

# **STATE OF NEW MEXICO**

## **TOWN OF CLAYTON**

### **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015**

**TOWN OF CLAYTON**  
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**TOWN OF CLAYTON**  
OFFICIAL ROSTER  
JUNE 30, 2015

**BOARD OF TRUSTEES**

<b><u>Name</u></b>	<b><u>Title</u></b>
<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/Clerk</i>

## **INDEPENDENT AUDITORS' REPORT**

Mr. Tim Keller, 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, 2015, 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, 2015, 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. Tim Keller, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
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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, 2015, 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, 2015, 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 and the pension liability schedules on pages 61 through 66 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. Tim Keller, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
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*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 December 10, 2015 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.  
Las Cruces, New Mexico  
December 10, 2015



**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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, 2015. 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 \$665,749 less than the \$5,824,952 generated in taxes, other revenues, and transfers for governmental programs.
- In the Town's business-type activities revenues and transfers decreased 14.76% to \$2,106,527 while expenses also decreased 12.40%.
- The general fund reported expenditures in excess of revenues this year of \$99,115.

**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, 2015**

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, 2015**

**Government-Wide Financial Analysis**

**Town of Clayton**  
**Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
	<b>Assets:</b>					
Current assets and other assets	\$2,496,042	\$3,147,920	\$1,569,396	\$2,096,910	\$4,065,438	\$5,244,830
Capital	10,098,420	9,580,489	17,740,310	17,557,055	27,838,730	27,137,544
<i>Total assets</i>	<i>12,594,462</i>	<i>12,728,409</i>	<i>19,309,706</i>	<i>19,653,965</i>	<i>31,904,168</i>	<i>32,382,374</i>
<b>Deferred outflows</b>	226,529	193,690	38,174	37,288	264,703	230,978
<b>Liabilities:</b>						
Current and other liabilities	295,721	155,654	235,282	718,539	531,003	874,193
Long-term liabilities	2,671,343	3,529,925	3,883,548	4,531,986	6,554,891	8,061,911
<i>Total liabilities</i>	<i>2,967,064</i>	<i>3,685,579</i>	<i>4,118,830</i>	<i>5,250,525</i>	<i>7,085,894</i>	<i>8,936,104</i>
<b>Deferred inflows</b>	612,202	0	127,778	0	739,980	0
<b>Net Position:</b>						
Net investment in capital assets	9,478,169	8,816,526	15,204,765	14,932,587	24,682,934	23,749,113
Restricted net position	35,428	1,693,832	130,651	353,885	166,079	2,047,717
Unrestricted net position	(271,872)	(1,273,838)	(234,144)	(845,744)	(506,016)	(2,119,582)
<b><i>Total net position</i></b>	<b><i>\$9,241,725</i></b>	<b><i>\$9,236,520</i></b>	<b><i>\$15,101,272</i></b>	<b><i>\$14,440,728</i></b>	<b><i>\$24,342,997</i></b>	<b><i>\$23,677,248</i></b>

Capital assets (net of accumulated depreciation) make up 80.18% 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 negative balance in unrestricted net position due to the implementation of GASB 68 which recorded a net pension liability of \$2,004,966.

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 2.09% for fiscal year ending June 30, 2015. This ratio aids management in gauging the effectiveness of its use of assets.

In the Governmental activities total liabilities have been decreased by 19.50% due to principal payments on debt and the reduction in the net pension liability. Total assets have decreased in 2015 due to decreases in restricted cash for construction projects and cash and cash equivalents. Investment income continued to decrease in fiscal year 2015 due to decreases in interest rates. These factors primarily affect the increase in current assets in 2015 compared to 2014.

Net position for business-type activities increased by \$660,544, an increase of 4.57%. Overall, liabilities decreased due to principal payments on debt and a decrease in the net pension liability for which fiscal year 2013/2014 was restated.

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**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 2014 were \$2,661,233 and \$2,423,784 in 2015, a decrease of \$237,449, 8.92% for comparative years. The majority of the difference is due to a decrease in grant funding.

Expenditures in the General Fund for fiscal year 2014 were \$2,667,736 and \$2,423,784 for fiscal year 2015, a decrease of \$243,952. The decrease was due primarily to a concerted effort to keep expenses down. The General Fund fund balance decreased in 2015 in the amount of \$46,524 with expenditures less transfers exceeding revenues for an ending fund balance of \$487,769 as of June 30, 2015.

**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 2013/2014 the Town accounted for \$0 in federal grant revenues and \$451,359 in state grants for total grant revenues of \$451,359. In fiscal year 2014/2015 the total grant revenues of \$506,986 consisted of federal grant revenues of \$237,493 and state grant revenues of \$269,493.

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 2013/2014 were \$410,867. The majority of the expenditures were incurred for the Town's fuel farm project and the Luna Theatre project Phase III. Expenditures in fiscal year 2014/2015 were \$794,331. Expenditures were incurred for snow removal equipment building at the airport.

**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 2014/2015 was \$2,891. 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 2013/2014 fiscal year was \$1,181,800 and \$1,132,719 for 2014/2015; a decrease of \$49,081 or 4.15%. The slight decrease is attributable to variation in customer usage. Net income (before capital and operating transfers) decreased in 2015 versus 2014 by \$274,664. Operating expenses decreased in fiscal year 2014/2015 compared to 2013/2014 by \$225,640, which is 15.50%. The net income decrease resulted from the reduction of receipts of federal grant funds for capital improvements.

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**General Fund Budgetary Highlights**

The Town of Clayton total actual expenditures for fiscal year 2014/2015 were 7.85% under the budgeted expenditure amounts for the year. Public safety is responsible for 58.44%, general government is responsible for 30.00% and public works is responsible for 2.55% of the General Fund expenditures.

The Town's total state shared and municipal tax amount for fiscal year 2014/2015 decreased by 17.86% over fiscal year 2013/2014. The Clayton economy slowed as a result of economic down turns in the State and County.

General Fund budgeted revenues and expenditures were not amended during the year.

**Town of Clayton**  
**Summary of Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2015	2014 Restated	2015	2014 Restated	2015	2014 Restated
<b>Revenues:</b>						
<u>Program Revenues:</u>						
Charges for services	\$224,324	\$310,955	\$1,132,719	\$1,181,800	\$1,357,043	\$1,492,755
Operating grants and contributions	731,246	670,134	0	0	731,246	670,134
Capital grants and contributions	786,063	1,000,709	614,440	1,085,234	1,400,503	2,085,943
					0	0
<u>General Revenue:</u>					0	0
Taxes	1,961,889	2,323,401	186,623	197,168	2,148,512	2,520,569
Investment income	7,628	8,687	3,886	7,128	11,514	15,815
Miscellaneous	7,275	655	168,859	0	176,134	655
<i>Total revenue</i>	<b>3,718,425</b>	<b>4,314,541</b>	<b>2,106,527</b>	<b>2,471,330</b>	<b>5,824,952</b>	<b>6,785,871</b>
<b>Expenses:</b>						
General Government	830,136	979,795	0	0	830,136	979,795
Public Safety	1,992,419	1,995,590	0	0	1,992,419	1,995,590
Public Works	428,549	430,770	0	0	428,549	430,770
Health and Welfare	182,673	212,527	0	0	182,673	212,527
Culture and Recreation	400,567	335,009	0	0	400,567	335,009
Interest and fees on long-term debt	19,098	24,840	75,238	34,430	94,336	59,270
Water, sewer and refuse	0	0	1,230,523	1,456,163	1,230,523	1,456,163
<i>Total expenses</i>	<b>3,853,442</b>	<b>3,978,531</b>	<b>1,305,761</b>	<b>1,490,593</b>	<b>5,159,203</b>	<b>5,469,124</b>
<i>Increase in net position before transfers</i>	(135,017)	336,010	800,766	980,737	665,749	1,316,747
Transfers	140,222	(8,376)	(140,222)	8,376	0	0
<i>Change in net position</i>	5,205	327,634	660,544	989,113	665,749	1,316,747
Net position – July 1 (as restated)	9,236,520	8,908,886	14,440,728	13,451,615	23,677,248	22,360,501
<b>Net position - June 30</b>	<b>\$9,241,725</b>	<b>\$9,236,520</b>	<b>\$15,101,272</b>	<b>\$14,440,728</b>	<b>\$24,342,997</b>	<b>\$23,677,248</b>

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**Government Activities**

Revenue received from program and general activities was predominantly less than expenses for fiscal year 2015, 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 \$660,544. 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 \$2,304,368, which is a decrease 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, 2015 amounted to \$10,098,420. 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
- Airport Snow Removal Equipment Building

**Long-term Debt**

The Town's total debt (excluding compensated absences and landfill closure payable) as of June 30, 2015 is \$3,155,796, which decreased by \$232,635, which represents net proceeds on new loans and payments on outstanding debt.

