



KRIEGEL/GRAY/SHAW & CO., P.C.

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STATE OF NEW MEXICO

TOWN OF CLAYTON

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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TOWN OF CLAYTON
OFFICIAL ROSTER
JUNE 30, 2014

BOARD OF TRUSTEES

| <u>Name</u> | <u>Title</u> |
|-----------------------|----------------------|
| <i>Jack Chosvig</i> | <i>Mayor</i> |
| <i>Coby Beckner</i> | <i>Mayor Pro-Tem</i> |
| <i>Deano Arellano</i> | <i>Trustee</i> |
| <i>Leroy Montoya</i> | <i>Trustee</i> |
| <i>Tony Naranjo</i> | <i>Trustee</i> |

ADMINISTRATIVE STAFF

| | |
|----------------------|-----------------------|
| <i>Ferron Lucero</i> | <i>Town Manager</i> |
| <i>Holly Steen</i> | <i>Town Treasurer</i> |

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor and
The 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 aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Town of Clayton (the Town), as of and for the year ended June 30, 2014, 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, nonmajor enterprise, and the budgetary comparisons for the major capital project funds, enterprise funds, permanent fund, 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, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund 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 fund of the Town as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, enterprise fund, permanent fund, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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 other schedules required by 2.2.2 NMAC listed as "other supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, the *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 November 23, 2014 on our consideration of the Town of Clayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 23, 2014

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

As management of the Town of Clayton, we offer our residents and others who may read the Town of Clayton's financial statements this narrative overview and analysis of the financial activities of the Town of Clayton for fiscal year ended June 30, 2014. The following analysis relates to only the primary government. The analysis of the component unit can be obtained from the separately issued financial statement of the Housing Authority from the Executive Director, Housing Authority, Town of Clayton, 200 Aspen, Clayton, New Mexico 88415.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased over the course of this year's operations.
- During the year the Town's expenses were \$311,497 less than the \$4,290,028 generated in taxes, other revenues, and transfers for governmental programs.
- In the Town's business-type activities revenues and transfers decreased 29% to (\$2,574,399) while expenses increased .39%.
- The general fund reported expenditures in excess of revenues this year of \$139,980.

OVERVIEW OF FINANCIAL STATEMENTS

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

Certain items in the prior year financial statements have been reclassified for comparison purposes.

Governmental-Wide Financial Statements

The government-wide financial statements include a statement of net position with all government funds and account types. In addition, a statement of activities for government activities and business activities are included.

The statement of net position reports all financial and capital resources. The statement of net position presents information on all the Town of Clayton's assets and liabilities using the accrual basis of accounting. Over time increases or decreases in net position may determine whether the financial position of the Town of Clayton is improving or deteriorating.

The statements of accounts illustrate the statement of activities for the Town of Clayton. The statement of activities presents information, which illustrates how the Town's net position changed during the most recent fiscal year. Again, revenues and expenses are recorded using the accrual basis of accounting. The statement of activities includes revenues from governmental activities as well as business-type activities.

The Town of Clayton, also known as the primary government, is predominantly financed through taxes, intergovernmental revenues, and other non-exchange revenues. These governmental activities include general government, public safety, public works, health and welfare and cultural and recreation. These governmental activities are classified and reported in governmental funds including capital projects and special revenue funds. The business type activities are financed primarily from user fees charged to external parties for goods and or services. These activities are reported in enterprise funds in our financial statements. The Town of Clayton's business type activities include water, wastewater and solid waste.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

The Town of Clayton accounts for its finances through several fiscal and accounting entities called funds. We, like other state and local governments, use fund accounting to comply with state statutes regarding all finance-related transactions. The Town of Clayton has created its respective funds to establish a measure of flow from financial resources and/or to determine net income or net loss. These funds allow the Town of Clayton to manage its finances more effectively and more efficiently. The Town of Clayton maintains the following categories of fund types: governmental funds and proprietary funds.

Governmental Funds

The governmental funds for the Town of Clayton include the general fund, special revenue funds, and a capital projects fund. The governmental funds reporting focuses predominantly on the sources, uses, and balances of current financial resources that have been established by an approved appropriated budget. The governmental funds provide a detailed short-term view of the Town's general government operations and the basic services it provides. The financial information contained in the governmental funds is useful in helping determine whether or not there are sufficient financial assets to provide funding for the Town's current programs.

Proprietary Funds

Proprietary funds are used to account for activities similar to those in the private sector and focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and Statement of Activities (revenues and expenses). In fact, the Town's enterprise funds are the same as the business-type activities that are reported in the government-wide statements; however, they provide more detail in regards to cash flows for proprietary funds. The Town's intent is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. The Town has one enterprise fund, Utility Fund.

Notes to the Financial Statements

The Town's notes to the financial statements provide additional information that is necessary for a better understanding of all data that is illustrated in the government-wide and fund financial statements.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Government-Wide Financial Analysis

Town of Clayton
Summary of Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|----------------------------|------------------|-----------------------------|------------------|--------------|------------------|
| | 2014 | 2013 Restated | 2014 | 2013 Restated | 2014 | 2013 Restated |
| Assets: | | | | | | |
| Current assets and other assets | \$3,123,407 | \$2,614,886 | \$2,191,603 | \$2,478,994 | \$5,315,010 | \$5,093,880 |
| Capital | 9,580,489 | 9,366,305 | 17,557,055 | 15,329,857 | 27,137,544 | 24,696,162 |
| <i>Total assets</i> | 12,703,896 | 11,981,191 | 19,748,658 | 17,808,851 | 32,452,554 | 29,790,042 |
| Liabilities: | | | | | | |
| Current and other liabilities | 155,654 | 62,606 | 718,539 | 899,885 | 874,193 | 962,491 |
| Long-term liabilities | 909,881 | 552,503 | 4,060,723 | 3,023,376 | 4,970,604 | 3,575,879 |
| <i>Total liabilities</i> | 1,065,535 | 615,109 | 4,779,262 | 3,923,261 | 5,844,797 | 4,538,370 |
| Deferred inflows | 0 | 30,842 | 0 | 0 | 0 | 30,842 |
| Net Position: | | | | | | |
| Net investment in capital assets | 8,816,526 | 8,884,476 | 14,932,587 | 14,618,451 | 23,749,113 | 23,502,927 |
| Restricted net position | 1,693,832 | 1,270,589 | 353,885 | 125,144 | 2,047,717 | 1,395,733 |
| Unrestricted net position | 1,128,003 | 1,180,175 | (317,076) | (858,005) | 810,927 | 322,170 |
| <i>Total net position</i> | \$11,638,361 | \$11,335,240 | \$14,969,396 | \$13,885,590 | \$26,607,757 | \$25,220,830 |

Capital assets (net of accumulated depreciation) make up 75% of the Town's total assets from governmental activities. Investments in capital assets include: land, buildings, machinery and equipment, and infrastructure. The Town of Clayton utilizes these assets to provide services to its citizens; therefore, these assets are not available for future spending.

At the end of the current fiscal year, the Town of Clayton reported a positive balance in all three categories of net position.

In evaluating the operating performances of a government, the rate of return on assets is probably one of the most useful measures of the entity's profitability and efficiency. The return on assets ratio for the Town is 9% for fiscal year ending June 30, 2014. This ratio aids management in gauging the effectiveness of its use of assets.

In the Governmental activities total liabilities have been increased by 73% due to a new NMFA loan for a fire pumper. Total assets have increased in 2014 due to increases in capital assets including construction in progress and receivables from grants and cash from loan proceeds unexpended at year end. Investment income continued to decrease in fiscal year 2014 due to decreases in interest rates. These factors primarily affect the increase in current assets in 2014 compared to 2013.

Net position for business-type activities increased by \$1,083,806, an increase of 8%. Overall, liabilities increased due to new loan proceeds. Additional debt was incurred in fiscal year 2014 to improve the wastewater system. In addition, capital assets increased due to construction of utility projects.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Financial Analysis of the Town's Major Funds

GENERAL FUND

The General Fund is the major operating fund for the Town. The General Fund is the single largest fund pertaining to revenues and expenditures. Total revenues in fiscal year 2013 were \$2,610,671 and \$2,666,233 in 2014, an increase of \$55,562 (2.1%) for comparative years. The majority of the difference is due to an increase in taxes.

Expenditures in the General Fund for fiscal year 2013 were \$2,717,208 and \$2,667,736 for fiscal year 2014, a decrease of \$49,472. The decrease was due primarily to a decrease in capital outlay expenditures. The General Fund fund balance decreased in 2014 in the amount of \$6,503 with expenditures less transfers exceeding revenues for an ending fund balance of \$487,544 as of June 30, 2014.

GOVERNMENT ASSISTANCE FUND

The Government Assistance Fund accounts for the Town's capital outlay projects primarily funded from the state legislative appropriations, federal grants, and Town monies. In the fiscal year 2012/2013 the Town accounted for \$381,393 in federal grant revenues and \$37,502 in state grants for total grant revenues of \$418,895. In fiscal year 2013/2014 the total grant revenues of \$451,359 consisted of federal grant revenues of \$0 and state grant revenues of \$451,359.

The revenues received by the Town will fluctuate as a result of grant appropriations received from year to year. Fluctuations will also occur when monies are expended and received annually.

Expenditures in fiscal year 2012/2013 were \$440,097. The majority of the expenditures were incurred for the Reduce Energy Consumption project. Expenditures in fiscal year 2013/2014 were \$410,867. Expenditures were incurred for the Town's fuel farm project and the Luna Theatre project Phase III.

MUNICIPAL INCOME PERMANENT FUND

The Municipal Income Permanent Fund accounts for income received for the investment of funds received from the previous sale of the Town's electric utility. Interest earned for the fiscal year 2013/2014 was \$2,508. There were no expenditures in this fund.

UTILITY FUND

The Utility Fund is used to account for all water, wastewater and solid waste revenues and expenses. It is a major proprietary fund for the Town. Total operating revenues for 2012/2013 fiscal year was \$1,142,553 and \$1,181,000 for 2013/2014; a slight increase of \$38,447 or 3%. The slight increase is attributable to variation in customer usage. Net income (before capital and operating transfers) increased in 2014 versus 2013 by \$1,047,173. Operating expenses increased in fiscal year 2013/2014 compared to 2012/2013 by \$22,583, which is 2%. The net income increase resulted from the receipt of federal grant funds for capital improvements.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

General Fund Budgetary Highlights

The Town of Clayton total actual expenditures for fiscal year 2013/2014 were 7% under the budgeted expenditure amounts for the year. Public safety is responsible for 57%, general government is responsible for 29% and public works is responsible for 2% of the General Fund expenditures.

The Town's total state shared and municipal tax amount for fiscal year 2013/2014 increased by 17% over fiscal year 2012/2013. The Clayton economy showed growth in spite of the overall economic down turns in the State and County.

General Fund budgeted revenues and expenditures were amended during the year as follows:

- Miscellaneous revenue increased \$32,000 for the jail fund audit.
- General government expenditures increased \$32,000 for the jail fund audit.
- Capital outlay decreased \$75,000.

Town of Clayton
Summary of Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|
| | 2014 | 2013 Restated | 2014 | 2013 Restated | 2014 | 2013 Restated |
| Revenues: | | | | | | |
| <u>Program Revenues:</u> | | | | | | |
| Charges for services | \$310,955 | \$382,831 | \$1,181,800 | \$1,142,553 | \$1,492,755 | \$1,525,384 |
| Operating grants and contributions | 670,134 | 1,116,994 | 0 | 43,198 | 670,134 | 1,160,192 |
| Capital grants and contributions | 976,196 | 607,443 | 1,179,927 | 2,200,612 | 2,156,123 | 2,808,055 |
| <u>General Revenue:</u> | | | | | | |
| Taxes | 2,323,401 | 1,924,172 | 197,168 | 188,473 | 2,520,569 | 2,112,645 |
| Investment income | 8,687 | 8,306 | 7,128 | 6,949 | 15,815 | 15,255 |
| Miscellaneous | 655 | 500 | 0 | 55,467 | 655 | 55,967 |
| <i>Total revenue</i> | <i>4,290,028</i> | <i>4,040,246</i> | <i>2,566,023</i> | <i>3,637,252</i> | <i>6,856,051</i> | <i>7,677,498</i> |
| Expenses: | | | | | | |
| General Government | 979,795 | 719,477 | 0 | 0 | 979,795 | 719,477 |
| Public Safety | 1,995,590 | 2,172,050 | 0 | 0 | 1,995,590 | 2,172,050 |
| Public Works | 430,770 | 473,127 | 0 | 0 | 430,770 | 473,127 |
| Health and Welfare | 212,527 | 182,450 | 0 | 0 | 212,527 | 182,450 |
| Culture and Recreation | 335,009 | 379,194 | 0 | 0 | 335,009 | 379,194 |
| Interest and fees on long-term debt | 24,840 | 16,792 | 34,430 | 8,689 | 59,270 | 25,481 |
| Water, sewer and refuse | 0 | 0 | 1,456,163 | 1,476,101 | 1,456,163 | 1,476,101 |
| <i>Total expenses</i> | <i>3,978,531</i> | <i>3,943,090</i> | <i>1,490,593</i> | <i>1,484,790</i> | <i>5,469,124</i> | <i>5,427,880</i> |
| Increase in net position before transfers | 311,497 | 97,156 | 1,075,430 | 2,152,462 | 1,386,927 | 2,249,618 |
| Transfers | (8,376) | (8,330) | 8,376 | 8,330 | 0 | 0 |
| <i>Change in net position</i> | <i>303,121</i> | <i>88,826</i> | <i>1,083,806</i> | <i>2,160,792</i> | <i>1,386,927</i> | <i>2,249,618</i> |
| Net position – July 1 (as restated) | 11,335,240 | 11,246,414 | 13,885,590 | 11,724,798 | 25,220,830 | 22,971,212 |
| <i>Net position - June 30</i> | <i>\$11,638,361</i> | <i>\$11,335,240</i> | <i>\$14,969,396</i> | <i>\$13,885,590</i> | <i>\$26,607,757</i> | <i>\$25,220,830</i> |

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Government Activities

Revenue received from program and general activities was predominantly less than expenses for fiscal year 2014, with the exception of capital grants where amounts expended have been capitalized.

Business-Type Activities

Business-type activities income before transfers increased the Town's net position by \$1,068,302. Capital grants were responsible for this net increase.

Financial Analysis of the Town's Funds

As mentioned earlier, the Town of Clayton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the end of current fiscal year, the Town of Clayton governmental funds reported combined ending fund balances of \$3,160,827, which is an increase from the prior year ending fund balances. The Town's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail. The business-type activities have demonstrated sufficient revenue and sufficient cash flow to guarantee that all expenditures, including long-term debt will be paid in a timely manner.

