town to design accounting records such as property completed purchase orders, requisitions and vouchers that would enable the accounting staff to record and process accounting data consistent with New Mexico state statutes. Additionally, the town has established the requirement to prepare purchase orders prior to the purchase of goods and services.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II - FINANCIAL STATEMENTS FINDINGS (continued)

Primary Government (continued)

Item 2013-05 – Other – Required Accounting Documentation (continued)

Effect – If the town does not prepare a purchase order it runs the risk that purchases may be made in excess of the approved budget limitations.

Cause – The town staff failed to ensure that all the required documentation that supports the expenditure was in place prior to final disbursement. The purchase order was completed when the vendor invoice is received defeating the purpose of the purchase order. Such documents should be completed prior to the purchase.

Recommendations – We recommend the town review its policies and procedures concerning cash disbursements. After such review, all necessary changes or adjustments should be instituted and included in the town's accounting policy.

View of Responsible Officials and Planned Corrective Actions – The town concurs with auditor's recommendation.

Component Unit

None.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS –
WATER & WASTEWATER DISPOSAL SYSTEMS FOR RURAL
COMMUNITIES CFDA NO. 10.760 & ENERGY EFFICENCY AND
CONSERVATION BLOCK GRANT – ARRA CFDA NO. 81.128**

Primary Government

None.

Component Unit

None.

SECTION IV - PRIOR YEAR'S AUDIT FINDINGS

Item 2009-08 – Capital Asset Subsidiary Records – The prior year's audit finding noted the town is not consistently using a tagging system for all capital assets. Additionally, the town did not conduct a physical inventory of capital assets at the end of the fiscal year. The finding is repeated and modified and reflected as Item 2009-08.

**STATE OF NEW MEXICO
TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION IV - PRIOR YEAR'S AUDIT FINDINGS (continued)

Item 2010-01 – Prison Facility – The prior year's audit finding noted the town failed to maintain separate books of accounts for the prison financial activity as required by ordinance number 651. Additionally, the town failed to submit an audited financial statement within ninety days to the bond insurers. The town failed to prepare an annual budget for the prison activity.

The town engaged a certified public accounting firm to audit the financial statements of the prison fund for the calendar years 2006 through 2012. Those audits were completed during October 2013. The auditing firm has issued a report on internal control over financial reports and on compliance and other matters bas on an audit of financial statements performed in accordance with *Government Auditing Standards*. Subsequent to the audits being completed, the town engaged a local certified public accounting firm to record the financial information of the prison into a general ledger system.

Since a separate audit of the prison fund has occurred and a report on internal control has been issued the audit finding is considered resolved within the audit report of the basic financial statements. The unresolved matters are reflected in the prison audit report on internal control which can be obtained by requesting a copy from the Town Manager, 1 Chestnut Street, Clayton, New Mexico, 88415-3523.

Item 2010-03 – Travel and Per Diem – The prior year's audit finding noted errors in the record keeping and calculation of travel and per diem reimbursements. During the current fiscal year similar errors were noted. The prior year's audit finding is not resolved and repeated as Item 2010-03.

Item 2011-03 – Grant Compliance – The prior year's audit finding noted the town failed to comply with a provision within a grant agreement to account for revenues, and expenditures within a separate fund. The prior year finding has been resolved as the grant has been completed and closed by the grantor however a problem with another grant was discovered therefore the finding has been modified and repeated as Item 2011-03.

Item 2011-04 – Legal Compliance with Adopted Budget – The prior year's audit finding noted the town failed to comply with New Mexico state statues in not expending cash in excess of the authorized budget. During the current year expenditures within the fire fund exceeded the authorized budget. The finding is not considered resolved and is repeated as Item 2011-04.

Item 2011-05 – Joint Powers Agreement – The prior year's audit finding noted the town's board of trustees did not take formal action to extend a joint powers agreement (JPA) with Union County that had expired. The town continued to comply with the provision of the expired JPA. During the current fiscal the town updated the JPA. The prior year's audit finding is considered resolved.

STATUS OF PRIOR YEAR'S AUDIT FINDINGS – COMPONENT UNIT

None.

STATE OF NEW MEXICO
TOWN OF CLAYTON
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2013

The audit report for the fiscal year ended June 30, 2013, was discussed during the exit conference held on February 24, 2013. Present for the town was Jack Chosvig, mayor; Ferron Lucero, town manager; Holly Steen, town treasurer/interim town clerk, Carla Taylor, administrative assistant, and Stephanie Arellano, human resources representative. Present for the auditing firm was Ed Fierro, CPA.

PUBLIC HOUSING AUTHORITY
EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2013, was discussed during the exit conference held on October 26, 2013. Present for the Public Housing Authority was Carlota Ulibarri, chairperson; and Angela Lucero, executive director. Present for the auditing firm was Ken Shaw, CPA and Kristi Granados, CPA.

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, 2013. 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.