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

- NMFA Drinking Water Loan for system wide change out all existing meters.

The Town made principal payments on long-term debt for the fiscal year 2014/2015 of \$242,848. More detailed information regarding these activities and funds is included in Note 8.

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**Town of Clayton**  
**Outstanding Bonds and Liabilities to Financial Institutions**

	Governmental		Business-type		Total	
	Activities		Activities		Activities	
	2015	2014	2015	2014	2015	2014
Revenue Bonds (USDA)	\$0	\$0	\$1,141,000	\$1,161,000	\$1,141,000	\$1,161,000
Notes Payable: NMFA	620,251	736,328	1,215,154	1,273,760	1,835,405	2,010,088
Note Payable – Water Trust Board	0	0	179,391	189,708	179,391	189,708
Capital Leases	0	27,635	0	0	0	27,635
<b>Total</b>	<b>\$620,251</b>	<b>\$763,963</b>	<b>\$2,535,545</b>	<b>\$2,624,468</b>	<b>\$3,155,796</b>	<b>\$3,388,431</b>

**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, 2015**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
<b>Assets</b>				
Cash and cash equivalents	\$1,610,405	\$784,183	\$2,394,588	\$60,049
Investments	252,780	400,000	652,780	63,004
Receivables:				
Accounts receivable, net	58,307	167,815	226,122	87
Taxes	318,557	26,780	345,337	0
Intergovernmental	103,899	47,112	151,011	0
Other	116,666	0	116,666	9
Due from others	0	0	0	0
Inventories	0	0	0	12,088
Restricted Assets:				
Cash - with trustee/debt service	35,428	130,651	166,079	0
Cash - customer/tenant deposits	0	12,855	12,855	7,975
Capital Assets:				
Capital assets not depreciated	1,406,804	4,801,350	6,208,154	51,294
Capital assets, depreciated	13,851,267	21,800,095	35,651,362	3,451,702
Accumulated depreciation	(5,159,651)	(8,861,135)	(14,020,786)	(2,530,538)
<i>Total capital assets</i>	<i>10,098,420</i>	<i>17,740,310</i>	<i>27,838,730</i>	<i>972,458</i>
<i>Total assets</i>	<i>12,594,462</i>	<i>19,309,706</i>	<i>31,904,168</i>	<i>1,115,670</i>
<b>Deferred outflows of resources</b>	226,529	38,174	264,703	9,306
<b>Liabilities</b>				
Accounts payable	111,524	48,260	159,784	4,194
Accrued payroll liabilities	57,211	10,145	67,356	2,181
Accrued interest payable	2,270	13,591	15,861	0
Compensated absences	2,557	0	2,557	2,669
Customer/tenant deposits	0	12,855	12,855	7,975
Due to others	0	19,913	19,913	0
Tenant prepaid rents	0	0	0	1,464
Long-term liabilities:				
Current portion of long-term debt	122,159	130,518	252,677	0
Long-term debt	498,092	2,434,724	2,932,816	0
Compensated absences	168,285	55,474	223,759	0
Landfill post closure	0	1,067,312	1,067,312	0
Net pension liability	2,004,966	326,038	2,331,004	75,468
<i>Total liabilities</i>	<i>2,967,064</i>	<i>4,118,830</i>	<i>7,085,894</i>	<i>93,951</i>
<b>Deferred inflows of resources</b>	612,202	127,778	739,980	29,576
<b>Net Position</b>				
Net investment in capital assets	9,478,169	15,204,765	24,682,934	972,458
Restricted for:				
Debt service	35,428	130,651	166,079	0
Other purposes	685,381	0	685,381	0
Expendable endowment	1,180,013	0	1,180,013	0
Unrestricted (deficit)	(2,137,266)	(234,144)	(2,371,410)	28,991
<b>Total net position</b>	<b>\$9,241,725</b>	<b>\$15,101,272</b>	<b>\$24,342,997</b>	<b>\$1,001,449</b>

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, 2015**

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		
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General government	\$830,136	\$216,026	\$166,523	\$751,528	\$303,941	\$0	\$303,941	
Public safety	1,992,419	0	454,202	0	(1,538,217)	0	(1,538,217)	
Public works	428,549	0	0	0	(428,549)	0	(428,549)	
Health and welfare	182,673	0	97,916	34,535	(50,222)	0	(50,222)	
Cultural and recreational	400,567	8,298	12,605	0	(379,664)	0	(379,664)	
Interest and fees on long-term debt	19,098	0	0	0	(19,098)	0	(19,098)	
<i>Total governmental activities</i>	<i>3,853,442</i>	<i>224,324</i>	<i>731,246</i>	<i>786,063</i>	<i>(2,111,809)</i>	<i>0</i>	<i>(2,111,809)</i>	
<b>Business-Type Activities:</b>								
Water	763,164	495,556	0	55,265	0	(212,343)	(212,343)	
Wastewater	353,453	290,820	0	559,175	0	496,542	496,542	
Solid waste	113,906	346,343	0	0	0	232,437	232,437	
Interest expense	75,238	0	0	0	0	(75,238)	(75,238)	
<i>Total business-type activities</i>	<i>1,305,761</i>	<i>1,132,719</i>	<i>0</i>	<i>614,440</i>	<i>0</i>	<i>441,398</i>	<i>441,398</i>	
<b>Total primary government</b>	<b>\$5,159,203</b>	<b>\$1,357,043</b>	<b>\$731,246</b>	<b>\$1,400,503</b>	<b>(\$2,111,809)</b>	<b>\$441,398</b>	<b>(\$1,670,411)</b>	
<b>COMPONENT UNIT:</b>								
Public Housing Authority	\$348,705	\$147,473	\$75,669	\$15,083				(\$110,480)
<b>General Revenues</b>								
Taxes:								
Gross receipts/state shared					\$1,564,336	\$186,623	\$1,750,959	\$0
Property					144,017	0	144,017	0
Lodgers' tax					145,855	0	145,855	0
Franchise tax					107,681	0	107,681	0
Investment income					7,628	3,886	11,514	102
Other					7,275	168,859	176,134	685
Loss on asset disposals					0	0	0	0
Operating transfers, net					140,222	(140,222)	0	0
Capital transfers, net					0	0	0	0
<i>Total general revenues and transfers</i>					<i>2,117,014</i>	<i>219,146</i>	<i>2,336,160</i>	<i>787</i>
Change in net position					5,205	660,544	665,749	(109,693)
Net position (deficit), beginning of year, as previously stated					11,638,361	14,969,396	26,607,757	1,211,410
Restatements					(2,401,841)	(528,668)	(2,930,509)	(100,268)
Net position (deficit), beginning of year, as restated					9,236,520	14,440,728	23,677,248	1,111,142
Net position (deficit), end of year					\$9,241,725	\$15,101,272	\$24,342,997	\$1,001,449