Capital Assets and Debt Administration

Capital Assets

The Town of Clayton net capital assets for its government type activities as of June 30, 2014 amounted to \$9,580,489. This investment in capital assets includes land, construction in progress, buildings and improvements, airport, infrastructure, and furniture, fixtures and equipment. The most significant impact on capital assets during the year resulted from the following:

Construction in progress for:

- Luna Theatre renovation
- Airport fuel farm
- Senior Citizens building renovation

Long-term Debt

The Town's total debt (excluding compensated absences and landfill closure payable) as of June 30, 2014 is \$3,388,431, which increased by \$1,433,544, which represents net proceeds on new loans and payments on outstanding debt.

The Town of Clayton received proceeds on two new loans during the current fiscal year as follows:

- NMFA Loan for purchase of fire pumper (fire pumper was not received until after the fiscal year end).
- Joint Utility System Revenue Bonds for the wastewater reuse project.

The Town made principal payments on long-term debt for the fiscal year 2013/2014 of \$232,630.

More detailed information regarding these activities and funds is included in Note 8.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Town of Clayton
Outstanding Bonds and Liabilities to Financial Institutions

| | Governmental Activities | | Business-type Activities | | Total Activities | |
|----------------------------------|----------------------------|------------------|-----------------------------|--------------------|---------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenue Bonds (USDA) | \$0 | \$0 | \$1,161,000 | \$0 | \$1,161,000 | \$0 |
| Notes Payable: NMFA | 736,328 | 353,557 | 1,273,760 | 1,341,063 | 2,010,088 | 1,694,620 |
| Note Payable – Water Trust Board | 0 | 0 | 189,708 | 200,000 | 189,708 | 200,000 |
| Capital Leases | 27,635 | 60,267 | 0 | 0 | 27,635 | 60,267 |
| <i>Total</i> | \$763,963 | \$413,824 | \$2,624,468 | \$1,541,063 | \$3,388,431 | \$1,954,887 |

Economic Factors

The Town continues to insure that revenues are sufficient to meet budgeted obligations. The Town makes every effort possible to ensure that the resources available are maximized to provide services to the public.

The Town does not anticipate any significant changes in its operating revenue in the coming fiscal year. The Town will continue its progress on construction projects to improve the infrastructure.

Requests for Information

This financial report is designed to provide a general overview of the Town of Clayton's finances for those interested in the government finances. Questions concerning any of the information provided in the report or request for additional information should be addressed to the Town of Clayton, Town Manager at 1 Chestnut, Clayton, New Mexico 88415.

TOWN OF CLAYTON
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Primary Government | | | Component Unit |
|-------------------------------------|----------------------------|-----------------------------|---------------------|--------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Cash and investments | \$1,736,111 | \$768,818 | \$2,504,929 | \$56,315 |
| Investments | 252,780 | 400,000 | 652,780 | 62,951 |
| Grant revenue receivable | 48,277 | 439,785 | 488,062 | 0 |
| Accounts receivable, net | 452,864 | 183,453 | 636,317 | 507 |
| State taxes receivable | 0 | 33,230 | 33,230 | 0 |
| Interest receivable | 0 | 0 | 0 | 10 |
| Due from others | 116,666 | 0 | 116,666 | 0 |
| Inventories | 0 | 0 | 0 | 12,689 |
| Restricted Assets: | | | | |
| Cash - with trustee - program funds | 482,917 | 228,304 | 711,221 | 0 |
| Cash - with trustee/debt service | 33,792 | 125,581 | 159,373 | 0 |
| Cash - customer deposits | 0 | 12,432 | 12,432 | 8,125 |
| Capital Assets: | | | | |
| Capital assets not depreciated | 969,336 | 6,686,964 | 7,656,300 | 52,294 |
| Capital assets, depreciated | 13,375,608 | 19,313,807 | 32,689,415 | 3,445,066 |
| Accumulated depreciation | (4,764,455) | (8,443,716) | (13,208,171) | (2,409,442) |
| <i>Total capital assets</i> | <i>9,580,489</i> | <i>17,557,055</i> | <i>27,137,544</i> | <i>1,087,918</i> |
| Total assets | 12,703,896 | 19,748,658 | 32,452,554 | 1,228,515 |
| Liabilities | | | | |
| Accounts payable | 103,964 | 659,821 | 763,785 | 1,607 |
| Accrued payroll | 40,474 | 8,652 | 49,126 | 2,625 |
| Accrued interest payable | 11,216 | 17,721 | 28,937 | 0 |
| Other deferred credits | 0 | 0 | 0 | 0 |
| Customer deposits | 0 | 12,432 | 12,432 | 8,125 |
| Due to others | 0 | 19,913 | 19,913 | 0 |
| Tenant prepaid rents | 0 | 0 | 0 | 1,826 |
| Long-term liabilities: | | | | |
| Due within one year | 143,712 | 119,136 | 262,848 | 0 |
| Due in more than one year | 766,169 | 3,941,587 | 4,707,756 | 2,922 |
| <i>Total liabilities</i> | <i>1,065,535</i> | <i>4,779,262</i> | <i>5,844,797</i> | <i>17,105</i> |
| Net Position | | | | |
| Net investment in capital assets | 8,816,526 | 14,932,587 | 23,749,113 | 1,087,918 |
| Restricted for: | | | | |
| Debt service | 35,175 | 125,581 | 160,756 | 0 |
| Other purposes | 481,535 | 228,304 | 709,839 | 0 |
| Expendable endowment | 1,177,122 | 0 | 1,177,122 | 0 |
| Unrestricted (deficit) | 1,128,003 | (317,076) | 810,927 | 123,492 |
| Total net position | \$11,638,361 | \$14,969,396 | \$26,607,757 | \$1,211,410 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Unit |
|---|--------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-type Activities | | |
| Primary Government | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General government | \$979,795 | \$304,168 | \$372,202 | \$734,503 | \$431,078 | \$0 | \$431,078 | |
| Public safety | 1,995,590 | 0 | 169,249 | 0 | (1,826,341) | 0 | (1,826,341) | |
| Public works | 430,770 | 0 | 0 | 34,758 | (396,012) | 0 | (396,012) | |
| Health and welfare | 212,527 | 0 | 119,830 | 206,935 | 114,238 | 0 | 114,238 | |
| Cultural and recreational | 335,009 | 6,787 | 8,853 | 0 | (319,369) | 0 | (319,369) | |
| Interest and fees on long-term debt | 24,840 | 0 | 0 | 0 | (24,840) | 0 | (24,840) | |
| <i>Total governmental activities</i> | <i>3,978,531</i> | <i>310,955</i> | <i>670,134</i> | <i>976,196</i> | <i>(2,021,246)</i> | <i>0</i> | <i>(2,021,246)</i> | |
| Business-Type Activities: | | | | | | | | |
| Water | 760,204 | 523,883 | 0 | 439,328 | 0 | 203,007 | 203,007 | |
| Wastewater | 301,248 | 292,030 | 0 | 740,599 | 0 | 731,381 | 731,381 | |
| Solid waste | 394,711 | 365,887 | 0 | 0 | 0 | (28,824) | (28,824) | |
| Interest expense | 34,430 | 0 | 0 | 0 | 0 | (34,430) | (34,430) | |
| <i>Total business-type activities</i> | <i>1,490,593</i> | <i>1,181,800</i> | <i>0</i> | <i>1,179,927</i> | <i>0</i> | <i>871,134</i> | <i>871,134</i> | |
| Total primary government | \$5,469,124 | \$1,492,755 | \$670,134 | \$2,156,123 | (\$2,021,246) | \$871,134 | (\$1,150,112) | |
| COMPONENT UNIT: | | | | | | | | |
| Public Housing Authority | \$359,912 | \$150,529 | \$75,414 | \$76,636 | | | | (\$57,333) |
| General Revenues | | | | | | | | |
| Taxes: | | | | | | | | |
| Gross receipts/state shared | | | | | \$1,948,721 | \$197,168 | \$2,145,889 | \$0 |
| Property | | | | | 129,384 | 0 | 129,384 | 0 |
| Lodgers' tax | | | | | 149,476 | 0 | 149,476 | 0 |
| Franchise tax | | | | | 95,820 | 0 | 95,820 | 0 |
| Investment income | | | | | 8,687 | 7,128 | 15,815 | 147 |
| Other | | | | | 655 | 0 | 655 | 967 |
| Loss on asset disposals | | | | | 0 | 0 | 0 | 0 |
| Operating transfers, net | | | | | (8,376) | 8,376 | 0 | 0 |
| Capital transfers, net | | | | | 0 | 0 | 0 | 0 |
| <i>Total general revenues and transfers</i> | | | | | <i>2,324,367</i> | <i>212,672</i> | <i>2,537,039</i> | <i>1,114</i> |
| Change in net position | | | | | 303,121 | 1,083,806 | 1,386,927 | (56,219) |
| Net position (deficit), beginning of year, as previously stated | | | | | 11,026,124 | 13,905,503 | 24,931,627 | 1,267,629 |
| Restatements | | | | | 309,116 | (19,913) | 289,203 | 0 |
| Net position (deficit), beginning of year, as restated | | | | | <u>11,335,240</u> | <u>13,885,590</u> | <u>25,220,830</u> | <u>1,267,629</u> |
| Net position (deficit), end of year | | | | | <u>\$11,638,361</u> | <u>\$14,969,396</u> | <u>\$26,607,757</u> | <u>\$1,211,410</u> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2014

| | Major Funds | | | | |
|---|------------------|--------------------------|--|-----------------------------------|--------------------------------|
| | General Fund | Government Assistance | Municipal Income Permanent Fund | Nonmajor Governmental Funds | Total Governmental Funds |
| ASSETS | | | | | |
| Cash | \$110,143 | \$107,988 | \$1,200,525 | \$317,455 | \$1,736,111 |
| Investments | 0 | 0 | 0 | 252,780 | 252,780 |
| Accounts receivable, net allowance | 373,401 | 0 | 0 | 79,463 | 452,864 |
| Grant revenue receivable | 0 | 27,398 | 0 | 20,879 | 48,277 |
| Due from other funds | 0 | 23,403 | 0 | 14,017 | 37,420 |
| Due from others | 116,666 | 0 | 0 | 0 | 116,666 |
| Restricted assets: | | | | | |
| Cash held with trustee | 0 | 0 | 0 | 516,709 | 516,709 |
| Total assets | \$600,210 | \$158,789 | \$1,200,525 | \$1,201,303 | \$3,160,827 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$45,973 | \$45,869 | \$0 | \$12,122 | \$103,964 |
| Accrued payroll | 34,669 | 0 | 0 | 5,805 | 40,474 |
| Accrued compensated absences - ST | 0 | 0 | 0 | 0 | 0 |
| Due to other funds | 14,017 | 0 | 23,403 | 0 | 37,420 |
| Total liabilities | 94,659 | 45,869 | 23,403 | 17,927 | 181,858 |
| Deferred inflows of resources: | | | | | |
| Property taxes | 18,007 | 0 | 0 | 0 | 18,007 |
| Fund Balances: | | | | | |
| Restricted | 0 | 112,920 | 1,177,122 | 1,183,376 | 2,473,418 |
| Committed | 0 | 0 | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 | 0 | 0 |
| Unassigned | 487,544 | 0 | 0 | 0 | 487,544 |
| Total fund balance | 487,544 | 112,920 | 1,177,122 | 1,183,376 | 2,960,962 |
| Total liabilities and fund balance | \$600,210 | \$158,789 | \$1,200,525 | \$1,201,303 | \$3,160,827 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS
TO GOVERNMENTAL ACTIVITIES NET POSITION
JUNE 30, 2014

| | |
|--|---------------------------------|
| FUND BALANCE of Governmental Funds | \$2,960,962 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 9,580,489 |
| Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds. | (909,881) |
| Some revenues are not earned if not available in the funds but are recognized as income for governmental activities. | 18,007 |
| Interest payable is not due and payable in the current period and therefore is not reported in the funds. | (11,216) |
| <hr/> <i>Net position of governmental activities</i> | <hr/> \$11,638,361 <hr/> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON

GOVERNMENTAL FUNDS

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Major Funds | | | | Total Governmental Funds |
|---|------------------|--------------------------|--|-----------------------------------|--------------------------------|
| | General Fund | Government Assistance | Municipal Income Permanent Fund | Nonmajor Governmental Funds | |
| REVENUES | | | | | |
| Intergovernmental - federal | \$3,962 | \$0 | \$0 | \$21,844 | \$25,806 |
| Intergovernmental - state | 230,053 | 451,359 | 0 | 361,905 | 1,043,317 |
| Intergovernmental - other | 106,232 | 0 | 0 | 15,000 | 121,232 |
| Private grants | 0 | 0 | 0 | 4,680 | 4,680 |
| Property tax | 138,879 | 0 | 0 | 0 | 138,879 |
| State shared taxes and municipal taxes | 1,383,461 | 0 | 0 | 565,260 | 1,948,721 |
| Lodgers' tax | 0 | 0 | 0 | 149,476 | 149,476 |
| Licenses and permits | 10,967 | 0 | 0 | 0 | 10,967 |
| Fines | 94,649 | 0 | 0 | 26,778 | 121,427 |
| Franchise tax | 95,820 | 0 | 0 | 0 | 95,820 |
| Charges for services | 171,774 | 0 | 0 | 6,787 | 178,561 |
| Interest income | 143 | 0 | 2,508 | 6,036 | 8,687 |
| Sale of property | 0 | 0 | 0 | 655 | 655 |
| Donations | 0 | 0 | 0 | 26,002 | 26,002 |
| Miscellaneous | 425,293 | 0 | 0 | 0 | 425,293 |
| <i>Total revenues</i> | <u>2,661,233</u> | <u>451,359</u> | <u>2,508</u> | <u>1,184,423</u> | <u>4,299,523</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 765,408 | 0 | 0 | 0 | 765,408 |
| Public safety | 1,534,444 | 0 | 0 | 171,906 | 1,706,350 |
| Public works | 61,057 | 0 | 0 | 283,131 | 344,188 |
| Health and welfare | 0 | 0 | 0 | 190,998 | 190,998 |
| Cultural and recreational | 195,687 | 0 | 0 | 93,835 | 289,522 |
| Capital outlay | 111,140 | 410,867 | 0 | 342,163 | 864,170 |
| Debt Service: | | | | | |
| Principal | 0 | 0 | 0 | 135,035 | 135,035 |
| Interest and other charges | 0 | 0 | 0 | 16,391 | 16,391 |
| <i>Total expenditures</i> | <u>2,667,736</u> | <u>410,867</u> | <u>0</u> | <u>1,233,459</u> | <u>4,312,062</u> |
| <i>Revenues over (under) expenditures</i> | (6,503) | 40,492 | 2,508 | (49,036) | (12,539) |
| Other Financing Sources (Uses): | | | | | |
| Loan proceeds | 0 | 0 | 0 | 485,174 | 485,174 |
| Transfers in | 0 | 32,224 | 0 | 112,009 | 144,233 |
| Transfers out | (133,477) | 0 | 0 | (19,132) | (152,609) |
| <i>Total other financing sources (uses)</i> | <u>(133,477)</u> | <u>32,224</u> | <u>0</u> | <u>578,051</u> | <u>476,798</u> |
| <i>Net changes in fund balances</i> | (139,980) | 72,716 | 2,508 | 529,015 | 464,259 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Major Funds | | | | Total Governmental Funds |
|--|-------------------------|--------------------------|--|-----------------------------------|--------------------------------|
| | General Fund | Government Assistance | Municipal Income Permanent Fund | Nonmajor Governmental Funds | |
| FUND BALANCE | | | | | |
| Fund balance, beginning of year, as previously stated | 507,044 | 40,204 | 1,174,614 | 654,361 | 2,376,223 |
| Restatements | 120,480 | 0 | 0 | 0 | 120,480 |
| Fund balance, beginning of year, as restated | 627,524 | 40,204 | 1,174,614 | 654,361 | 2,496,703 |
| <i>Fund balance, end of year</i> | <i>\$487,544</i> | <i>\$112,920</i> | <i>\$1,177,122</i> | <i>\$1,183,376</i> | <i>\$2,960,962</i> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | |
|--|------------------|
| Net change in fund balances - Governmental Funds | \$464,259 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$708,859) exceeded depreciation (\$494,675). | 214,184 |
| Repayment of bond and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (\$135,035). | 135,035 |
| Governmental funds report bond proceeds as other resources but government activities record these as long-term liabilities | (485,174) |
| Some expenses (or reduction thereof) reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds - accrued compensated absences (\$7,239) and accrued interest payable (\$8,449). | (15,688) |
| Some revenues reported in the statement of activities are not available for expenditure in the governmental funds - property tax. | (9,495) |
| <i>Change in net position of governmental activities</i> | \$303,121 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) |
|--|--------------------------------|-----------------------------|--------------------|----------------------------|
| REVENUES | | | | |
| State shared taxes and municipal taxes | \$1,351,916 | \$1,351,916 | \$1,396,114 | \$44,198 |
| Property taxes | 135,448 | 135,448 | 136,388 | 940 |
| Franchise taxes | 80,000 | 80,000 | 87,383 | 7,383 |
| Fine and forfeits | 96,000 | 96,000 | 94,649 | (1,351) |
| Licenses and permits | 10,650 | 10,650 | 10,964 | 314 |
| Intergovernmental Revenue: | | | | |
| Federal | 5,838 | 5,838 | 5,455 | (383) |
| State | 203,743 | 203,743 | 230,296 | 26,553 |
| Local | 150,500 | 150,500 | 105,960 | (44,540) |
| Interest | 1,000 | 1,000 | 143 | (857) |
| Charges for services | 284,250 | 284,250 | 145,822 | (138,428) |
| Miscellaneous | 427,402 | 459,402 | 425,293 | (34,109) |
| <i>Total revenues</i> | <u>2,746,747</u> | <u>2,778,747</u> | <u>2,638,467</u> | <u>(140,280)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 719,734 | 751,734 | 755,013 | (3,279) |
| Public safety | 1,653,790 | 1,653,790 | 1,501,092 | 152,698 |
| Public works | 59,404 | 59,404 | 60,978 | (1,574) |
| Cultural and recreational | 228,549 | 228,549 | 196,629 | 31,920 |
| Debt service | 700 | 700 | 811 | (111) |
| Capital outlay | 190,900 | 115,900 | 111,140 | 4,760 |
| <i>Total expenditures</i> | <u>2,853,077</u> | <u>2,810,077</u> | <u>2,625,663</u> | <u>184,414</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | (106,330) | (31,330) | 12,804 | 44,134 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 125,000 | 125,000 | 0 | (125,000) |
| Operating transfers (out) | (154,355) | (154,355) | (133,477) | 20,878 |
| <i>Total other financing sources (uses)</i> | <u>(29,355)</u> | <u>(29,355)</u> | <u>(133,477)</u> | <u>(104,122)</u> |
| <i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i> | (135,685) | 1,975 | <u>(\$120,673)</u> | <u>(\$59,988)</u> |
| Budgeted cash carryover | 135,685 | 0 | | |
| | <u>\$0</u> | <u>\$1,975</u> | | |
| Budgetary - GAAP Reporting Reconciliation: | | | | |
| Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary) | | | (\$120,673) | |
| Adjustments for revenue accruals, transfers, earnings on investments | | | 22,766 | |
| Adjustments for expenditures for payables, inventory, other expenditure accruals | | | (42,073) | |
| <i>Net changes in fund balance (GAAP basis)</i> | | | <u>(\$139,980)</u> | |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2014

| | Joint Utilities |
|---|--------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$768,818 |
| Investments | 400,000 |
| Grants receivable | 439,785 |
| Taxes receivable | 33,230 |
| Accounts receivable, water and sewer (net of allowance) | 183,453 |
| <i>Total current assets</i> | 1,825,286 |
| Non-Current Assets | |
| Restricted Assets: | |
| Cash held with trustee | 353,885 |
| Cash - customer deposits | 12,432 |
| <i>Total restricted assets</i> | 366,317 |
| Capital Assets: | |
| Capital assets - not depreciated | 6,686,964 |
| Capital assets - depreciated | 19,313,807 |
| Less accumulated depreciation | (8,443,716) |
| <i>Net capital assets</i> | 17,557,055 |
| <i>Total assets</i> | 19,748,658 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | 659,821 |
| Accrued payroll | 8,652 |
| Accrued interest payable | 17,721 |
| Utility deposits | 12,432 |
| Prepaid rents | 0 |
| Due to others | 19,913 |
| Current portion of long-term debt/lease payable | 119,136 |
| <i>Total current liabilities</i> | 837,675 |
| Non-Current Liabilities: | |
| Long-term debt | 2,525,332 |
| Compensated absences | 39,601 |
| Landfill post closure | 1,376,654 |
| <i>Total noncurrent liabilities</i> | 3,941,587 |
| <i>Total liabilities</i> | 4,779,262 |
| Net Position: | |
| Net investment in capital assets | 14,932,587 |
| Restricted for construction | 228,304 |
| Restricted for debt service | 125,581 |
| Unrestricted | (317,076) |
| <i>Total net position</i> | \$14,969,396 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Joint Utilities |
|---|----------------------------|
| OPERATING REVENUES | |
| Water | \$523,883 |
| Wastewater | 292,030 |
| Solid waste | 365,887 |
| <i>Total operating revenues</i> | 1,181,800 |
| OPERATING EXPENSES | |
| Operating expenses: | |
| Water | 529,655 |
| Wastewater | 177,134 |
| Solid waste | 366,120 |
| Depreciation | 383,254 |
| <i>Total operating expenses</i> | 1,456,163 |
| <i>Net income (loss) from operations</i> | (274,363) |
| NON-OPERATING REVENUES (EXPENSES) | |
| Federal grants and subsidies | 1,179,927 |
| State gross receipts tax | 197,168 |
| Interest earnings | 7,128 |
| Interest expense | (34,430) |
| <i>Total non-operating revenues (expenses)</i> | 1,349,793 |
| <i>Net income (loss) before contributions and transfers</i> | 1,075,430 |
| Operating transfers in | 8,376 |
| Operating transfers (out) | 0 |
| <i>Change in net position</i> | 1,083,806 |
| Total fund net position, at beginning of year, as previously stated | 13,905,503 |
| Restatements | (19,913) |
| Total fund net position, at beginning of year, as restated | 13,885,590 |
| <i>Total fund net position, at end of year</i> | <i>\$14,969,396</i> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Joint Utilities |
|---|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from customers (including other funds) | \$1,268,264 |
| Cash paid to suppliers | (818,311) |
| Cash paid to employees | (474,389) |
| <i>Net cash provided (used) by operating activities</i> | <i>(24,436)</i> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Grants and state tax | 197,168 |
| Retirement of landfill closure costs | (19,156) |
| Transfers in (out) | 8,376 |
| <i>Net cash provided (used) by noncapital financing activities</i> | <i>186,388</i> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Purchase of property and equipment | (2,610,452) |
| Capital grants | 740,142 |
| Long-term debt proceeds | 1,181,000 |
| Principal paid: revenue bonds/lease purchase/advances | (97,595) |
| Interest paid: revenue bonds/lease purchase/advances | (23,999) |
| <i>Net cash provided (used) by capital and related financing activities</i> | <i>(810,904)</i> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Interest received | 7,128 |
| <i>Net cash provided (used) by investing activities</i> | <i>7,128</i> |
| <i>Net increase (decrease) in cash</i> | <i>(641,824)</i> |
| Cash, beginning of year | 1,776,959 |
| <i>Cash, end of year</i> | <i>\$1,135,135</i> |
| | |
| Cash and cash equivalents | \$768,818 |
| Cash held with trustee | 353,885 |
| Customer deposits | 12,432 |
| <i>Total cash</i> | <i>\$1,135,135</i> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Joint Utilities |
|---|--------------------------|
| Reconciliation of operating income to net cash provided (used) by operating activities | |
| Operating income (loss) | (\$274,363) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 383,254 |
| Change in assets and liabilities: | |
| (Increase) Decrease in assets: | |
| Accounts receivable | (33,230) |
| Taxes receivable | 118,582 |
| Increase (Decrease) in liabilities: | |
| Accounts and contracts payable | (193,197) |
| Wages payable | 308 |
| Compensated absences | (26,902) |
| Tenant deposits/utility deposits | 1,112 |
| <i>Total adjustments</i> | 249,927 |
| <i>Net cash provided (used) by operating activities</i> | <i>(\$24,436)</i> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 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).

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 rents low-rent housing units to qualifying Town residents. The Housing Authority's five commissioners are selected by the Town's Board of Trustees. 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, 2014. Complete financial statements for the Housing Authority can be obtained from the housing authority's administrative office.

Please address those requests to the Executive Director, Housing Authority, Town of Clayton, 200 Aspen, Clayton, New Mexico 88415.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position 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 Position 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.

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 29-13-17 A 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.

Budgets

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

The treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide 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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Assets, Liabilities, and Net Position or Equity

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.

Interfund Receivables and Payables

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

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.

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.”

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

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, 2014, 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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Inflows of Resources

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

Government-Wide Statements - Unearned revenues represent unearned revenues advanced to the Town. Such advances are reported as unearned 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 unearned revenues if they are not available in the current period, which the Town has established as sixty days after year end.

Short-Term Obligations

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

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

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.

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.

Other Matters

Presentation

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

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.

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

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

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

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

As of June 30, 2014, 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:

| | Primary Government | | | Component Unit |
|-----------------------------------|--------------------|--------------------|--------------------------|--------------------------|
| | Per Institution | Reconciling Items | Per Financial Statements | Per Financial Statements |
| Cash on hand | \$0 | \$452 | \$452 | \$2,100 |
| First National Bank of New Mexico | 1,136,751 | (31,752) | 1,104,999 | 31,395 |
| Farmer's & Stockmen's Bank | 2,152,951 | (88,261) | 2,064,690 | 93,896 |
| Cash held with Trustee | 870,594 | 0 | 870,594 | 0 |
| <i>Total cash deposits</i> | 4,160,296 | (119,561) | 4,040,735 | 127,391 |
| Less CD's report as investments | (652,780) | 0 | (652,780) | 62,951 |
| | \$3,507,516 | (\$119,561) | \$3,387,955 | \$64,440 |

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

| | Primary Government | Component Unit |
|--|--------------------|-----------------|
| Statement of Net Position: | | |
| Cash | \$2,517,361 | \$56,315 |
| Restricted cash | 870,594 | 8,125 |
| <i>Total cash reported on financial statements</i> | \$3,387,955 | \$64,440 |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Town. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Town carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by state statutes, is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

| | First National Bank of New Mexico | Farmer's & Stockmen's Bank |
|--|---|----------------------------------|
| Total deposit in bank | \$1,104,999 | \$2,064,690 |
| Less: FDIC insurance | (374,000) | (500,000) |
| <i>Uninsured public funds</i> | 730,999 | 1,564,690 |
| Pledged collateral held by pledging bank's agent, but not in the Town's name | (714,858) | (1,157,231) |
| <i>Uninsured and uncollateralized public funds</i> | \$16,141 | \$407,454 |
| Total pledged collateral | \$714,858 | \$1,157,231 |
| 50% pledged collateral requirement per state statute | (365,499) | (782,345) |
| <i>Pledged collateral (under) over the requirement</i> | \$349,359 | \$374,886 |

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

All time and savings deposits owned by the Town and held by an insured depository institution within the State of New Mexico are insured up to \$250,000. Separately, all demand deposits owned by the Town deposited in an insured depository institution within New Mexico are also added together and insured up to \$250,000.

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, 2014, \$2,295,689 of the Town's bank balance of \$3,169,689 was exposed to custodial credit risk as follows:

| | First National Bank of New Mexico | Farmer's & Stockmen's Bank | Total |
|---|---|----------------------------------|--------------------|
| <i>Uninsured and collateral held by agent, not in Town's name</i> | \$730,999 | \$1,564,690 | \$2,295,689 |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. RESTRICTED CASH

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

| | |
|-------------------------------|-------------------------|
| <u><i>Restricted cash</i></u> | <u>\$870,594</u> |
|-------------------------------|-------------------------|

At June 30, 2014, the restricted cash was held and invested by the New Mexico Finance Authority (NMFA). As part of the loan agreement with NMFA, cash is held for: program, debt reserve, and debt service requirements.

The Town's deposits maintained by NMFA at June 30, 2014 were:

| | |
|---------------|-------------------------|
| Program Funds | \$711,221 |
| Debt Reserve | 118,028 |
| Debt Service | 41,345 |
| | <u>\$870,594</u> |

Funds held by Trustee:

NMFA-Program Funds

Money held in this pool is available to be used by the Town for the intended purpose of the loan. At June 30, 2014, the Town had \$228,304 available for wastewater system improvements. The remaining amount of \$482,917 represents unused loan proceeds designated for the purchase of a fire pumper, wildland fire truck and a police vehicle.

NMFA-Debt Reserve

The \$118,028 represents funds held for debt service payments, if needed. The amounts have been determined by the various loan agreements.

NMFA-Debt Service

This pool holds cash accumulated to make future principal and interest payments.

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.