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

**TOWN OF CLAYTON**

**GOVERNMENTAL FUNDS**

**BALANCE SHEETS**

JUNE 30, 2015

	Major Funds					
	General Fund	Fire Protection Fund	Government Assistance	Municipal Income Permanent Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$42,437	\$0	\$80,118	\$1,203,416	\$284,434	\$1,610,405
Investments	0	0	0	0	252,780	252,780
Receivables:						
Accounts, net	58,301	0	0	0	6	58,307
Taxes	273,143	0	0	0	45,414	318,557
Intergovernmental	15,521	0	78,387	0	9,991	103,899
Other	116,666	0	0	0	0	116,666
Due from other funds	7,470	0	23,403	0	0	30,873
Restricted assets:						
Cash held with trustee	0	0	0	0	35,428	35,428
<b>Total assets</b>	<b>\$513,538</b>	<b>\$0</b>	<b>\$181,908</b>	<b>\$1,203,416</b>	<b>\$628,053</b>	<b>\$2,526,915</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$8,258	\$1,009	\$92,510	\$0	\$9,747	\$111,524
Accrued payroll liabilities	42,327	0	0	0	14,884	57,211
Accrued compensated absences - ST	1,326	0	0	0	1,231	2,557
Due to other funds	0	1,262	0	23,403	6,208	30,873
<b>Total liabilities</b>	<b>51,911</b>	<b>2,271</b>	<b>92,510</b>	<b>23,403</b>	<b>32,070</b>	<b>202,165</b>
<b>Deferred inflows of resources:</b>						
Property taxes	20,382	0	0	0	0	20,382
<b>Fund Balances:</b>						
Restricted	0	0	89,398	1,180,013	595,983	1,865,394
Committed	0	0	0	0	0	0
Assigned	0	0	0	0	0	0
Unassigned	441,245	(2,271)	0	0	0	438,974
<b>Total fund balance</b>	<b>441,245</b>	<b>(2,271)</b>	<b>89,398</b>	<b>1,180,013</b>	<b>595,983</b>	<b>2,304,368</b>
<b>Total liabilities and fund balance</b>	<b>\$513,538</b>	<b>\$0</b>	<b>\$181,908</b>	<b>\$1,203,416</b>	<b>\$628,053</b>	<b>\$2,526,915</b>

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, 2015**

<b>FUND BALANCE of Governmental Funds</b>	<b>\$2,304,368</b>
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.	10,098,420
Some liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(788,536)
The net pension liability is long-term and therefore not recognized in the funds	(2,004,966)
Some revenues and expenses associated with the pension plan have been deferred as they relate to the period after the measurement date used in the actuarial process.	(385,673)
Some revenues are not earned if not available in the funds but are recognized as income for governmental activities.	20,382
Interest payable is not due and payable in the current period and therefore is not reported in the funds.	(2,270)
<b><i>Net position of governmental activities</i></b>	<b>\$9,241,725</b>

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, 2015**

	Major Funds					Total Governmental Funds
	General Fund	Fire Protection Fund	Government Assistance	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
<b>REVENUES</b>						
Intergovernmental - federal	\$7,797	\$0	\$237,493	\$0	\$21,193	\$266,483
Intergovernmental - state	97,003	311,504	269,493	0	70,859	748,859
Intergovernmental - other	116,403	0	0	0	0	116,403
Property tax	141,642	0	0	0	0	141,642
State shared taxes and municipal taxes	1,311,394	0	0	0	252,942	1,564,336
Lodgers' tax	0	0	0	0	145,855	145,855
Licenses and permits	11,610	0	0	0	0	11,610
Fines	69,787	0	0	0	20,387	90,174
Franchise tax	107,681	0	0	0	0	107,681
Charges for services	114,242	0	0	0	8,298	122,540
Interest income	134	387	0	2,891	4,216	7,628
Sale of property	0	0	0	0	7,275	7,275
Donations	0	0	0	0	38,588	38,588
Prison fund - impact fees	280,000	0	0	0	0	280,000
Miscellaneous	66,976	0	0	0	0	66,976
<i>Total revenues</i>	<b>2,324,669</b>	<b>311,891</b>	<b>506,986</b>	<b>2,891</b>	<b>569,613</b>	<b>3,716,050</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	717,030	0	0	0	0	717,030
Public safety	1,426,857	199,200	0	0	53,765	1,679,822
Public works	61,535	0	0	0	283,833	345,368
Health and welfare	0	0	0	0	152,626	152,626
Cultural and recreational	209,818	0	0	0	148,054	357,872
Capital outlay	5,113	508,743	593,830	0	5,218	1,112,904
<b>Debt Service:</b>						
Principal	0	70,099	0	0	73,614	143,713
Interest and other charges	3,431	16,289	0	0	8,324	28,044
<i>Total expenditures</i>	<b>2,423,784</b>	<b>794,331</b>	<b>593,830</b>	<b>0</b>	<b>725,434</b>	<b>4,537,379</b>
<i>Revenues over (under) expenditures</i>	(99,115)	(482,440)	(86,844)	2,891	(155,821)	(821,329)
<b>Other Financing Sources (Uses):</b>						
Transfers in	133,000	0	26,537	0	82,897	242,434
Transfers out	(80,409)	0	0	0	(21,803)	(102,212)
<i>Total other financing sources (uses)</i>	<b>52,591</b>	<b>0</b>	<b>26,537</b>	<b>0</b>	<b>61,094</b>	<b>140,222</b>
<i>Net changes in fund balances</i>	(46,524)	(482,440)	(60,307)	2,891	(94,727)	(681,107)

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, 2015**

	Major Funds					Total Governmental Funds
	General Fund	Fire Protection Fund	Government Assistance	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
<b>FUND BALANCE</b>						
Fund balance, beginning of year, as previously stated	487,544	480,169	112,920	1,177,122	703,207	2,960,962
Restatements	225	0	36,785	0	(12,497)	24,513
Fund balance, beginning of year, as restated	487,769	480,169	149,705	1,177,122	690,710	2,985,475
<b><i>Fund balance, end of year</i></b>	<b>\$441,245</b>	<b>(\$2,271)</b>	<b>\$89,398</b>	<b>\$1,180,013</b>	<b>\$595,983</b>	<b>\$2,304,368</b>

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, 2015

<b>Net change in fund balances - Governmental Funds</b>	<b>(\$681,107)</b>
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 (\$1,033,023) exceeded depreciation (\$515,092).	517,931
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.	143,712
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 (\$22,367) and accrued interest payable (\$8,946).	(13,421)
Pension expense after the measurement date deferred to next period but was expensed in the funds.	35,715
Some revenues reported in the statement of activities are not available for expenditure in the governmental funds - property tax.	2,375
<b><i>Change in net position of governmental activities</i></b>	<b>\$5,205</b>

**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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
State shared taxes and municipal taxes	\$1,354,700	\$1,354,700	\$1,146,776	(\$207,924)
Property taxes	135,448	135,448	142,061	6,613
Franchise taxes	85,000	85,000	109,632	24,632
Fine and forfeits	96,000	96,000	69,787	(26,213)
Licenses and permits	11,300	11,300	11,610	310
Intergovernmental Revenue:				
Federal	8,743	8,743	5,497	(3,246)
State	232,000	232,000	97,003	(134,997)
Local	415,300	415,300	116,613	(298,687)
Interest	1,000	1,000	134	(866)
Charges for services	135,000	135,000	114,242	(20,758)
Miscellaneous	303,100	303,100	346,547	43,447
<i>Total revenues</i>	<u>2,777,591</u>	<u>2,777,591</u>	<u>2,159,902</u>	<u>(617,689)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	766,407	766,407	722,091	44,316
Public safety	1,527,457	1,527,457	1,405,531	121,926
Public works	61,503	61,503	61,274	229
Cultural and recreational	245,879	245,879	207,576	38,303
<b>Debt service</b>	700	700	3,431	(2,731)
<b>Capital outlay</b>	8,000	8,000	5,112	2,888
<i>Total expenditures</i>	<u>2,609,946</u>	<u>2,609,946</u>	<u>2,405,015</u>	<u>204,931</u>
<i>Excess (deficiency) of revenues over expenditures</i>	167,645	167,645	(245,113)	(412,758)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	133,000	133,000	133,000	0
Operating transfers (out)	(141,506)	(161,717)	(80,409)	81,308
<i>Total other financing sources (uses)</i>	<u>(8,506)</u>	<u>(28,717)</u>	<u>52,591</u>	<u>81,308</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$159,139</u>	<u>\$138,928</u>	<u>(\$192,522)</u>	<u>(\$331,450)</u>
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)			(\$192,522)	
Adjustments for revenue accruals, transfers, earnings on investments			164,767	
Adjustments for expenditures for payables, inventory, other expenditure accruals			(18,769)	
<b>Net changes in fund balance (GAAP basis)</b>			<u>(\$46,524)</u>	