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 4. RECEIVABLES, NET

Receivables net of allowance for doubtful accounts at June 30, 2014 consisted of the following:

| | Governmental Activities | Business-Type Activities |
|---------------------------------------|----------------------------|-----------------------------|
| Accounts receivable | | |
| Charges for services | \$156,960 | \$206,019 |
| Allowance for doubtful accounts | (85,809) | (22,566) |
| <i>Total</i> | 71,151 | 183,453 |
| Taxes receivable: | | |
| Gross receipts tax | 266,713 | 33,230 |
| Franchise taxes | 28,507 | 0 |
| Property taxes | 27,340 | 0 |
| Lodgers' taxes | 15,986 | 0 |
| Public service taxes | 6,141 | 0 |
| <i>Total</i> | 344,687 | 33,230 |
| Intergovernmental receivables: | | |
| Business park improvements | 0 | 169,587 |
| Water system improvements | 0 | 270,198 |
| Public safety grants | 23,820 | 0 |
| Airport state grants | 27,398 | 0 |
| Senior programs | 20,879 | 0 |
| Other – County | 13,206 | 0 |
| <i>Total</i> | 37,026 | 439,785 |
| Receivables, net | \$501,141 | \$656,468 |

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

Governmental Activities – During the current fiscal year, the Town recorded bad debt expense of \$31,408 resulting in an allowance for doubtful accounts balance of \$85,809 at June 30, 2014. 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 \$7,233 resulting in an allowance for doubtful accounts balance of \$22,566 at June 30, 2014.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 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.

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 2013, was \$4.938 per \$1,000 for non-residential and \$4.938 for residential property. In the year 2013, there was no tax rate established for payment of bonds principal and interest.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. CAPITAL ASSETS

The Town has restated the June 30, 2013 governmental activities construction in progress amount from \$88,904 to \$298,486. The increase of \$209,582 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, 2014, are as follows:

| | Balance 6/30/2013 | Restatements | Increases | Transfers/ Decreases | Balance 6/30/2014 |
|--|---------------------------|-------------------------|-------------------------|-------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$278,730 | \$0 | \$0 | \$0 | \$278,730 |
| Construction in progress | 88,904 | 209,582 | 591,280 | (199,160) | 690,606 |
| <i>Total capital assets, not being depreciated</i> | <i>367,634</i> | <i>209,582</i> | <i>591,280</i> | <i>(199,160)</i> | <i>969,336</i> |
| Depreciable capital assets: | | | | | |
| Buildings and improvements | 3,252,723 | (9,421) | 53,218 | 199,160 | 3,495,680 |
| Airport runway | 3,241,289 | 0 | 0 | 0 | 3,241,289 |
| Infrastructure | 3,059,141 | 0 | 0 | 0 | 3,059,141 |
| Furniture, fixtures and equipment | 3,571,140 | 0 | 64,361 | (56,003) | 3,579,498 |
| <i>Total depreciable capital assets</i> | <i>13,124,293</i> | <i>(9,421)</i> | <i>117,579</i> | <i>143,157</i> | <i>13,375,608</i> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (1,568,777) | (11,525) | (105,036) | 0 | (1,685,338) |
| Airport runway | (567,492) | 0 | (99,631) | 0 | (667,123) |
| Infrastructure | (167,895) | 0 | (63,022) | 0 | (230,917) |
| Furniture, fixtures and equipment | (2,010,094) | 0 | (226,986) | 56,003 | (2,181,077) |
| <i>Total accumulated depreciation</i> | <i>(4,314,258)</i> | <i>(11,525)</i> | <i>(494,675)</i> | <i>56,003</i> | <i>(4,764,455)</i> |
| <i>Depreciable capital assets, net</i> | <i>8,810,035</i> | <i>(20,946)</i> | <i>(377,096)</i> | <i>199,160</i> | <i>8,611,153</i> |
| <i>Total capital assets, net</i> | <i>\$9,177,669</i> | <i>\$188,636</i> | <i>\$214,184</i> | <i>\$0</i> | <i>\$9,580,489</i> |

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

| | |
|------------------------|------------------|
| General government | \$58,741 |
| Public safety | 279,332 |
| Public works | 91,340 |
| Culture and recreation | 43,483 |
| Health and welfare | 21,779 |
| | \$494,675 |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. CAPITAL ASSETS (CONTINUED)

The Town has restated the June 30, 2013 business-type activities construction in progress amount from \$87,361 to \$3,330,546. The increase of \$87,361 is attributable to items incurred in a long-term construction project that had been expensed in previous years.

Business-type activities capital assets for the fiscal year ended June 30, 2014 are as follows:

| | Balance 6/30/2013 | Restatements | Increases | Decreases | Balance 6/30/2014 |
|--|----------------------|-----------------|--------------------|------------|----------------------|
| Business-Type Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$745,966 | \$0 | \$0 | \$0 | \$745,966 |
| Construction in progress | 3,243,185 | 87,361 | 2,610,452 | 0 | 5,940,998 |
| <i>Total capital assets, not being depreciated</i> | 3,989,151 | 87,361 | 2,610,452 | 0 | 6,686,964 |
| Depreciable capital assets: | | | | | |
| Water utility system | 9,920,813 | 0 | 0 | 0 | 9,920,813 |
| Sewer utility system | 8,459,734 | 0 | 0 | 0 | 8,459,734 |
| Solid waste system | 74,455 | 0 | 0 | 0 | 74,455 |
| Furniture, fixtures and equipment | 858,805 | 0 | 0 | 0 | 858,805 |
| <i>Total depreciable capital assets</i> | 19,313,807 | 0 | 0 | 0 | 19,313,807 |
| Less accumulated depreciation: | | | | | |
| Water utility system | (3,822,861) | 0 | (216,641) | 0 | (4,039,502) |
| Sewer utility system | (3,675,949) | 0 | (119,516) | 0 | (3,795,465) |
| Solid waste system | (5,400) | 0 | (2,302) | 0 | (7,702) |
| Furniture, fixtures and equipment | (556,252) | 0 | (44,795) | 0 | (601,047) |
| <i>Total accumulated depreciation</i> | (8,060,462) | 0 | (383,254) | 0 | (8,443,716) |
| <i>Depreciable capital assets, net</i> | 11,253,345 | 0 | (383,254) | 0 | 10,870,091 |
| <i>Total capital assets, net</i> | \$15,242,496 | \$87,361 | \$2,227,198 | \$0 | \$17,557,055 |

Depreciation expense for business-type activities for the year ended June 30, 2014 was \$383,254.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. CAPITAL ASSETS - COMPONENT UNIT

The housing authority of the Town of Clayton reclassified capital assets reported at June 30, 2013. The following reflects the reclassifications and activity for the fiscal year ended June 30, 2014:

| | Balance 6/30/2013 | Restatements | Increases | Decreases | Balance 6/30/2014 |
|--|---------------------------|-------------------|--------------------------|-------------------|---------------------------|
| Business-Type Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$51,294 | \$0 | \$0 | \$0 | \$51,294 |
| Construction in progress | 863 | 0 | 137 | 0 | 1,000 |
| <i>Total capital assets, not being depreciated</i> | <i>52,157</i> | <i>0</i> | <i>137</i> | <i>0</i> | <i>52,294</i> |
| Depreciable capital assets: | | | | | |
| Buildings | 2,189,067 | 0 | 68,239 | 0 | 2,257,306 |
| Building improvements | 642,848 | 0 | 561 | 0 | 643,409 |
| Equipment and furniture | 512,027 | 0 | 0 | 0 | 512,027 |
| Vehicles | 32,324 | 0 | 0 | 0 | 32,324 |
| <i>Total depreciable capital assets</i> | <i>3,376,266</i> | <i>0</i> | <i>68,800</i> | <i>0</i> | <i>3,445,066</i> |
| Less accumulated depreciation: | | | | | |
| Buildings | (1,373,948) | 0 | (59,778) | 0 | (1,433,726) |
| Building improvements | (475,402) | 0 | (34,055) | 0 | (509,457) |
| Equipment and furniture | (419,918) | 0 | (20,272) | 0 | (440,190) |
| Vehicles | (24,758) | 0 | (1,311) | 0 | (26,069) |
| <i>Total accumulated depreciation</i> | <i>(2,294,026)</i> | <i>0</i> | <i>(115,416)</i> | <i>0</i> | <i>(2,409,442)</i> |
| <i>Depreciable capital assets, net</i> | <i>1,082,240</i> | <i>0</i> | <i>(46,616)</i> | <i>0</i> | <i>1,035,624</i> |
| <i>Total capital assets, net</i> | <i>\$1,134,397</i> | <i>\$0</i> | <i>(\$46,479)</i> | <i>\$0</i> | <i>\$1,087,918</i> |

Depreciation expense for the component unit for the year ended June 30, 2014 was \$115,416.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2014, were as follows:

| | Balance 06/30/2013 | Increases | Decreases | Balance 06/30/2014 | Amounts Due Within One Year |
|--|-----------------------|------------------|--------------------|-----------------------|-----------------------------------|
| Leases payable | \$60,267 | \$0 | (\$32,632) | \$27,635 | \$27,635 |
| Notes payable: | | | | | |
| NMFA (#2265) Golf course irrigation loan | 148,524 | 0 | (27,416) | 121,108 | 28,462 |
| NMFA (#2238) Fire pumper loan | 117,166 | 0 | (57,870) | 59,296 | 59,296 |
| NMFA (#2818) Police vehicles loan | 87,867 | 0 | (17,117) | 70,750 | 17,516 |
| NMFA (#2965) Fire pumper loan | 0 | 485,174 | 0 | 485,174 | 10,803 |
| Compensated absences | 138,679 | 67,957 | (60,718) | 145,918 | 0 |
| | \$552,503 | \$553,131 | (\$195,753) | \$909,881 | \$143,712 |

Leases Payable

The Town has one lease agreement to purchase street equipment. The economic substance of the lease is that the Town is financing the acquisition of the asset through the lease and, accordingly, it is recorded in the Town's assets and liabilities. The Town has capitalized street equipment in the amount of \$129,383. 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.

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, 2014, are as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|-----------|----------|----------|
| 2015 | \$27,635 | \$1,261 | \$28,896 |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

NMFA (#2265) Note - Golf Course Irrigation

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, 2014, including interest payments, is as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 2015 | \$28,462 | \$5,228 | \$33,690 |
| 2016 | 29,599 | 4,091 | 33,690 |
| 2017 | 30,848 | 2,842 | 33,690 |
| 2018 | 32,199 | 1,486 | 33,685 |
| | \$121,108 | \$13,647 | \$134,755 |

NMFA (#2238) Note - Fire Pumper

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

The annual requirements to amortize the loan outstanding as of June 30, 2014, including interest payments, are as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|-----------|----------|----------|
| 2015 | \$59,296 | \$1,588 | \$60,884 |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

NMFA 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, 2014, including interest payments, is as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|-----------------|----------------|-----------------|
| 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>\$70,750</u> | <u>\$1,706</u> | <u>\$72,456</u> |

NMFA (#2965) Note – Fire Pumper and Wildland Fire Truck

On July 26, 2013, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$485,174 to purchase a fire pumper and a wildland fire truck. The note matures on May 1, 2021, and accrues interest at a varying rate from .610% to 2.90%, which includes a .1% administrative fee.

The payments of principal and interest are paid from pledged state fire protection funds. These funds are made available annually by the State Treasurer pursuant to Section 59A-53-7, NMSA 1978. The annual requirements to amortize the loan outstanding as of June 30, 2014, including interest payments, are as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 2015 | \$10,803 | \$14,701 | \$25,504 |
| 2016 | 76,090 | 9,505 | 85,595 |
| 2017 | 76,821 | 8,774 | 85,595 |
| 2018 | 77,881 | 7,714 | 85,595 |
| 2019 | 79,314 | 6,281 | 85,595 |
| 2020 – 2021 | 164,265 | 6,925 | 171,190 |
| | <u>\$485,174</u> | <u>\$53,900</u> | <u>\$539,074</u> |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Compensated Absences

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

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

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

Business- Type Activities Long- Term Obligations

Changes in the business-type activities obligations during the year ended June 30, 2014, are as follows:

| | Balance 06/30/2013 | Increases | Decreases | Balance 06/30/2014 | Amounts Due Within One Year |
|--|-----------------------|--------------------|--------------------|-----------------------|-----------------------------------|
| Notes Payable: | | | | | |
| Joint Utility System Revenue Bonds (USDA) | \$0 | \$1,181,000 | (\$20,000) | \$1,161,000 | \$20,000 |
| Land Acquisition & Water Wells Imp #1 | 168,419 | 0 | (21,198) | 147,221 | 22,070 |
| Land Acquisition & Water Wells Imp #2 | 35,571 | 0 | (5,043) | 30,528 | 5,056 |
| Wastewater System Improvement | 1,137,073 | 0 | (41,062) | 1,096,011 | 41,693 |
| Water Reuse Discharge System | 200,000 | 0 | (10,292) | 189,708 | 10,317 |
| Compensated absences | 66,503 | 16,476 | (43,378) | 39,601 | 0 |
| Landfill Closure & Post-Closure Liability | 1,415,810 | 0 | (19,156) | 1,396,654 | 20,000 |
| <i>Component unit capital assets, net</i> | \$3,023,376 | \$1,197,476 | (\$160,129) | \$4,060,723 | \$119,136 |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

Joint Utility System Revenue Bonds (USDA)

On April 26, 2013, the Town issued \$1,181,000 of revenue bonds that were purchased in fiscal year 2014 by USDA-RUS to improve the sanitary sewer component of the Town's joint utility system. The bonds bear interest at 2.75% and mature in 2053.

The payment of principal and interest are payable and collectible solely out of the net revenues of the Town's joint utility system. The annual requirement to amortize the outstanding bonds as of June 30, 2014, including interest payments, is as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|--------------------|------------------|--------------------|
| 2015 | \$20,000 | \$31,900 | \$51,900 |
| 2016 | 20,000 | 31,300 | 51,300 |
| 2017 | 20,000 | 30,800 | 50,800 |
| 2018 | 20,000 | 30,200 | 50,200 |
| 2019 | 20,000 | 29,700 | 49,700 |
| 2020 – 2024 | 100,000 | 140,100 | 240,100 |
| 2025 – 2029 | 100,000 | 126,400 | 226,400 |
| 2030 – 2034 | 150,000 | 109,900 | 259,900 |
| 2035 – 2039 | 150,000 | 89,300 | 239,300 |
| 2040 – 2044 | 180,000 | 67,800 | 247,800 |
| 2045 – 2049 | 200,000 | 41,000 | 241,000 |
| 2050 – 2053 | 181,000 | 12,300 | 193,300 |
| | \$1,161,000 | \$740,700 | \$1,901,700 |

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, 2014, including interest payments, is as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 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 | 26,050 | 2,177 | 28,227 |
| 2020 | 27,177 | 1,117 | 28,294 |
| | \$147,221 | \$21,590 | \$168,811 |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

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, 2014, is as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|-----------------|------------|-----------------|
| 2015 | \$5,056 | \$0 | \$5,056 |
| 2016 | 5,069 | 0 | 5,069 |
| 2017 | 5,082 | 0 | 5,082 |
| 2018 | 5,094 | 0 | 5,094 |
| 2019 | 5,107 | 0 | 5,107 |
| 2020 | 5,120 | 0 | 5,120 |
| | <u>\$30,528</u> | <u>\$0</u> | <u>\$30,528</u> |

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.

The annual requirement to amortize the loan outstanding as of June 30, 2014, including interest payments, is as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|--------------------|------------------|--------------------|
| 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 | 45,182 | 32,888 | 78,070 |
| 2020 – 2024 | 244,889 | 145,462 | 390,351 |
| 2025 – 2029 | 287,715 | 102,636 | 390,351 |
| 2030 – 2034 | 346,696 | 43,655 | 390,351 |
| | <u>\$1,096,011</u> | <u>\$465,392</u> | <u>\$1,561,403</u> |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

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, 2014, are as follows:

| Due in year ending June 30: | Principal | Interest | Total |
|-----------------------------|-----------|----------|-----------|
| 2015 | \$10,317 | \$0 | \$10,317 |
| 2016 | 10,343 | 0 | 10,343 |
| 2017 | 10,369 | 0 | 10,369 |
| 2018 | 10,394 | 0 | 10,394 |
| 2019 | 10,420 | 0 | 10,420 |
| 2020 – 2024 | 52,496 | 0 | 52,496 |
| 2025 – 2029 | 53,155 | 0 | 53,155 |
| 2030 – 2032 | 32,214 | 0 | 32,214 |
| | \$189,708 | \$0 | \$189,708 |

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 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, 2014 is \$66,360,000.

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.

NOTE 10. INTERFUND BALANCES AND TRANSFERS

| | Due from | | Total |
|---------------------------------|-----------------------|--------------------------|-----------------|
| | Government Assistance | Other Governmental Funds | |
| Due to: | | | |
| General Fund | \$23,403 | \$0 | \$23,403 |
| Municipal Income permanent fund | 0 | 14,017 | 14,017 |
| | \$23,403 | \$14,017 | \$37,420 |

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 |
|--------------------------|----------------------------|--------------------|--------------------------|------------------|
| | Government Assistance Fund | Joint Utility Fund | Other Governmental Funds | |
| Transfers (Out): | | | | |
| General Fund | \$21,468 | \$0 | \$112,009 | \$133,477 |
| Other Governmental Funds | 10,756 | 8,376 | 0 | 19,132 |
| | \$32,224 | \$8,376 | \$112,009 | \$152,609 |

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11. FUND BALANCE CLASSIFICATIONS

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.

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11. FUND BALANCE CLASSIFICATIONS (CONTINUED)

The classification of governmental fund balances is as follows:

| | Major Funds | | | Other Funds | Total |
|-----------------------------------|------------------|-----------------------|---------------------------------|--------------------|--------------------|
| | General Fund | Government Assistance | Municipal Income Permanent Fund | | |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Cemetery care | \$0 | \$0 | \$0 | \$128,045 | \$128,045 |
| Health and social services | 0 | 0 | 0 | 67,779 | 67,779 |
| Streets and parks | 0 | 0 | 0 | 76,364 | 76,364 |
| Fire protection | 0 | 0 | 0 | 480,152 | 480,152 |
| Library | 0 | 0 | 0 | 125,226 | 125,226 |
| Law enforcement and corrections | 0 | 0 | 0 | 161,428 | 161,428 |
| Recreation and promotion | 0 | 0 | 0 | 110,590 | 110,590 |
| Debt service | 0 | 0 | 0 | 33,792 | 33,792 |
| Capital projects | 0 | 112,920 | 0 | 0 | 112,920 |
| Expendable endowment | 0 | 0 | 1,177,122 | 0 | 1,177,122 |
| Unassigned | 487,544 | 0 | 0 | 0 | 487,544 |
| <i>Total fund balances</i> | \$487,544 | \$112,920 | \$1,177,122 | \$1,183,376 | \$2,960,962 |

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12. 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, 2013 have been restated for the reasons described below:

| | Government-Wide | | Individual Funds |
|--|----------------------------|-----------------------------|------------------|
| | Governmental Activities | Business-Type Activities | |
| Government-Wide Financial Statements: | | | |
| Capital assets were understated | \$188,636 | \$0 | |
| Fund Statements: | | | |
| General Fund | | | |
| Government receivables were understated | 120,480 | 0 | \$120,480 |
| Joint Utility Fund | | | |
| Due to others was understated | 0 | (19,913) | (19,913) |
| Total restatements | \$309,116 | (\$19,913) | \$100,567 |

NOTE 13. 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% (depending upon the plan - i.e., municipal general, municipal police, municipal fire) of their gross salary. The Town is required to contribute from 11.30% to 23.40% (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, 2014, 2013, and 2012 were \$205,200, \$257,230, and \$254,093, respectively; equal to the amount of the required contributions for each year.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 14. 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.

NOTE 15. 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.

NOTE 16. 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.

NOTE 17. CONSTRUCTION COMMITMENTS

Business-Type Activities

As of June 30, 2014, the Town has construction contracts in progress with total cost of \$5,461,916. 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 \$1,163,208.

SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
SPECIAL REVENUE FUNDS
JUNE 30, 2014

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts and major capital projects that are legally restricted to expenditures for specific purposes.

Cemetery – To account for the portion of the sale of cemetery lots to be used for the perpetual care and maintenance of the town cemetery. Authorized by NMSA 3-40-1.

Emergency Medical Services – To account for the state funding for the acquisition of emergency medical equipment. Authority NMSA 24-10A-1.

Fire Protection – To account for the state funding and for the acquisition and maintenance of adequate fire protection facilities in the Clayton area. Authority NMAC 59A-53-1.

Law Enforcement Protection – To account for the state funding for law enforcement, which is used to provide adequate police protection. Authority NMSA 29-13-3.

Library – To account for Grants in-Aid to Public Libraries to be used for the acquisition of library materials. Authority NMSA 3-18-14.

Local Government Corrections – To account for state grant monies received by the municipality for prisoner care. Authority NMSA 33-3-25.

Lodgers' Tax – To account for the collection and administration of the lodgers' tax which is imposed on overnight motel and motel accommodations. To account for the expenditure of lodgers' tax funds, which are used to promote commerce and tourism. Authority NMSA 3-38-14.

Municipal Street – To account for the Town's street improvements using predominantly the State of New Mexico gasoline tax. The authority to create the fund was by local ordinance in accordance with NMSA 3-34-1.

Recreation – To account for the revenues generated by cigarette taxes, which are restricted to expenditures for recreational purposes. Authority NMSA 7-12-15.

Senior Citizens – To account for state and federal funding for senior programs authorized by federal regulations.

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

| | Cemetery | Emergency Medical Services | Fire Protection | Law Enforcement Protection |
|---|------------------|----------------------------------|--------------------|----------------------------------|
| ASSETS | | | | |
| Cash | \$28,415 | \$8,239 | \$396 | \$421 |
| Investments | 100,000 | 0 | 0 | 0 |
| Accounts receivable | 0 | 17,797 | 0 | 6,023 |
| Grant revenue receivable | 0 | 0 | 0 | 0 |
| Due from other funds | 0 | 0 | 0 | 0 |
| Restricted assets: | | | | |
| Cash held with trustee | 0 | 0 | 481,551 | 1,449 |
| Total assets | \$128,415 | \$26,036 | \$481,947 | \$7,893 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$370 | \$0 | \$1,778 | \$0 |
| Accrued payroll | 0 | 0 | 0 | 0 |
| Accrued compensated absences - ST | 0 | 0 | 0 | 0 |
| Due to other funds | 0 | 0 | 0 | 0 |
| Total liabilities | 370 | 0 | 1,778 | 0 |
| Fund Balance: | | | | |
| Restricted | 128,045 | 26,036 | 480,169 | 7,893 |
| Assigned | 0 | 0 | 0 | 0 |
| Unrestricted | 0 | 0 | 0 | 0 |
| Total fund balance | 128,045 | 26,036 | 480,169 | 7,893 |
| Total liabilities and fund balance | \$128,415 | \$26,036 | \$481,947 | \$7,893 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

| | Library | Local Government Corrections | Lodgers' Tax | Municipal Street |
|---|------------------|------------------------------------|------------------|---------------------|
| ASSETS | | | | |
| Cash | \$114,672 | \$35,821 | \$58,277 | \$27,124 |
| Investments | 11,000 | 117,780 | 24,000 | 0 |
| Accounts receivable | 0 | 0 | 15,986 | 39,657 |
| Grant revenue receivable | 0 | 0 | 0 | 0 |
| Due from other funds | 0 | 0 | 0 | 14,017 |
| Restricted assets: | | | | |
| Cash held with trustee | 0 | 0 | 33,709 | 0 |
| Total assets | \$125,672 | \$153,601 | \$131,972 | \$80,798 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$446 | \$0 | \$0 | \$1,804 |
| Accrued payroll | 0 | 0 | 0 | 2,630 |
| Accrued compensated absences - ST | 0 | 0 | 0 | 0 |
| Due to other funds | 0 | 0 | 0 | 0 |
| Total liabilities | 446 | 0 | 0 | 4,434 |
| Fund Balance: | | | | |
| Restricted | 125,226 | 153,601 | 131,972 | 76,364 |
| Assigned | 0 | 0 | 0 | 0 |
| Unrestricted | 0 | 0 | 0 | 0 |
| Total fund balance | 125,226 | 153,601 | 131,972 | 76,364 |
| Total liabilities and fund balance | \$125,672 | \$153,601 | \$131,972 | \$80,798 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

| | Recreation | Senior Citizens | Totals |
|---|-----------------|--------------------|--------------------|
| ASSETS | | | |
| Cash | \$14,165 | \$29,925 | \$317,455 |
| Investments | 0 | 0 | 252,780 |
| Accounts receivable | 0 | 0 | 79,463 |
| Grant revenue receivable | 0 | 20,879 | 20,879 |
| Due from other funds | 0 | 0 | 14,017 |
| Restricted assets: | | | |
| Cash held with trustee | 0 | 0 | 516,709 |
| Total assets | \$14,165 | \$50,804 | \$1,201,303 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts payable | \$43 | \$7,681 | \$12,122 |
| Accrued payroll | 1,795 | 1,380 | 5,805 |
| Accrued compensated absences - ST | 0 | 0 | 0 |
| Due to other funds | 0 | 0 | 0 |
| Total liabilities | 1,838 | 9,061 | 17,927 |
| Fund Balance: | | | |
| Restricted | 12,327 | 41,743 | 1,183,376 |
| Assigned | 0 | 0 | 0 |
| Unrestricted | 0 | 0 | 0 |
| Total fund balance | 12,327 | 41,743 | 1,183,376 |
| Total liabilities and fund balance | \$14,165 | \$50,804 | \$1,201,303 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Cemetery | Emergency Medical Services | Fire Protection | Law Enforcement Protection |
|--|------------------|----------------------------------|--------------------|----------------------------------|
| REVENUES | | | | |
| Intergovernmental - federal | \$0 | \$0 | \$0 | \$0 |
| Intergovernmental - state | 0 | 37,795 | 0 | 30,760 |
| Intergovernmental - other | 0 | 0 | 0 | 0 |
| Private grants | 0 | 0 | 0 | 0 |
| Charges for services | 0 | 0 | 0 | 0 |
| Lodgers' tax | 0 | 0 | 0 | 0 |
| State shared taxes and municipal taxes | 0 | 0 | 299,535 | 0 |
| Fines | 0 | 0 | 0 | 0 |
| Sales of property | 655 | 0 | 0 | 0 |
| Donations | 320 | 0 | 0 | 0 |
| Interest | 339 | 0 | 8 | 67 |
| Miscellaneous | 0 | 0 | 0 | 0 |
| <i>Total revenues</i> | 1,314 | 37,795 | 299,543 | 30,827 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 0 | 0 | 0 | 0 |
| Public safety | 0 | 11,759 | 131,382 | 0 |
| Public works | 0 | 0 | 0 | 0 |
| Health and welfare | 4,176 | 0 | 0 | 0 |
| Culture and recreation | 0 | 0 | 0 | 0 |
| Debt service - principal | 0 | 0 | 57,870 | 23,319 |
| Debt service - interest | 0 | 0 | 6,654 | 997 |
| Capital outlay | 0 | 0 | 105,328 | 0 |
| <i>Total expenditures</i> | 4,176 | 11,759 | 301,234 | 24,316 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (2,862) | 26,036 | (1,691) | 6,511 |
| Other Financing Sources (Uses): | | | | |
| Loan proceeds | 0 | 0 | 485,174 | 0 |
| Operating transfers in | 0 | 0 | 0 | 0 |
| Operating transfers (out) | 0 | 0 | 0 | 0 |
| <i>Total other financing sources (uses)</i> | 0 | 0 | 485,174 | 0 |
| <i>Net changes in fund balances</i> | (2,862) | 26,036 | 483,483 | 6,511 |
| Fund balance, beginning of year | 130,907 | 0 | (3,314) | 1,382 |
| <i>Fund balance (deficit), end of year</i> | \$128,045 | \$26,036 | \$480,169 | \$7,893 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Library | Local Government Corrections | Lodgers' Tax | Municipal Street |
|--|------------------|------------------------------------|------------------|---------------------|
| REVENUES | | | | |
| Intergovernmental - federal | \$0 | \$0 | \$0 | \$0 |
| Intergovernmental - state | 6,853 | 0 | 0 | 34,758 |
| Intergovernmental - other | 0 | 0 | 0 | 0 |
| Private grants | 0 | 0 | 0 | 0 |
| Charges for services | 0 | 0 | 0 | 0 |
| Lodgers' tax | 0 | 0 | 149,476 | 0 |
| State shared taxes and municipal taxes | 0 | 0 | 0 | 265,458 |
| Fines | 0 | 26,778 | 0 | 0 |
| Sales of property | 0 | 0 | 0 | 0 |
| Donations | 0 | 0 | 0 | 0 |
| Interest | 1,738 | 3,324 | 206 | 354 |
| Miscellaneous | 0 | 0 | 0 | 0 |
| <i>Total revenues</i> | 8,591 | 30,102 | 149,682 | 300,570 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 0 | 0 | 0 | 0 |
| Public safety | 0 | 28,765 | 0 | 0 |
| Public works | 0 | 0 | 0 | 283,131 |
| Health and welfare | 0 | 0 | 0 | 0 |
| Culture and recreation | 9,735 | 0 | 84,100 | 0 |
| Debt service - principal | 0 | 0 | 27,416 | 26,430 |
| Debt service - interest | 0 | 0 | 6,274 | 2,466 |
| Capital outlay | 0 | 2,432 | 0 | 33,968 |
| <i>Total expenditures</i> | 9,735 | 31,197 | 117,790 | 345,995 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (1,144) | (1,095) | 31,892 | (45,425) |
| Other Financing Sources (Uses): | | | | |
| Loan proceeds | 0 | 0 | 0 | 0 |
| Operating transfers in | 4,000 | 0 | 0 | 0 |
| Operating transfers (out) | 0 | 0 | (10,756) | (8,376) |
| <i>Total other financing sources (uses)</i> | 4,000 | 0 | (10,756) | (8,376) |
| <i>Net changes in fund balances</i> | 2,856 | (1,095) | 21,136 | (53,801) |
| Fund balance, beginning of year | 122,370 | 154,696 | 110,836 | 130,165 |
| <i>Fund balance (deficit), end of year</i> | \$125,226 | \$153,601 | \$131,972 | \$76,364 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Recreation | Senior Citizens | Totals |
|--|-----------------|--------------------|--------------------|
| REVENUES | | | |
| Intergovernmental - federal | \$0 | \$21,844 | \$21,844 |
| Intergovernmental - state | 0 | 251,739 | 361,905 |
| Intergovernmental - other | 0 | 15,000 | 15,000 |
| Private grants | 0 | 4,680 | 4,680 |
| Charges for services | 6,787 | 0 | 6,787 |
| Lodgers' tax | 0 | 0 | 149,476 |
| State shared taxes and municipal taxes | 267 | 0 | 565,260 |
| Fines | 0 | 0 | 26,778 |
| Sales of property | 0 | 0 | 655 |
| Donations | 0 | 25,682 | 26,002 |
| Interest | 0 | 0 | 6,036 |
| Miscellaneous | 0 | 0 | 0 |
| <i>Total revenues</i> | 7,054 | 318,945 | 1,184,423 |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 0 | 0 | 0 |
| Public safety | 0 | 0 | 171,906 |
| Public works | 0 | 0 | 283,131 |
| Health and welfare | 27,745 | 159,077 | 190,998 |
| Culture and recreation | 0 | 0 | 93,835 |
| Debt service - principal | 0 | 0 | 135,035 |
| Debt service - interest | 0 | 0 | 16,391 |
| Capital outlay | 0 | 200,435 | 342,163 |
| <i>Total expenditures</i> | 27,745 | 359,512 | 1,233,459 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (20,691) | (40,567) | (49,036) |
| Other Financing Sources (Uses): | | | |
| Loan proceeds | 0 | 0 | 485,174 |
| Operating transfers in | 32,000 | 76,009 | 112,009 |
| Operating transfers (out) | 0 | 0 | (19,132) |
| <i>Total other financing sources (uses)</i> | 32,000 | 76,009 | 578,051 |
| <i>Net changes in fund balances</i> | 11,309 | 35,442 | 529,015 |
| Fund balance, beginning of year | 1,018 | 6,301 | 654,361 |
| <i>Fund balance (deficit), end of year</i> | \$12,327 | \$41,743 | \$1,183,376 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
CEMETERY FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|--|--------------------------------|-----------------------------|------------------|--|
| REVENUES | | | | |
| Sale of lots | \$2,000 | \$2,000 | \$655 | (\$1,345) |
| Interest on investments | 500 | 500 | 351 | (149) |
| Donations | 1,000 | 1,000 | 320 | (680) |
| <i>Total revenues</i> | <u>3,500</u> | <u>3,500</u> | <u>1,326</u> | <u>(2,174)</u> |
| EXPENDITURES | | | | |
| Health and welfare | 6,650 | 6,650 | 4,432 | 2,218 |
| <i>Total expenditures</i> | <u>6,650</u> | <u>6,650</u> | <u>4,432</u> | <u>2,218</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | (3,150) | (3,150) | <u>(\$3,106)</u> | <u>\$44</u> |
| Budgeted cash carryover | 3,150 | 3,150 | | |
| | <u>\$0</u> | <u>\$0</u> | | |