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Intergovernmental - state	\$311,504	\$311,504	\$311,504	\$0
Interest on investments	0	0	387	387
<i>Total revenues</i>	311,504	311,504	311,891	387
<b>EXPENDITURES</b>				
Public safety	185,116	185,116	197,579	(12,463)
Debt service	86,388	86,388	86,388	0
Capital outlay	40,000	525,174	508,743	16,431
<i>Total expenditures</i>	311,504	796,678	792,710	3,968
<i>Excess (deficiency) of revenues over expenditures</i>	0	(485,174)	(\$480,819)	\$4,355
<i>Budgeted cash carryover</i>	0	485,174		
	\$0	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$480,819)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(1,621)
<b>Net changes in fund balance (GAAP basis)</b>	<b>(\$482,440)</b>

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



**TOWN OF CLAYTON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF FUND NET POSITION**  
**JUNE 30, 2015**

	Joint Utilities
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$784,183
Investments	400,000
Grants receivable	47,112
State shared and municipal taxes receivable	26,780
Accounts receivable, water and sewer (net of allowance)	167,815
<i>Total current assets</i>	1,425,890
<b>Non-Current Assets</b>	
<b>Restricted Assets:</b>	
Cash held with trustee	130,651
Cash - customer deposits	12,855
<i>Total restricted assets</i>	143,506
<b>Capital Assets:</b>	
Capital assets - not depreciated	4,801,350
Capital assets - depreciated	21,800,095
Less accumulated depreciation	(8,861,135)
<i>Net capital assets</i>	17,740,310
<i>Total assets</i>	19,309,706
<b>Deferred outflows of resources</b>	38,174
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	48,260
Accrued payroll	10,145
Accrued interest payable	13,591
Utility deposits	12,855
Due to others	19,913
Current portion of long-term debt/lease payable	130,518
<i>Total current liabilities</i>	235,282
<b>Non-Current Liabilities:</b>	
Long-term debt	2,434,724
Compensated absences	55,474
Landfill post closure	1,067,312
Net pension liability	326,038
<i>Total noncurrent liabilities</i>	3,883,548
<i>Total liabilities</i>	4,118,830
<b>Deferred inflows of resources</b>	127,778
<b>Net Position:</b>	
Net investment in capital assets	15,204,765
Restricted for debt service	130,651
Unrestricted	(234,144)
<i>Total net position</i>	<b>\$15,101,272</b>

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, 2015**

	Joint Utilities
<b>OPERATING REVENUES</b>	
Water	\$495,556
Wastewater	290,820
Solid waste	346,343
<i>Total operating revenues</i>	1,132,719
<b>OPERATING EXPENSES</b>	
Operating expenses:	
Water	493,017
Wastewater	230,772
Solid waste (net of landfill post closure care cost reduction of \$299,645)	89,315
Depreciation	417,419
<i>Total operating expenses</i>	1,230,523
<i>Net income (loss) from operations</i>	(97,804)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal grants and subsidies	582,859
State grants	31,581
State gross receipts tax	186,623
Interest earnings	3,886
Interest expense	(75,238)
Forgiveness of debt income	10,213
Other miscellaneous income (expense)	38,770
Prison fund operating surplus	119,876
<i>Total non-operating revenues (expenses)</i>	898,570
<i>Net income (loss) before contributions and transfers</i>	800,766
Operating transfers in	8,376
Operating transfers (out)	(148,598)
<i>Change in net position</i>	660,544
Total fund net position, at beginning of year, as previously stated	14,969,396
Restatements	(528,668)
Total fund net position, at beginning of year, as restated	14,440,728
<b><i>Total fund net position, at end of year</i></b>	<b>\$15,101,272</b>

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, 2015**

	Joint Utilities
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers (including other funds)	\$1,155,230
Cash paid to suppliers	(1,329,685)
Cash paid to employees	(395,592)
<i>Net cash provided (used) by operating activities</i>	(570,047)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Grants and state tax	186,623
Miscellaneous income	158,646
Transfers in (out)	(140,222)
<i>Net cash provided (used) by noncapital financing activities</i>	205,047
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of property and equipment	(600,674)
Capital grants	912,420
Long-term debt proceeds	10,213
Principal paid: revenue bonds/lease purchase/advances	(99,136)
Interest paid: revenue bonds/lease purchase/advances	(79,368)
Other debt income - subsidy debt forgiveness	10,213
<i>Net cash provided (used) by capital and related financing activities</i>	153,668
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	3,886
<i>Net cash provided (used) by investing activities</i>	3,886
<i>Net increase (decrease) in cash</i>	(207,446)
Cash, beginning of year	1,135,135
<b><i>Cash, end of year</i></b>	<b><i>\$927,689</i></b>
Cash and cash equivalents	\$784,183
Cash held with trustee	130,651
Customer deposits	12,855
<i>Total cash</i>	<i>\$927,689</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, 2015**

	Joint Utilities
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income (loss)	(\$97,804)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	417,419
<b>Change in assets and liabilities:</b>	
(Increase) Decrease in assets:	
Accounts receivable	15,638
Taxes receivable	6,450
Increase (Decrease) in liabilities:	
Accounts and contracts payable	(611,561)
Wages payable	1,493
Compensated absences	15,873
Tenant deposits/utility deposits	423
Decrease in landfill closure liability	(299,645)
Net pension contribution/liability	(18,333)
<i>Total adjustments</i>	(472,243)
<b><i>Net cash provided (used) by operating activities</i></b>	<b><i>(\$570,047)</i></b>

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

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015. 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, 2015**

**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, 2015**

**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, 2015**

**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 *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 *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 nine 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.



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The *cemetery fund* accounts for funds received from sale of lots and donations for the purpose of maintaining a community cemetery. The fund was established by local ordinance authorized by Section 3-40-1 NMSA 1978.

The *lodgers' tax fund* accounts for funds received from a local lodgers' tax that is to be used for promotion of the Town. The fund was established by local ordinance authorized by Section 3-38-13 through 3-38-24 NMSA 1978. Section 3-38-15(E) NMSA 1978, restricts the use of the tax for advertising, publicizing and promoting tourist-related attractions, facilities and events.

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 1<sup>st</sup> to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1<sup>st</sup> with final certification of the 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, 2015**

**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, 2015**

**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, 2015, 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, 2015**

**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. Implementation of GASB 68 Accounting and Financial Reporting for pensions requires the recognition deferred inflows and outflows for pension contributions and investment experience - see Note 13.

*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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015**

**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, 2015, 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	\$788
First National Bank of New Mexico	1,117,948	(48,916)	1,069,032	31,442
Farmer's & Stockmen's Bank	2,047,755	(57,016)	1,990,739	98,798
Cash held with Trustee	166,079	0	166,079	0
<i>Total cash deposits</i>	3,331,782	(105,480)	3,226,302	131,028
Less CD's report as investments	(652,780)	0	(652,780)	(63,004)
	<b>\$2,679,002</b>	<b>(\$105,480)</b>	<b>\$2,573,522</b>	<b>\$68,024</b>

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

	Primary Government	Component Unit
Statement of Net Position:		
Cash	\$2,394,588	\$60,049
Restricted cash	178,934	7,795
<b>Total cash reported on financial statements</b>	<b>\$2,573,522</b>	<b>\$68,024</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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	\$1,117,948	\$2,047,755
Less: FDIC insurance – demand deposits	(250,000)	(250,000)
FDIC insurance – Time deposits	(124,000)	(250,000)
<i>Uninsured public funds</i>	743,948	1,547,755
Pledged collateral held by pledging bank's agent, but not in the Town's name	708,052	955,491
<b><i>Uninsured and uncollateralized public funds</i></b>	<b>\$35,896</b>	<b>\$592,264</b>
Total pledged collateral	\$720,708	\$960,018
50% pledged collateral requirement per state statute	371,974	773,877
<b><i>Pledged collateral (under) over the requirement</i></b>	<b>\$348,734</b>	<b>\$186,141</b>

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, 2015, \$349,380 of the Town's bank balance of \$2,512,473 was exposed to custodial credit risk as follows:

	First National Bank of New Mexico	Farmer's & Stockmen's Bank	Total
<b><i>Uninsured and collateral held by agent, not in Town's name</i></b>	<b>\$743,948</b>	<b>\$1,547,755</b>	<b>\$2,291,703</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3. RESTRICTED CASH**

At June 30, 2015, cash was held and invested by the New Mexico Finance Authority (NMFA). As part of the loan agreement with NMFA, cash is held for:

Debt Reserve	\$118,461
<u>Debt Service</u>	<u>47,620</u>
	<u><b>\$166,081</b></u>

**Funds held by Trustee:**

**NMFA-Debt Reserve**

This 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.



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4. RECEIVABLES, NET**

Receivables net of allowance for doubtful accounts at June 30, 2015 consisted of the following:

	Governmental Activities	Business-Type Activities
<b>Accounts receivable</b>		
Charges for services	\$156,960	\$193,842
Allowance for doubtful accounts	(98,659)	(26,027)
<i>Total</i>	58,301	167,815
<b>Taxes receivable:</b>		
Gross receipts tax	247,126	26,780
Franchise taxes	26,556	0
Property taxes	29,295	0
Lodgers' taxes	15,580	0
<i>Total</i>	318,557	26,780
<b>Intergovernmental receivables:</b>		
Water system improvements	0	41,112
Public safety grants	5,423	0
Airport state grants	78,387	0
Transportation grants	2,525	0
Health grants	809	0
Senior programs	3,759	0
Other – County	12,996	0
<i>Total</i>	103,899	41,112
<b>Other receivables:</b>		
Prison Fund	116,666	0
<b><i>Receivables, net</i></b>	<b>\$597,423</b>	<b>\$235,707</b>

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 \$12,861 resulting in an allowance for doubtful accounts balance of \$98,659 at June 30, 2015. 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 \$3,460 resulting in an allowance for doubtful accounts balance of \$26,027 at June 30, 2015.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1<sup>st</sup>. Property tax rates for the year are set no later than September 1<sup>st</sup> each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Union County Assessor to develop the property tax schedule by October 1<sup>st</sup>.

Tax notices are sent by the Union County Treasurer to property owners by November 1<sup>st</sup> of each year. Taxes are payable in equal semiannual installments by November 10<sup>th</sup> and April 10<sup>th</sup> of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Taxes are collected on behalf of the Town by the county treasurer, and are remitted to the Town in the month following collection. The county treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the county treasurer's office.

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year 2014, was \$4.938 per \$1,000 for non-residential and \$4.938 for residential property. In the year 2014, there was no tax rate established for payment of bonds principal and interest.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6. CAPITAL ASSETS**

Governmental activities capital assets for the fiscal year ended June 30, 2015, are as follows:

	Balance 6/30/2014	Increases	Transfers/ Decreases	Balance 6/30/2015
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$278,730	\$0	\$0	\$278,730
Construction in progress	690,606	536,338	(98,870)	1,128,074
<b><i>Total capital assets, not being depreciated</i></b>	<b>969,336</b>	<b>536,338</b>	<b>(98,870)</b>	<b>1,406,804</b>
Depreciable capital assets:				
Buildings and improvements	3,495,680	0	0	3,495,680
Airport runway	3,241,289	0	0	3,241,289
Airport improvements	0	0	98,870	98,870
Infrastructure	3,059,141	0	0	3,059,141
Furniture, fixtures and equipment	3,579,498	496,685	(119,896)	3,956,287
<b><i>Total depreciable capital assets</i></b>	<b>13,375,608</b>	<b>496,685</b>	<b>(21,026)</b>	<b>13,851,267</b>
Less accumulated depreciation:				
Buildings and improvements	(1,685,338)	(109,821)	0	(1,795,159)
Airport runway	(667,123)	(99,630)	0	(766,753)
Airport improvements	0	(824)	0	(824)
Infrastructure	(230,917)	(63,022)	0	(293,939)
Furniture, fixtures and equipment	(2,181,077)	(241,795)	119,896	(2,302,976)
<b><i>Total accumulated depreciation</i></b>	<b>(4,764,455)</b>	<b>(515,092)</b>	<b>119,896</b>	<b>(5,159,651)</b>
<b><i>Depreciable capital assets, net</i></b>	<b>8,611,153</b>	<b>(18,407)</b>	<b>98,870</b>	<b>8,691,616</b>
<b><i>Total capital assets, net</i></b>	<b>\$9,580,489</b>	<b>\$517,931</b>	<b>\$0</b>	<b>\$10,098,420</b>

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

General government	\$59,494
Public safety	295,141
Public works	91,230
Culture and recreation	42,904
Health and welfare	26,323
	<b>\$515,092</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6. CAPITAL ASSETS (CONTINUED)**

Business-type activities capital assets for the fiscal year ended June 30, 2015 are as follows:

	Balance 6/30/2014	Increases	Decreases	Balance 6/30/2015
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$745,966	\$0	\$0	\$745,966
Construction in progress	5,940,998	581,343	(2,466,957)	4,055,384
<i>Total capital assets, not being depreciated</i>	<i>6,686,964</i>	<i>581,343</i>	<i>(2,466,957)</i>	<i>4,801,350</i>
Depreciable capital assets:				
Water utility system	9,920,813	0	2,466,957	12,387,770
Sewer utility system	8,459,734	0	0	8,459,734
Solid waste system	74,455	0	0	74,455
Furniture, fixtures and equipment	858,805	19,331	0	878,136
<i>Total depreciable capital assets</i>	<i>19,313,807</i>	<i>19,331</i>	<i>2,466,957</i>	<i>21,800,095</i>
Less accumulated depreciation:				
Water utility system	(4,039,502)	(257,362)	0	(4,296,864)
Sewer utility system	(3,795,465)	(119,513)	0	(3,914,978)
Solid waste system	(7,702)	(2,302)	0	(10,004)
Furniture, fixtures and equipment	(601,047)	(38,242)	0	(639,289)
<i>Total accumulated depreciation</i>	<i>(8,443,716)</i>	<i>(417,419)</i>	<i>0</i>	<i>(8,861,135)</i>
<i>Depreciable capital assets, net</i>	<i>10,870,091</i>	<i>(398,088)</i>	<i>2,466,957</i>	<i>12,938,960</i>
<b><i>Total capital assets, net</i></b>	<b><i>\$17,557,055</i></b>	<b><i>\$183,255</i></b>	<b><i>\$0</i></b>	<b><i>\$17,740,310</i></b>

Depreciation expense for business-type activities for the year ended June 30, 2015 was \$417,419.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7. CAPITAL ASSETS - COMPONENT UNIT**

The housing authority of the Town of Clayton reclassified capital assets reported at June 30, 2014. The following reflects the reclassifications and activity for the fiscal year ended June 30, 2015:

	Balance 6/30/2014	Restatements	Increases	Decreases	Balance 6/30/2015
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$51,294	\$0	\$0	\$0	\$51,294
Construction in progress	1,000	(1,000)	0	0	0
<i>Total capital assets, not being depreciated</i>	<i>52,294</i>	<i>(1,000)</i>	<i>0</i>	<i>0</i>	<i>51,294</i>
Depreciable capital assets:					
Buildings	2,257,306	1,561	5,636	0	2,264,503
Building improvements	643,409	(561)	0	0	642,848
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>3,445,066</i>	<i>1,000</i>	<i>5,636</i>	<i>0</i>	<i>3,451,702</i>
Less accumulated depreciation:					
Buildings	(1,433,726)	(3,039)	(80,879)	0	(1,517,644)
Building improvements	(509,457)	0	(21,624)	0	(531,081)
Equipment and furniture	(440,190)	3,040	(17,283)	0	(454,433)
Vehicles	(26,069)	0	(1,311)	0	(27,380)
<i>Total accumulated depreciation</i>	<i>(2,409,442)</i>	<i>1</i>	<i>(121,097)</i>	<i>0</i>	<i>(2,530,538)</i>
<i>Depreciable capital assets, net</i>	<i>1,035,624</i>	<i>1,001</i>	<i>(115,461)</i>	<i>0</i>	<i>921,164</i>
<b><i>Total capital assets, net</i></b>	<b><i>\$1,087,918</i></b>	<b><i>\$1</i></b>	<b><i>(\$115,461)</i></b>	<b><i>\$0</i></b>	<b><i>\$972,458</i></b>

Depreciation expense for the component unit for the year ended June 30, 2015 was \$115,461.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8. LONG-TERM OBLIGATIONS**

Changes in governmental activities obligations during the year ended June 30, 2015, were as follows:

	Balance 06/30/2014	Increases	Decreases	Balance 06/30/2015	Amounts Due Within One Year
Leases payable	\$27,635	\$0	(\$27,635)	\$0	\$0
Notes payable:					
NMFA (#2265) Golf course irrigation loan	121,108	0	(28,462)	92,646	28,462
NMFA (#2238) Fire pumper loan	59,296	0	(59,296)	0	0
NMFA (#2818) Police vehicles loan	70,750	0	(17,516)	53,234	17,607
NMFA (#2965) Fire pumper loan	485,174	0	(10,803)	474,371	76,090
Compensated absences	145,918	86,577	(61,653)	170,842	2,557
	<b>\$909,881</b>	<b>\$86,577</b>	<b>(\$205,365)</b>	<b>\$791,093</b>	<b>\$124,716</b>

**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 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.

This lease was paid off during the fiscal year ending June 30, 2015.

**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, 2015, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2016	\$29,599	\$4,091	\$33,690
2017	30,848	2,842	33,690
2018	32,199	1,486	33,685
	<b>\$92,646</b>	<b>\$8,419</b>	<b>\$101,065</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)**

**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.

This note was paid off during the fiscal year ending June 30, 2015.

**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, 2015, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2016	\$17,607	\$507	\$18,114
2017	17,733	381	18,114
2018	17,894	220	18,114
	\$53,234	\$1,108	\$54,342

**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, 2015, including interest payments, are as follows:

Due in year ending June 30:	Principal	Interest	Total
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	81,082	4,513	85,595
2021	83,183	2,412	85,595
	\$474,371	\$39,199	\$513,570

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015, are as follows:

	Balance 06/30/2014	Increases	Decreases	Balance 06/30/2015	Amounts Due Within One Year
<b>Notes Payable:</b>					
Joint Utility System Revenue Bonds (USDA)	\$1,161,000	\$0	(\$20,000)	\$1,141,000	\$20,000
Land Acquisition & Water Wells Imp #1	147,221	0	(22,070)	125,151	22,989
Land Acquisition & Water Wells Imp #2	30,528	0	(5,056)	25,472	5,069
Wastewater System Improvement	1,096,011	0	(41,693)	1,054,318	42,420
Water Reuse Discharge System	189,708	0	(10,317)	179,391	10,343
Drinking Water	0	10,213	0	10,213	0
Compensated Absences	39,601	27,327	(11,454)	55,474	0
Landfill Closure & Post-Closure Liability	1,396,654	0	(299,645)	1,097,009	29,697
<i>Component unit capital assets, net</i>	<b>\$4,060,723</b>	<b>\$37,540</b>	<b>(\$410,235)</b>	<b>\$3,688,028</b>	<b>\$130,518</b>



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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 2015 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, 2015, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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	20,000	29,100	49,100
2021 – 2025	100,000	137,400	237,400
2026 – 2030	110,000	123,600	233,600
2031 – 2035	150,000	105,800	255,800
2036 – 2040	150,000	85,200	235,200
2041 – 2045	190,000	62,800	252,800
2046 – 2050	200,000	35,500	235,500
2051 – 2053	141,000	7,400	148,400
	\$1,141,000	\$708,800	\$1,849,800

**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, 2015, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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
	\$125,151	\$15,675	\$140,826

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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>\$25,472</u>	<u>\$0</u>	<u>\$25,472</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, 2015, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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	46,269	31,801	78,070
2021 – 2025	252,272	138,078	390,350
2026 – 2030	298,104	92,248	390,352
2031 – 2034	282,655	29,626	312,281
	<u>\$1,054,318</u>	<u>\$429,015</u>	<u>\$1,483,333</u>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015, are as follows:

Due in year ending June 30:	Principal	Interest	Total
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	10,447	0	10,447
2021 – 2025	52,627		52,627
2026 – 2030	53,288	0	53,288
2031 & 2032	21,503	0	21,503
	<u>\$179,391</u>	<u>\$0</u>	<u>\$179,391</u>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)**

**Drinking Water Loan**

On July 25, 2014, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$621,150 for a system-wide change out of all existing water meters and registers. The note bears an interest rate of 2.00% (which includes the administrative fee) and matures on May 1, 2036. As of June 30, 2015, the Town has only drawn \$10,213.

The loan includes a subsidy which will be applied proportionally at the time of each cash disbursement. The Town is eligible to receive 25% in principal forgiveness and 25% in base forgiveness, resulting in a total of 50% loan forgiveness. For the year ended June 30, 2015, \$10,213 was forgiven which has been shown as debt forgiveness revenue. For the remaining loan balance, 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, 2015, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2016	\$0	\$9,317	\$9,317
2017	19,173	9,317	28,490
2018	19,557	8,934	28,491
2019	19,948	8,543	28,491
2020	20,347	8,144	28,491
2021 – 2025	108,004	34,449	142,453
2026 – 2030	119,245	23,208	142,453
2031 – 2035	131,656	10,797	142,453
2036	27,932	558	28,490
	<b>\$465,862</b>	<b>\$113,267</b>	<b>\$579,129</b>

**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. Monitoring cost dropped \$299,645 due to a clean bill of health for the last five years. 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 \$29,697 on post-closure monitoring during the upcoming fiscal year.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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, 2015 is \$57,490,000.

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.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**General Information about the Pension Plan**

**Plan description.** The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the Town of Clayton are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to Town of Clayton are: Municipal General, Municipal Police, and Municipal Fire. Statutorily required contributions to the pension plan from the Town of Clayton were \$210,037 and employer paid member benefits that were “picked up” by the employer were \$35,557 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Town of Clayton’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For PERA Fund Division Municipal General**, at June 30, 2015, the Town of Clayton reported a liability of \$1,034,422 for its proportionate share of the net pension liability. At June 30, 2014, the Town of Clayton's proportion was .1326 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Town of Clayton recognized PERA Fund Division Municipal General pension expense of \$66,194. At June 30, 2015, the Town of Clayton reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Changes of assumptions	0	701
Net difference between projected and actual earnings on pension plan investments	0	404,693
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	0	0
Town of Clayton contributions subsequent to the measurement date	135,428	0
Total	\$135,428	\$405,394

\$135,428 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$101,348
2017	101,348
2018	101,348
2019	101,348
2020	2
	\$405,394

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

**For PERA Fund Division Municipal Police**, at June 30, 2015, the Town of Clayton reported a liability of \$553,530 for its proportionate share of the net pension liability. At June 30, 2014, the Town of Clayton's proportion was .1698 percent, which was an increase of zero from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Town of Clayton recognized PERA Fund Division Municipal Police pension expense of \$44,203. At June 30, 2015, the Town of Clayton reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Changes of assumptions	0	44,965
Net difference between projected and actual earnings on pension plan investments	0	205,827
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	0	0
<u>Town of Clayton contributions subsequent to the measurement date</u>	<u>60,927</u>	<u>0</u>
<b>Total</b>	<b>\$60,927</b>	<b>\$250,792</b>