Budgetary - GAAP Reporting Reconciliation:

| | |
|--|-------------------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | (\$3,106) |
| Adjustments for revenue accruals | (12) |
| Adjustments for expenditures accruals | 256 |
| Net changes in fund balance (GAAP basis) | <u>(\$2,862)</u> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
EMERGENCY MEDICAL SERVICES FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|--|--------------------------------|-----------------------------|----------|--|
| REVENUES | | | | |
| Intergovernmental - state | \$20,000 | \$20,000 | \$19,998 | (\$2) |
| <i>Total revenues</i> | 20,000 | 20,000 | 19,998 | (2) |
| EXPENDITURES | | | | |
| Public safety | 20,000 | 20,000 | 11,759 | 8,241 |
| <i>Total expenditures</i> | 20,000 | 20,000 | 11,759 | 8,241 |
| <i>Excess (deficiency) of revenues over expenditures</i> | \$0 | \$0 | \$8,239 | \$8,239 |

Budgetary - GAAP Reporting Reconciliation:

| | |
|--|-----------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$8,239 |
| Adjustments for revenue accruals | 17,797 |
| Adjustments for expenditures accruals | 0 |
| Net changes in fund balance (GAAP basis) | \$26,036 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
FIRE PROTECTION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|--|--------------------------------|-----------------------------|-----------|--|
| REVENUES | | | | |
| Intergovernmental - state | \$290,000 | \$791,277 | \$784,708 | (\$6,569) |
| Interest on investments | 0 | 0 | 8 | 8 |
| <i>Total revenues</i> | 290,000 | 791,277 | 784,716 | (6,561) |
| EXPENDITURES | | | | |
| Public safety | 189,125 | 205,228 | 137,909 | 67,319 |
| Debt service | 60,875 | 60,875 | 60,884 | (9) |
| Capital outlay | 40,000 | 525,174 | 105,328 | 419,846 |
| <i>Total expenditures</i> | 290,000 | 791,277 | 304,121 | 487,156 |
| <i>Excess (deficiency) of revenues over expenditures</i> | \$0 | \$0 | \$480,595 | \$480,595 |

Budgetary - GAAP Reporting Reconciliation:

| | |
|--|------------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$480,595 |
| Adjustments for revenue accruals | 0 |
| Adjustments for expenditures accruals | 2,888 |
| Net changes in fund balance (GAAP basis) | \$483,483 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
LAW ENFORCEMENT PROTECTION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|--|--------------------------------|-----------------------------|---------|--|
| REVENUES | | | | |
| Intergovernmental - state | \$24,800 | \$24,800 | \$6,623 | (\$18,177) |
| Interest on investments | 0 | 0 | 67 | 67 |
| <i>Total revenues</i> | 24,800 | 24,800 | 6,690 | (18,110) |
| EXPENDITURES | | | | |
| Capital outlay | 24,800 | 24,800 | 6,202 | 18,598 |
| <i>Total expenditures</i> | 24,800 | 24,800 | 6,202 | 18,598 |
| <i>Excess (deficiency) of revenues over expenditures</i> | \$0 | \$0 | \$488 | \$488 |

Budgetary - GAAP Reporting Reconciliation:

| | |
|--|----------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$488 |
| Adjustments for revenue accruals | 24,137 |
| Adjustments for expenditures accruals | (18,114) |
| Net changes in fund balance (GAAP basis) | \$6,511 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
LIBRARY FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|---|--------------------------------|-----------------------------|---------|--|
| REVENUES | | | | |
| Intergovernmental - state | \$8,700 | \$8,700 | \$6,853 | (\$1,847) |
| Interest | 550 | 550 | 562 | 12 |
| Miscellaneous | 350 | 350 | 1,176 | 826 |
| <i>Total revenues</i> | 9,600 | 9,600 | 8,591 | (1,009) |
| EXPENDITURES | | | | |
| Culture and recreation | 13,600 | 13,600 | 9,735 | 3,865 |
| <i>Total expenditures</i> | 13,600 | 13,600 | 9,735 | 3,865 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (4,000) | (4,000) | (1,144) | 2,856 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 4,000 | 4,000 | 4,000 | 0 |
| Operating transfers (out) | 0 | 0 | 0 | 0 |
| <i>Total other financing sources (uses)</i> | 4,000 | 4,000 | 4,000 | 0 |
| <i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i> | \$0 | \$0 | \$2,856 | \$2,856 |

Budgetary - GAAP Reporting Reconciliation:

| | |
|---|----------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$2,856 |
| Adjustments for revenue accruals | 0 |
| Adjustments for expenditures accruals | 0 |
| Net changes in fund balance (GAAP basis) | \$2,856 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
LOCAL GOVERNMENT CORRECTIONS FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|---|--------------------------------|-----------------------------|------------------|--|
| REVENUES | | | | |
| Court fines | \$30,000 | \$30,000 | \$26,778 | (\$3,222) |
| Interest on investments | 2,500 | 2,500 | 3,334 | 834 |
| <i>Total revenues</i> | <u>32,500</u> | <u>32,500</u> | <u>30,112</u> | <u>(2,388)</u> |
| EXPENDITURES | | | | |
| Public safety | 39,800 | 39,800 | 28,765 | 11,035 |
| Capital outlay | 3,800 | 3,800 | 2,432 | 1,368 |
| <i>Total expenditures</i> | <u>43,600</u> | <u>43,600</u> | <u>31,197</u> | <u>12,403</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | (11,100) | (11,100) | (1,085) | 10,015 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 0 | 0 | 0 | 0 |
| Operating transfers (out) | (125,000) | (125,000) | 0 | 125,000 |
| <i>Total other financing sources (uses)</i> | <u>(125,000)</u> | <u>(125,000)</u> | <u>0</u> | <u>125,000</u> |
| <i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i> | (136,100) | (136,100) | <u>(\$1,085)</u> | <u>\$135,015</u> |
| Budgeted cash carryover | 136,100 | 136,100 | | |
| | <u>\$0</u> | <u>\$0</u> | | |

Budgetary - GAAP Reporting Reconciliation:

| | |
|--|-------------------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | (\$1,085) |
| Adjustments for revenue accruals | (10) |
| Adjustments for expenditures accruals | 0 |
| Net changes in fund balance (GAAP basis) | <u>(\$1,095)</u> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
LODGERS' TAX FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|---|--------------------------------|-----------------------------|-----------------|--|
| REVENUES | | | | |
| Lodgers' tax | \$118,000 | \$118,000 | \$148,682 | \$30,682 |
| Interest on investments | 120 | 120 | 207 | 87 |
| <i>Total revenues</i> | <u>118,120</u> | <u>118,120</u> | <u>148,889</u> | <u>30,769</u> |
| EXPENDITURES | | | | |
| Culture and recreation | 84,100 | 84,168 | 84,100 | 68 |
| Debt service | 33,890 | 33,822 | 33,690 | 132 |
| <i>Total expenditures</i> | <u>117,990</u> | <u>117,990</u> | <u>117,790</u> | <u>200</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | 130 | 130 | 31,099 | 30,969 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 0 | 0 | 0 | 0 |
| Operating transfers (out) | (15,000) | (15,000) | (10,756) | 4,244 |
| <i>Total other financing sources (uses)</i> | <u>(15,000)</u> | <u>(15,000)</u> | <u>(10,756)</u> | <u>4,244</u> |
| <i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i> | (14,870) | (14,870) | <u>\$20,343</u> | <u>\$35,213</u> |
| Budgeted cash carryover | 14,870 | 14,870 | | |
| | <u>\$0</u> | <u>\$0</u> | | |

Budgetary - GAAP Reporting Reconciliation:

| | |
|---|------------------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$20,343 |
| Adjustments for revenue accruals | 793 |
| Adjustments for expenditures accruals | 0 |
| Net changes in fund balance (GAAP basis) | <u>\$21,136</u> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
MUNICIPAL STREET FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|--|--------------------------------|-----------------------------|-------------------|--|
| REVENUES | | | | |
| Intergovernmental - state | \$70,932 | \$70,932 | \$34,758 | (\$36,174) |
| Municipal tax | 196,405 | 196,405 | 185,994 | (10,411) |
| State shared taxes | 88,400 | 88,400 | 65,625 | (22,775) |
| Interest on investments | 500 | 500 | 354 | (146) |
| Miscellaneous revenue | 400 | 400 | 0 | (400) |
| <i>Total revenues</i> | <u>356,637</u> | <u>356,637</u> | <u>286,731</u> | <u>(69,906)</u> |
| EXPENDITURES | | | | |
| Public works | 309,009 | 309,009 | 286,711 | 22,298 |
| Debt service | 38,376 | 38,376 | 36,574 | 1,802 |
| Capital outlay | 73,432 | 73,432 | 33,968 | 39,464 |
| <i>Total expenditures</i> | <u>420,817</u> | <u>420,817</u> | <u>357,253</u> | <u>63,564</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | (64,180) | (64,180) | <u>(\$70,522)</u> | <u>(\$6,342)</u> |
| Budgeted cash carryover | 64,180 | 64,180 | | |
| | <u>\$0</u> | <u>\$0</u> | | |

Budgetary - GAAP Reporting Reconciliation:

| | |
|--|-------------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | (\$70,522) |
| Adjustments for revenue accruals | 13,839 |
| Adjustments for expenditures accruals | 2,882 |
| <u>Net changes in fund balance (GAAP basis)</u> | <u>(\$53,801)</u> |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
RECREATION FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|---|--------------------------------|-----------------------------|----------|--|
| REVENUES | | | | |
| State shared and municipal taxes | \$300 | \$300 | \$267 | (\$33) |
| Charges for services | 9,000 | 9,000 | 6,787 | (2,213) |
| <i>Total revenues</i> | 9,300 | 9,300 | 7,054 | (2,246) |
| EXPENDITURES | | | | |
| Culture and recreation | 32,542 | 32,542 | 27,711 | 4,831 |
| <i>Total expenditures</i> | 32,542 | 32,542 | 27,711 | 4,831 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (23,242) | (23,242) | (20,657) | 2,618 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 32,000 | 32,000 | 32,000 | 0 |
| Operating transfers (out) | 0 | 0 | 0 | 0 |
| <i>Total other financing sources (uses)</i> | 32,000 | 32,000 | 32,000 | 0 |
| <i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i> | \$8,758 | \$8,758 | \$11,343 | \$2,618 |

Budgetary - GAAP Reporting Reconciliation:

| | |
|---|-----------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$11,343 |
| Adjustments for revenue accruals | 0 |
| Adjustments for expenditures accruals | (34) |
| Net changes in fund balance (GAAP basis) | \$11,309 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
SENIOR CITIZENS FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|---|--------------------------------|-----------------------------|----------|--|
| REVENUES | | | | |
| Intergovernmental - federal | \$19,879 | \$21,844 | \$20,549 | (\$1,295) |
| Intergovernmental - state | 47,072 | 253,572 | 234,160 | (19,412) |
| Intergovernmental - other | 15,000 | 15,000 | 15,000 | 0 |
| Private grants | 4,680 | 4,680 | 4,680 | 0 |
| Fees and charges | 24,000 | 24,000 | 25,681 | 1,681 |
| <i>Total revenues</i> | 110,631 | 319,096 | 300,070 | (19,026) |
| EXPENDITURES | | | | |
| Health and welfare | 187,037 | 189,002 | 159,308 | 29,694 |
| Capital outlay | 1,300 | 207,800 | 198,330 | 9,470 |
| <i>Total expenditures</i> | 188,337 | 396,802 | 357,638 | 39,164 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (77,706) | (77,706) | (57,568) | 20,138 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 76,009 | 76,009 | 76,009 | 0 |
| Operating transfers (out) | 0 | 0 | 0 | 0 |
| <i>Total other financing sources (uses)</i> | 76,009 | 76,009 | 76,009 | 0 |
| <i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i> | (1,697) | (1,697) | \$18,441 | \$20,138 |
| Budgeted cash carryover | 1,697 | 1,697 | | |
| | \$0 | \$0 | | |

Budgetary - GAAP Reporting Reconciliation:

| | |
|---|-----------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$18,441 |
| Adjustments for revenue accruals | 18,875 |
| Adjustments for expenditures accruals | (1,874) |
| Net changes in fund balance (GAAP basis) | \$35,442 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
CAPITAL PROJECTS FUNDS
JUNE 30, 2014

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Government Assistance Fund – Accounts for federal, state, and local revenues and expenditures for capital projects throughout the Town.