\$60,927 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$62,642
2017	62,642
2018	62,642
2019	62,642
<u>2020</u>	<u>224</u>
<u>Thereafter</u>	<u>\$250,792</u>



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

**For PERA Fund Division Municipal Fire**, at June 30, 2015, the Town of Clayton reported a liability of \$818,520 for its proportionate share of the net pension liability. At June 30, 2014, the Town of Clayton’s proportion was .1961 percent, which was an increase of zero from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Town of Clayton recognized PERA Fund Division Municipal Fire pension expense of \$76,997. At June 30, 2015, the Town of Clayton reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Changes of assumptions	28,415	0
Net difference between projected and actual earnings on pension plan investments	0	113,370
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	0	0
<u>Town of Clayton contributions subsequent to the measurement date</u>	<u>49,239</u>	<u>0</u>
<b>Total</b>	<b>\$77,654</b>	<b>\$113,370</b>

\$49,239 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$21,274
2017	21,274
2018	21,274
2019	21,274
<u>2020</u>	<u>(141)</u>
	<u>\$84,955</u>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

*Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0%	

*Discount rate:* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

*Sensitivity of the Town of Clayton's proportionate share of the net pension liability to changes in the discount rate.* The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town of Clayton's net pension liability in each PERA Fund Division that Town of Clayton participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<b>PERA Fund Division Municipal General</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Town of Clayton's proportionate share of the net pension liability	\$1,950,119	\$1,034,422	\$327,003
<b>PERA Fund Division Municipal Police</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Town of Clayton's proportionate share of the net pension liability	\$1,055,582	\$553,530	\$178,654
<b>PERA Fund Division Municipal Fire</b>	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Town of Clayton's proportionate share of the net pension liability	\$1,156,508	\$818,520	\$569,241

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the pension plan.** The Town of Clayton is legally required to make defined contributions to the cost sharing pension plan on behalf of its' participant employees. At June 30, 2015, the Town of Clayton had paid all required contributions and therefore, there is no payable to the pension plan.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 11. INTERFUND BALANCES AND TRANSFERS**

	<b>Due from</b>		<b>Total</b>
	<b>General Fund</b>	<b>Government Assistance</b>	
<b>Due to:</b>			
Fire protection fund	\$1,262	\$0	\$1,262
Municipal income permanent fund	0	23,403	23,403
Municipal Street Fund	6,208	0	6,208
	<b>\$7,470</b>	<b>\$23,403</b>	<b>\$30,873</b>

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.

	<b>General Fund</b>	<b>Government Assistance Fund</b>	<b>Joint Utility Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Transfers (Out):</b>					
General Fund	\$0	\$13,110	\$0	\$67,299	\$80,409
Nonmajor Governmental Funds	0	13,427	8,376	0	21,803
Joint Utility Fund	133,000	0	0	15,598	148,598
	<b>\$133,000</b>	<b>\$26,537</b>	<b>\$8,376</b>	<b>\$82,897</b>	<b>\$250,810</b>

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, 2015**

**NOTE 12. 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, 2015**

**NOTE 12. FUND BALANCE CLASSIFICATIONS (CONTINUED)**

The classification of governmental fund balances is as follows:

	Major Funds					Total
	General Fund	Fire Protection Fund	Government Assistance	Municipal Income Permanent Fund	Other Funds	
Fund Balances:						
Restricted for:						
Cemetery care	\$0	\$0	\$0	\$0	\$132,883	\$132,883
Health and social services	0	0	0	0	28,082	28,082
Streets and parks	0	0	0	0	9,856	9,856
Fire protection	0	0	0	0	0	0
Library	0	0	0	0	128,009	128,009
Law enforcement and corrections	0	0	0	0	153,755	153,755
Recreation and promotion	0	0	0	0	107,970	107,970
Debt service	0	0	0	0	35,428	35,428
Capital projects	0	0	89,398	0	0	89,398
Expendable endowment	0	0	0	1,180,013	0	1,180,013
Unassigned	441,245	(2,271)	0	0	0	438,974
<b><i>Total fund balances</i></b>	<b>\$441,245</b>	<b>(\$2,271)</b>	<b>\$89,398</b>	<b>\$1,180,013</b>	<b>\$595,983</b>	<b>\$2,304,368</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 13. 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, 2014 have been restated for the reasons described below:

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
<b>Government-Wide Financial Statements:</b>			
Net pension liability (implementation of GASB 68)	(\$2,426,354)	\$0	\$0
<b>Fund Statements:</b>			
General Fund			
Correction of grant receivable	225		225
Government Assistance Fund			
Grantor allowed reimbursement of prior expense – grant receivable	24,888		24,288
Correction of grant receivable	12,497		12,497
Nonmajor Governmental Funds			
Correction of grant receivable	(12,497)		(12,497)
			\$24,513
Joint Utility Fund			
Net pension liability (implementation of GASB 68)		(433,975)	(433,975)
Correction of USDA grant receivable		(94,693)	(94,693)
			(\$528,668)
<b>Total restatements</b>	<b>(\$2,401,841)</b>	<b>(\$528,668)</b>	

**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.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**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**

As of June 30, 2015, the Town has construction contracts in progress with total cost of \$5,275,923. 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 \$477,534.

**NOTE 18. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the basic financial statements of certain information concerning individual funds including:

A. Deficit fund balance of individual funds:

<u>Fire Protection Fund</u>	<u>(\$2,271)</u>
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B. Excess of fund actual expenditures/transfers out over budget

<u>Fund</u>	<u>Budget/Amount</u>	<u>Actual Amount</u>	<u>Over Expended</u>
Municipal Street Fund			
Transfers out	\$0	\$21,131	(\$21,131)



REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF CLAYTON'S PROPORATIONATE SHARE  
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION  
MUNICIPAL GENERAL**  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\*

	<b>2015</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1326%
Town of Clayton's proportionate share of the net pension liability (asset)	\$1,034,422
Town of Clayton's covered-employee payroll	\$1,157,502
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.36%
Plan fiduciary net position as a percentage of the total pension liability	81.5%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town of Clayton will present information for those years for which information is available.

**SCHEDULE OF THE TOWN OF CLAYTON'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION  
MUNICIPAL POLICE**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years\*

	<b>2015</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1698%
Town of Clayton's proportionate share of the net pension liability (asset)	\$553,530
Town of Clayton's covered-employee payroll	\$289,443
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	191.24%
Plan fiduciary net position as a percentage of the total pension liability	78.3%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town of Clayton will present information for those years for which information is available.

**SCHEDULE OF THE TOWN OF CLAYTON'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION  
MUNICIPAL FIRE  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\***

	<b>2015</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1961%
Town of Clayton's proportionate share of the net pension liability (asset)	\$818,520
Town of Clayton's covered-employee payroll	\$206,885
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	395.64%
Plan fiduciary net position as a percentage of the total pension liability	62.7%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town of Clayton will present information for those years for which information is available.

**SCHEDULE OF TOWN OF CLAYTON'S CONTRIBUTIONS**  
Public Employees Retirement Association (PERA) Plan  
**PERA FUND DIVISION -MUNICIPAL GENERAL**  
Last 10 Fiscal Years\*

	<b>2015</b>
Contractually required contribution	\$110,541
Contributions in relation to the contractually required contribution	\$110,541
Contribution deficiency (excess)	\$0
Town of Clayton's covered-employee payroll	\$1,157,502
Contributions as a percentage of covered-employee payroll	9.55%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town of Clayton will present information for those years for which information is available.

**SCHEDULE OF TOWN OF CLAYTON'S CONTRIBUTIONS**

Public Employees Retirement Association (PERA) Plan

**PERA FUND DIVISION - MUNICIPAL POLICE**

Last 10 Fiscal Years\*

	<b>2015</b>
Contractually required contribution	\$54,705
Contributions in relation to the contractually required contribution	\$54,705
Contribution deficiency (excess)	\$0
Town of Clayton's covered-employee payroll	\$289,443
Contributions as a percentage of covered-employee payroll	18.90%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town of Clayton will present information for those years for which information is available.