TOWN OF CLAYTON
GOVERNMENT ASSISTANCE FUND
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) Variance |
|---|--------------------------------|-----------------------------|-----------------|--|
| REVENUES | | | | |
| Intergovernmental - federal | \$360,000 | \$360,000 | \$0 | (\$360,000) |
| Intergovernmental - state | 471,193 | 581,359 | 423,962 | (157,397) |
| <i>Total revenues</i> | <u>831,193</u> | <u>941,359</u> | <u>423,962</u> | <u>(517,397)</u> |
| EXPENDITURES | | | | |
| Capital outlay | 888,539 | 998,705 | 365,002 | 633,703 |
| <i>Total expenditures</i> | <u>888,539</u> | <u>998,705</u> | <u>365,002</u> | <u>633,703</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | (57,346) | (57,346) | 58,960 | 116,306 |
| Other Financing Sources (Uses): | | | | |
| Operating transfers in | 57,346 | 57,346 | 32,224 | (25,122) |
| Operating transfers (out) | 0 | 0 | 0 | 0 |
| <i>Total other financing sources (uses)</i> | <u>57,346</u> | <u>57,346</u> | <u>32,224</u> | <u>(25,122)</u> |
| <i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i> | <u>\$0</u> | <u>\$0</u> | <u>\$91,184</u> | <u>\$91,184</u> |

Budgetary - GAAP Reporting Reconciliation:

| | |
|---|-----------------|
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$91,184 |
| Adjustments for revenue accruals | 27,397 |
| Adjustments for expenditures accruals | (45,865) |
| Net changes in fund balance (GAAP basis) | \$72,716 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
PERMANENT FUND
JUNE 30, 2014

Permanent Funds

To account for permanently restricted resources used to finance expenditures of governmental programs.

Municipal Income Permanent Fund – To account for cash received from the sale of the Town’s electric utility and interest income generated by the fund.

TOWN OF CLAYTON
MUNICIPAL INCOME PERMANENT FUND
PERMANENT FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) |
|--|--------------------------------|-----------------------------|---------|----------------------------|
| REVENUES | | | | |
| Interest | \$3,000 | \$3,000 | \$2,508 | (\$492) |
| <i>Total revenues</i> | 3,000 | 3,000 | 2,508 | (492) |
| EXPENDITURES | | | | |
| Current: | 0 | 0 | 0 | 0 |
| <i>Total expenditures</i> | 0 | 0 | 0 | 0 |
| <i>Excess (deficiency) of revenues over expenditures</i> | \$3,000 | \$3,000 | \$2,508 | (\$492) |

Budgetary - GAAP Reporting Reconciliation:

| | |
|--|----------------|
| Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary) | \$2,508 |
| Adjustments for revenue accruals, transfers, earnings on investments | 0 |
| Adjustments for expenditures for payables, inventory, other expenditure accruals | 0 |
| Net changes in fund balance (GAAP basis) | \$2,508 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
ENTERPRISE FUNDS
JUNE 30, 2014

PROPRIETARY FUND TYPES

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Joint Utility Fund – To account for the provision of water, sewer, and solid waste services to the residents of the Town, and is considered an enterprise fund.

TOWN OF CLAYTON
UTILITIES
ENTERPRISE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Original Approved Budget | Final Approved Budget | Actual | Favorable (Unfavorable) |
|---|--------------------------------|-----------------------------|--------------------|----------------------------|
| REVENUES | | | | |
| Refuse collection | \$347,500 | \$347,500 | \$346,025 | (\$1,475) |
| Water sales | 555,750 | 555,750 | 517,665 | (38,085) |
| Sewer charges | 276,000 | 276,000 | 276,479 | 479 |
| Total government tax | 252,993 | 252,993 | 250,996 | (1,997) |
| Other | 460,000 | 460,000 | 71 | (459,929) |
| <i>Total revenues</i> | <u>1,892,243</u> | <u>1,892,243</u> | <u>1,391,236</u> | <u>(501,007)</u> |
| OPERATING EXPENSES | | | | |
| Water | 583,100 | 583,100 | 510,294 | 72,806 |
| Sewer | 741,257 | 741,257 | 192,869 | 548,388 |
| Solid waste | 398,193 | 398,193 | 400,295 | (2,102) |
| Capital outlay | 3,945,237 | 3,945,237 | 2,791,640 | 1,153,597 |
| <i>Total operating expenses</i> | <u>5,667,787</u> | <u>5,667,787</u> | <u>3,895,098</u> | <u>1,772,689</u> |
| <i>Operating income (loss)</i> | <u>(3,775,544)</u> | <u>(3,775,544)</u> | <u>(2,503,862)</u> | <u>1,271,682</u> |
| Non-Operating Revenue (Expenses) | | | | |
| Interest income | 6,500 | 6,500 | 6,285 | (215) |
| Transfers in | 0 | 0 | 0 | 0 |
| Transfers (out) | 0 | 0 | 0 | 0 |
| Loan proceeds | 2,114,920 | 2,114,920 | 1,890,068 | (224,852) |
| Principal and interest payments | (171,852) | (171,852) | (160,122) | 11,730 |
| Capital grants - state | 49,500 | 0 | 49,500 | (49,500) |
| Capital grants - federal | 1,930,222 | 1,930,222 | 770,946 | 1,159,276 |
| <i>Total non-operating revenue (expenses)</i> | <u>3,929,290</u> | <u>3,879,790</u> | <u>2,556,677</u> | <u>(1,323,113)</u> |
| <i>Net income (loss)</i> | <u>\$153,746</u> | <u>\$104,246</u> | <u>\$52,815</u> | <u>(\$51,431)</u> |

Budgetary - GAAP Reporting Reconciliation:

| | |
|---|--------------------|
| Net income | \$52,815 |
| Adjustments for revenue accruals and loan proceeds | (1,533,636) |
| Adjustments for expense accruals, depreciation and principal payments | 2,564,627 |
| <i>Changes in net position</i> | <u>\$1,083,806</u> |

The Notes to Financial Statements are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2014

| Financial Institution: Account Name | Type of Account | Bank Balance | (Checks) Deposits | Book Balance |
|---|--------------------|--------------------|----------------------|--------------------|
| CASH | | | | |
| First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415 | | | | |
| Special Revenues Pool | Checking | \$62,300 | (\$25,689) | \$36,611 |
| Payroll Account | Checking | 8,636 | (6,063) | 2,573 |
| MMDA Account | MMA | 941,815 | 0 | 941,815 |
| Certificate of Deposit | CD | 100,000 | 0 | 100,000 |
| Certificate of Deposit | CD | 24,000 | 0 | 24,000 |
| | | \$1,136,751 | (\$31,752) | \$1,104,999 |
| Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415-0488 | | | | |
| General Fund | Checking | \$190,221 | (\$51,212) | \$139,009 |
| Utility Pool | Checking | 496,774 | (37,049) | 459,725 |
| A W Thompson Library Fund | Checking | 3,692 | 0 | 3,692 |
| Capital Projects Fund | Checking | 285,890 | 0 | 285,890 |
| Vendor Account | Checking | 300,890 | 0 | 300,890 |
| Severance Account | Checking | 56,647 | 0 | 56,647 |
| Wastewater Construction | Checking | 0 | 0 | 0 |
| TOC Pooled Money Market | MMA | 290,057 | 0 | 290,057 |
| Certificate of Deposit | CD | 200,000 | 0 | 200,000 |
| Certificate of Deposit | CD | 200,000 | 0 | 200,000 |
| Certificate of Deposit | CD | 117,780 | 0 | 117,780 |
| Certificate of Deposit | CD | 11,000 | 0 | 11,000 |
| | | \$2,152,951 | (\$88,261) | \$2,064,690 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY OF PUBLIC FUNDS
JUNE 30, 2014

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

| Security | CUSIP | Maturity | Collateral Value |
|-----------------------------|-----------|-----------|------------------|
| FNMA | 31419KU78 | 11/1/2015 | \$414,858 |
| Lea Cnty Pub Sch Dist | 521513CE9 | 7/15/2019 | 100,000 |
| Dulce NM Indpt Sch Dist 21 | 264430HK8 | 3/1/2019 | 100,000 |
| W Las Vegas NM Sch District | 953869JV9 | 8/15/2017 | 100,000 |
| | | | \$714,858 |

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

| Security | CUSIP | Maturity | Collateral Value |
|----------------------|-----------|------------|------------------|
| Dulce, New Mexico | 264430KJ7 | 9/1/2017 | \$250,000 |
| Carlsbad, New Mexico | 142735DG1 | 8/1/2016 | 170,000 |
| FNMA | 31385XEC7 | 6/1/1933 | 254,406 |
| FNMA | 3138AA655 | 4/1/2026 | 140,262 |
| SBA 521906 | 83165AKT0 | 11/25/2024 | 342,563 |
| | | | \$1,157,231 |

The Notes to Financial Statements are an integral part of these statements.

TOWN OF CLAYTON
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| Participants | Responsible Party for Operations | Descriptions | Beginning and Ending dates | Total Estimated Amount of Project | Contribution 6/30/2014 | Audit Responsibility | Revenues and Expenditures Reported on: |
|---|---|--|-------------------------------------|--|---------------------------|-------------------------|---|
| Town of Clayton County of Union Clayton Consolidated Schools | Town of Clayton | Joint Communications Center | November 16, 2011 Perpetual | N/A | \$157,756 | Town of Clayton | REV: Town of Clayton EXP: Town of Clayton |
| Town of Clayton County of Union | County of Union | Emergency Manager | July 1, 2013 to June 30, 2014 | N/A | \$6,894 | County of Union | REV: County of Union EXP: Town of Clayton |
| Town of Clayton Clayton - Union County Fair Committee | Clayton - Union County Fair Committee | County Fair Complex - Planning and Maintenance | July 1, 2013 to June 30, 2014 | N/A | \$15,000 | Town of Clayton | REV: Fair Committee EXP: Town of Clayton |

The Notes to Financial Statements are an integral part of these statements.

ADDITIONAL FEDERAL INFORMATION

TOWN OF CLAYTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| Federal Grantor/Program Title | Federal CFDA Number or Agency Prefix | Project Number | Award Amount | Accrued or Unexpended Revenue at June 30, 2013 | Receipts | Expenditures | Accrued or Unexpended Revenue at June 30, 2014 |
|--|---|-------------------|--------------------|---|--------------------|------------------|---|
| <u>U.S. Department of Agriculture</u> | | | | | | | |
| Water and Waste Disposal (Loan) | | | | | | | |
| Systems for Rural Communities | 10.760 | | \$1,181,000 | \$0 | (\$539,813) | \$539,813 | \$0 |
| Water and Waste Disposal (Grant) | | | | | | | |
| Systems for Rural Communities | 10.760 | | 965,500 | 0 | (31,074) | 301,272 | 270,198 |
| Total U.S. Department of Agriculture | | | \$2,146,500 | \$0 | (\$570,887) | \$841,085 | \$270,198 |
| <u>U.S. Department of Commerce</u> | | | | | | | |
| Investments for Public Works and Economic Development | | | | | | | |
| | 11.300 | 08-01-04214 | \$1,177,265 | \$30,804 | (\$739,872) | \$878,655 | \$169,587 |
| Total U.S. Department of Commerce | | | \$1,177,265 | \$30,804 | (\$739,872) | \$878,655 | \$169,587 |
| <u>U.S. Department of Health and Human Services</u> | | | | | | | |
| Passed through North Central New Mexico Economic Development District | | | | | | | |
| Title III C | 93.045 | 2012-13-68013 | \$10,259 | \$378 | (\$378) | \$0 | \$0 |
| Title III C | 93.045 | 2013-14-68013 | 10,259 | 0 | (4,017) | 4,900 | 883 |
| Area Agency on Aging | | | | | | | |
| Nutritional Service Incentive Program | 93.053 | 2013-14 | 11,585 | 0 | (11,585) | 11,585 | 0 |
| Total U.S. Department of Health and Human Services | | | \$32,103 | \$378 | (\$15,980) | \$16,485 | \$883 |
| <u>U.S. Department of Transportation</u> | | | | | | | |
| Passed through New Mexico Department of Transportation | | | | | | | |
| Operation Driving While Intoxicated (ODWI) | 20.608 | 14-AL-64-021 | \$5,838 | \$1,479 | (\$2,293) | \$814 | \$0 |
| Operation Driving While Intoxicated (ODWI) | 20.608 | 13-AL-64-021 | 5,838 | 0 | (2,712) | 3,744 | 1,032 |
| 100 Days and Nights of Summer | 20.600 | 14-PT-DS-021 | 1,243 | 0 | (225) | 225 | 0 |
| 100 Days and Nights of Summer | 20.600 | 13-PT-DS-039 | 1,243 | 243 | (1,243) | 1,000 | 0 |
| Total U.S. Department of Transportation | | | \$14,162 | \$1,722 | (\$6,473) | \$5,783 | \$1,032 |

TOWN OF CLAYTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| Federal Grantor/Program Title | Federal CFDA Number or Agency Prefix | Project Number | Award Amount | Accrued or Unexpended Revenue at June 30, 2013 | Receipts | Expenditures | Accrued or Unexpended Revenue at June 30, 2014 |
|---|---|-------------------|-----------------|---|---------------|--------------|---|
| COMPONENT UNIT | | | | | | | |
| <u>U.S. Department of Housing and Urban Development</u> | | | | | | | |
| Passed through New Mexico Department of Finance and Administration | | | | | | | |
| Direct Funding: | | | | | | | |
| Low Rent Public Housing Operating | | | | | | | |
| Subsidy - Housing | 14.850 | NM055-00000112D | \$102,806 | \$0 | (\$77) | \$77 | \$0 |
| | 14.850 | NM055-00000113D | 74,744 | 0 | (36,290) | 36,290 | 0 |
| | 14.850 | NM055-00000114D | 77,840 | 0 | (39,047) | 39,047 | 0 |
| Public Housing Capital Fund | 14.872 | NM02P008501-11 | 66,489 | 324 | (2,304) | 1,980 | 0 |
| Public Housing Capital Fund | 14.872 | NM02P008501-12 | 58,841 | 0 | (52,841) | 52,841 | 0 |
| Public Housing Capital Fund | 14.872 | NM02P008501-13 | 59,983 | 0 | (21,815) | 21,815 | 0 |
| <i>Total U.S. Department of Housing and Urban Development</i> | | | \$440,503 | \$324 | (\$152,374) | \$152,050 | \$0 |
| <i>Total Federal Financial Assistance</i> | | | \$3,810,533 | \$33,228 | (\$1,485,586) | \$1,894,058 | \$441,700 |
| Grant revenue receivable (page 11) (\$488,062 less state grant receivables of \$46,362) | | | | | | | \$441,700 |
| | | | | | | | \$0 |

TOWN OF CLAYTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014

NOTE 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.

NOTE 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.

NOTE 3. NON-CASH ASSISTANCE

During the current fiscal year, the Town did not expend any federal non-cash assistance.

NOTE 4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount of \$1,894,058. The amounts of expenditures within the funds are reflected within the financial statements as follows:

| | |
|------------------------------|--------------------|
| General Fund | |
| Public Safety | \$5,783 |
| Special Revenue Funds | |
| <u>Senior Citizens Fund:</u> | |
| Health and Welfare | 16,485 |
| Proprietary Funds | |
| <u>Joint Utility Fund</u> | |
| Capital outlay/CIP additions | 1,719,740 |
| | 1,742,008 |
| <u>Component Unit</u> | 152,050 |
| | <u>\$1,894,058</u> |



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

Mr. Hector H. Balderas, State Auditor and
The 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Town of Clayton, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of Clayton's basic financial statements and the combining and individual funds and related budgetary comparisons of Town of Clayton presented as supplementary information, and have issued our report thereon dated November 23, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Clayton'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 Town of Clayton's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Clayton's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, 2009-008, and 2014-001CU.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Clayton's financial statements are free from 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 2014-001, 2013-004, and 2013-005.

Town of Clayton's Response to Findings

Town of Clayton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Clayton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 23, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Town of Clayton's 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 Town of Clayton's major federal programs for the year ended June 30, 2014. Town of Clayton'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 Town of Clayton'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 Town of Clayton'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 of Town of Clayton's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Clayton, 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, 2014.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-007 and 2014-008. Our opinion on each major federal program is not modified with respect to these matters.

Town of Clayton's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Clayton's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Town of Clayton, 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 Town of Clayton'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 Town of Clayton'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 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.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 23, 2014

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report issued:

Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

X Yes _____ No

Noncompliance material to financial statements noted?

_____ Yes X No

FEDERAL AWARDS

Internal Control Over Major Programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

_____ Yes X No

Type of Auditor's Report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ Yes X No

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.760

Water and Waste Disposal Systems for Rural Communities

11.300

Investments for Public Works and Economic Development

Dollar threshold used to distinguish between Type A and Type B Programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes X No

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2014-001 Procurement Violations – Compliance

Statement of Condition – During test work, we noted the following procurement exceptions:

- One instance where services >\$60,000 were not procured for FY14.
- Town of Clayton did not have sole source support for two purchases made during FY14 (one instance where goods were purchased for >\$20,000 and one instance where services were purchased for >\$30,000).

Criteria –

- NMSA 13-1-128: All central purchasing offices shall maintain, for a minimum of three years, records of sole source and emergency procurements. The record of each such procurement shall be public record and shall contain:
 - a. the contractor's name and address;
 - b. the amount and term of the contract;
 - c. a listing of the services, construction or items of tangible personal property procured under the contract; and
 - d. the justification for the procurement method.
- NMSA 13-1-125: A central purchasing office may procure professional services having a value not exceeding sixty thousand dollars (\$60,000)... except for the services of landscape architects or surveyors for state public works projects or local public works projects, in accordance with professional services procurement rules promulgated by the department of finance and administration, the general services department or a central purchasing office with the authority to issue rules.

Cause – Oversight.

Effect – Noncompliance with statutory rules set forth by the State of New Mexico.

Recommendation – Develop procedures to identify purchases subject to procurement and develop standard documentation for sole source and emergency procurement.

Management's Response – Employee turnover persisted through 2013, however key positions are now staffed. Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-002 Lack of Controls over Petty Cash Handling – Significant Deficiency

Statement of Condition – While observing cash handling processes, we identified the following:

- Cash drawer was left unlocked and unattended for short amounts of time.
- No verification of daily count of cash left in the drawer.
- No documentation of the use of court cash to make change for the cash drawer.

Criteria – To ensure proper internal control, all cash counts should be done under dual control, there should be a written record of all petty cash handling activities, and the cash drawer should be appropriately secured at all times.

Cause – While some controls exist over cash drawer counts, the established controls are not effective to properly safeguard assets.

Effect – Potential for theft or misappropriation of cash.

Recommendation – Town of Clayton should establish additional internal controls over daily cash handling and other cash drawer processes.

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-003 Lack of Adherence with Controls Over Payroll – Significant Deficiency

Statement of Condition – We tested 40 payroll transactions and noted the following exceptions:

- One employee was missing an I-9.
- Two employees did not have any pay rate documentation; 22 employees did not have current pay rate documentation maintained in their personnel file.
- One instance where the hours on the timecard did not agree to the hours that were paid (the employee was shorted).
- 12 instances where the time card/sheet was not signed by a supervisor.

Criteria – To ensure proper payroll internal control, the Town requires that all time cards/sheets have a supervisor signature. The time cards/sheets are then reviewed to ensure they have proper verification and that time is correctly calculated. Good internal controls also require that all employee legal documentation and current pay rates be updated and preserved.

Cause – Personnel files are not being well maintained. Payroll internal control procedures are not being followed or enforced.

Effect – Potential for fraudulent activity and mistreatment of payroll funds.

Recommendation – Employees should follow all established internal control procedures.

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-004 Insufficient Controls over the Terminated Employees Process – Significant Deficiency

Statement of Condition – We tested all FY14 terminated employees (13), one employee had a reported termination dated 14 months after the actual final pay date.

Criteria – Good terminated employee internal controls require that terminated employees be removed from the computer system on a timely basis.

Cause – There is lack of communication and regulation over the termination of on call fire department employees. The terminated employee noted above worked as an on call ambulance driver for the fire department. The Fire Chief did not notify HR about the termination until the reported termination date. This is apparently a common occurrence; the fire chief lets the part time drivers come and go as they please and HR is not notified until long after the on call employee's self-determined date of termination (source: HR Rep).

Effect – Potential for fraudulent activity and mistreatment of payroll funds.

Recommendation – The Town should establish resignation procedures for on call employees to ensure HR is notified of all terminated employees in a timely manner.

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-005 Inconclusive Cash Reconciliation Procedures – Significant Deficiency

Statement of Condition – During test work, we determined that multiple cash accounts did not agree to the GL account balance listed on bank reconciliations

Criteria – NMSA 6-5-1.1.J: Perform monthly reconciliations with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies

Cause – Bank reconciliations are not being reconciled to the General Ledger/WTB.

Effect – Potential for improper use of cash and noncompliance with annual budgetary requirements.

Recommendation – Monthly bank reconciliations should be reconciled to the cash accounts on the WTB (both cash and pooled cash accounts).

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-006 Lack of Proper Journal Entry Review – Significant Deficiency

Statement of Condition – During test work, we determined that some Journal Entries were incorrectly created/posted.

Criteria – Good internal controls require proper review and approval over journal entries.

Cause – While journal entries are reviewed for substance, not all journal entries are being properly reviewed by someone who has knowledge of accounting to ensure the journal entry form is correct.

Effect – Increased risk of errors through the use of journal entries.

Recommendation – All journal entries should be approved by an individual possessing appropriate accounting knowledge.

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS:

2013-001 Completion of Audit Report – Other Matters

Resolved and not repeated.

2013-002 Allocation of Interest Bearing Bank Deposits – Other Matters

Not repeated.

2013-003 Travel and Per Diem – Other Matters

Resolved and not repeated.

2013-004 (2013-04) Credit Card Transactions – Other Matters

Repeated with modification.

Statement of Condition – During test work, we concluded that out of 20 credit card transactions tested, there were two instances where purchase requisitions were completed after the purchase.

Criteria – The Town’s policy requires that purchase requisitions must be complete and approved prior to credit card purchases.

Effect – If the purchase requisition is not complete before purchase, the Town runs the risk that purchases may be in excess of approved budget limits. There is also potential for existence of unauthorized purchases.

Cause – Controls in place were not followed properly.

Recommendation – Follow established controls over credit card purchase and re-inform credit card holders of policies and procedures in place.

Management’s Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2013-005 (2013-05) Required Accounting Documentation/ Disbursements – Other Matters

Repeated with modification.

Statement of Condition – During test work, we found the following exceptions out of 40 transactions tested:

- One instance where an Invoice was dated prior to the Purchase Order.
- One instance where the Purchase Order did not agree to the vendor Invoice. The invoice was greater than the Purchase Order by approximately \$250.

Criteria – The Town of Clayton has established the requirement to prepare purchased orders prior to and in agreement with vendor invoices.

Effect – If the Town does not prepare a purchase order prior to or in agreement with vendor invoices, the Town runs the risk that purchases may be in excess of the approved budget limits.

Cause – The purchase order was completed when the vendor invoice was received which defeated the purpose of the purchase order. The purchase order did not include all necessary costs that made up final purchase price.

Recommendation – All purchase orders should be completed prior to purchase of goods and services. Purchase orders should be in agreement with the final purchase price on vendor invoices.

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2011-003 Grant Compliance – Other Matters

Resolved and not repeated.

2011-004 Legal Compliance with Adopted Budget – Other Matters

Resolved and not repeated.

2010-003 Travel and Per Diem – Other Matters

Resolved and not repeated.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2009-008 (2009-08) Capital Assets Subsidiary Records – Significant Deficiency

Repeated with modification.

Statement of Condition – During the year, the Town hired a consulting firm that performed a detailed inventory of all capital assets owned by the Town. Per review of depreciation schedule provided by the consulting firm, we concluded that the schedule is inaccurate and does not agree with prior year audited balances. The schedule is inaccurate with respect to costs, dates placed in service, and actual capital assets that were in prior year schedules but not in new schedule.

Criteria – NMAC 2.20.1 provides regulations for the accounting and control of capital assets owned by governmental agencies. All capital assets must be recorded and accounted for in accordance with NMAC 2.20.1.

Effect – Potential to misstate capital assets on subsidiary ledger.

Cause – The Town and consulting firm failed to reconcile prior year audited depreciation schedule with new depreciation schedule provided by consulting firm.

Recommendation – Since the Town has access to a capital asset module in their current accounting software, the Town should implement the use of the capital assets module using the audited depreciation schedule and maintain it in accordance with NMAC 2.20.1.

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

COMPONENT UNIT:

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2014-001CU Lack of Internal Controls over Receipts – Significant Deficiency

Statement of Condition – During our review of the internal controls related to the cash receipts accounting system and our testing of the cash receipt/deposit transactions, we discovered the following deviation:

- Of the 40 payments received tested, 13 were not deposited within five business days. The average deposit lag of these 13 receipts was 10 days.

Criteria – Internal controls are established to safeguard the assets of the Housing Authority from unauthorized use and loss. Deposits should be made within five (5) business days of receipt, more often when the amount is large.

Cause – Executive Director of the Housing Authority is the only administrative employee.

Effect – Increased risk of loss due to misplacement of cash/equivalent or lack of funds on delayed cashing of tenant checks.

Recommendation – Implement deposit procedures to ensure that deposits are made timely.

Management's Response – The Housing Authority will take the necessary steps to ensure that all receipts are deposited within five (5) business days.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

None.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**CURRENT YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

2014-007 Required Reports Not Submitted – Other Matters

CFDA #10.760

Questioned Costs = None

Program Name: Water and Waste Disposal Systems for Rural Communities

Project Name: Wastewater Reuse Project

Statement of Condition – The required annual reports were not submitted.

Criteria – The grant/loan requires that Form RD 442-2 (Statement of Budget, Income and Equity) and Form RD 442-3 (Balance Sheet) or the Town's annual audit in lieu of these forms must be submitted annually.

Cause – Oversight.

Effect – Noncompliance with grant funding terms which could jeopardize future funding.

Recommendation – The Town should submit their June 30, 2013 audit report immediately and develop a tickler system for all grant reporting.

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**CURRENT YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT (CONTINUED):**

2014-008 Loan Reserve Funds Not Segregated from Town Funds – Other Matters

CFDA #10.760

Questioned Costs = None

Program Name: Water and Waste Disposal Systems for Rural Communities

Project Name: Wastewater Reuse Project

Statement of Condition – The Town did not deposit required funds into separate reserve accounts to separate from other Town funds.

Criteria – The USDA Loan requires the following reserves:

- Deposit monthly \$440.52 into the Waste Water Construction Debt Services Reserve Fund for emergency maintenance and repairs and debt repayment until one annual installment is accumulated.
- Deposit \$700.00 annually into the Waste Water Construction Asset Management Fund to be used for the replacement of short-lived assets.

Cause – Management felt that the requirement had been met because the Town had adequate funds in other accounts.

Effect – Noncompliance with loan/grant funding which could jeopardize future funding.

Recommendation – The Town should establish the required reserve accounts, deposit required funding to date and continue monthly annual funding as required.

Management's Response – Management agrees with auditor recommendation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS –
MAJOR FEDERAL AWARD PROGRAM AUDIT:**

None.

TOWN OF CLAYTON
EXIT CONFERENCE
JUNE 30, 2014

EXIT CONFERENCE:

The exit conference was held November 24, 2014 and was attended by the following:

From Town of Clayton:

Jack Chosvig, Mayor
Leroy Montoya, Trustee
Ferron Lucero, Town Manager
Holly Steen, Treasurer
Carla Taylor, Administrative Assistant
Stephanie Arellano, Human Resources Representative

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder
Lucio Luttrell, Staff Auditor
Rebecca Pott, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, the Town of Clayton's personnel provided significant assistance in the preparation, the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.