**SCHEDULE OF TOWN OF CLAYTON'S CONTRIBUTIONS**

Public Employees Retirement Association (PERA) Plan

**PERA FUND DIVISION - MUNICIPAL FIRE**

Last 10 Fiscal Years\*

	<b>2015</b>
Contractually required contribution	\$44,791
Contributions in relation to the contractually required contribution	\$44,791
Contribution deficiency (excess)	\$0
Town of Clayton's covered-employee payroll	\$206,885
Contributions as a percentage of covered-employee payroll	21.65%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Town of Clayton will present information for those years for which information is available.

**TOWN OF CLAYTON**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

**Public Employee Retirement Association Plan (PERA)**

**Changes of benefit terms.** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at

[http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf). The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.



## SUPPLEMENTARY INFORMATION

**TOWN OF CLAYTON**  
**SPECIAL REVENUE FUNDS**  
JUNE 30, 2015

**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, 2015**

	Cemetery	Emergency Medical Services	Law Enforcement Protection
<b>ASSETS</b>			
Cash	\$33,052	\$0	\$6,444
Investments	100,000	0	0
Accounts receivable	0	0	5,423
Grant revenue receivable	0	0	0
Restricted assets:			
Cash held with trustee	0	0	1,514
<b><i>Total assets</i></b>	<b>\$133,052</b>	<b>\$0</b>	<b>\$13,381</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$169	\$0	\$0
Accrued payroll	0	0	0
Accrued compensated absences - ST	0	0	0
Due to other funds	0	0	0
<b><i>Total liabilities</i></b>	<b>169</b>	<b>0</b>	<b>0</b>
<b>Fund Balance:</b>			
Restricted	132,883	0	13,381
Assigned	0	0	0
Unrestricted	0	0	0
<b><i>Total fund balance</i></b>	<b>132,883</b>	<b>0</b>	<b>13,381</b>
<b><i>Total liabilities and fund balance</i></b>	<b>\$133,052</b>	<b>\$0</b>	<b>\$13,381</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2015**

	Library	Local Government Corrections	Lodgers' Tax	Municipal Street
<b>ASSETS</b>				
Cash	\$117,009	\$24,108	\$67,448	\$0
Investments	11,000	117,780	24,000	0
Accounts receivable	0	0	15,580	29,834
Grant revenue receivable	0	0	0	0
Restricted assets:				
Cash held with trustee	0	0	33,914	0
<b><i>Total assets</i></b>	<b>\$128,009</b>	<b>\$141,888</b>	<b>\$140,942</b>	<b>\$29,834</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts payable	\$0	\$0	\$3,868	\$1,321
Accrued payroll	0	0	0	11,218
Accrued compensated absences - ST	0	0	0	1,231
Due to other funds	0	0	0	6,208
<b><i>Total liabilities</i></b>	<b>0</b>	<b>0</b>	<b>3,868</b>	<b>19,978</b>
<b>Fund Balance:</b>				
Restricted	128,009	141,888	137,074	9,856
Assigned	0	0	0	0
Unrestricted	0	0	0	0
<b><i>Total fund balance</i></b>	<b>128,009</b>	<b>141,888</b>	<b>137,074</b>	<b>9,856</b>
<b><i>Total liabilities and fund balance</i></b>	<b>\$128,009</b>	<b>\$141,888</b>	<b>\$140,942</b>	<b>\$29,834</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2015**

	Recreation	Senior Citizens	Totals
<b>ASSETS</b>			
Cash	\$7,165	\$29,208	\$284,434
Investments	0	0	252,780
Accounts receivable	0	6	50,843
Grant revenue receivable	0	4,568	4,568
Restricted assets:			
Cash held with trustee	0	0	35,428
<b><i>Total assets</i></b>	<b>\$7,165</b>	<b>\$33,782</b>	<b>\$628,053</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Accounts payable	\$45	\$4,344	\$9,747
Accrued payroll	2,310	1,356	14,884
Accrued compensated absences - ST	0	0	1,231
Due to other funds	0	0	6,208
<b><i>Total liabilities</i></b>	<b>2,355</b>	<b>5,700</b>	<b>32,070</b>
<b>Fund Balance:</b>			
Restricted	4,810	28,082	595,983
Assigned	0	0	0
Unrestricted	0	0	0
<b><i>Total fund balance</i></b>	<b>4,810</b>	<b>28,082</b>	<b>595,983</b>
<b><i>Total liabilities and fund balance</i></b>	<b>\$7,165</b>	<b>\$33,782</b>	<b>\$628,053</b>

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, 2015**

	Cemetery	Emergency Medical Services	Law Enforcement Protection
<b>REVENUES</b>			
Intergovernmental - federal	\$0	\$0	\$0
Intergovernmental - state	0	0	23,600
Charges for services	0	0	0
Lodgers' tax	0	0	0
State shared taxes and municipal taxes	0	0	0
Fines	0	0	0
Sales of property	7,275	0	0
Donations	370	0	0
Interest	310	0	66
<i>Total revenues</i>	7,955	0	23,666
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	0	0	0
Public safety	0	26,036	0
Public works	0	0	0
Health and welfare	3,117	0	0
Culture and recreation	0	0	0
Debt service - principal	0	0	17,517
Debt service - interest	0	0	661
Capital outlay	0	0	0
<i>Total expenditures</i>	3,117	26,036	18,178
<i>Excess (deficiency) of revenues over expenditures</i>	4,838	(26,036)	5,488
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	0	0	0
Operating transfers (out)	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0
<i>Net changes in fund balances</i>	4,838	(26,036)	5,488
Fund balance, beginning of year, as previously stated	128,045	26,036	7,893
Restatements	0	0	0
Fund balance, beginning of year, as restated	128,045	26,036	7,893
<b><i>Fund balance (deficit), end of year</i></b>	<b>\$132,883</b>	<b>\$0</b>	<b>\$13,381</b>

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, 2015**

	Library	Local Government Corrections	Lodgers' Tax	Municipal Street
<b>REVENUES</b>				
Intergovernmental - federal	\$0	\$0	\$0	\$0
Intergovernmental - state	9,124	0	0	0
Charges for services	0	0	0	0
Lodgers' tax	0	0	145,855	0
State shared taxes and municipal taxes	0	0	0	252,617
Fines	0	20,387	0	0
Sales of property	0	0	0	0
Donations	0	0	0	0
Interest	2,390	847	292	311
<i>Total revenues</i>	11,514	21,234	146,147	252,928
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	0	0	0	0
Public safety	0	27,729	0	0
Public works	0	0	0	283,833
Health and welfare	0	0	0	0
Culture and recreation	12,731	0	106,683	0
Debt service - principal	0	0	28,462	27,635
Debt service - interest	0	0	5,228	2,435
Capital outlay	0	5,218	0	0
<i>Total expenditures</i>	12,731	32,947	140,373	313,903
<i>Excess (deficiency) of revenues over expenditures</i>	(1,217)	(11,713)	5,774	(60,975)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	4,000	0	0	15,598
Operating transfers (out)	0	0	(672)	(21,131)
<i>Total other financing sources (uses)</i>	4,000	0	(672)	(5,533)
<i>Net changes in fund balances</i>	2,783	(11,713)	5,102	(66,508)
Fund balance, beginning of year, as previously stated	125,226	153,601	131,972	76,364
Restatements	0	0	0	0
Fund balance, beginning of year, as restated	125,226	153,601	131,972	76,364
<b><i>Fund balance (deficit), end of year</i></b>	<b>\$128,009</b>	<b>\$141,888</b>	<b>\$137,074</b>	<b>\$9,856</b>

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, 2015**

	Recreation	Senior Citizens	Totals
<b>REVENUES</b>			
Intergovernmental - federal	\$0	\$21,193	\$21,193
Intergovernmental - state	0	38,135	70,859
Charges for services	8,298	0	8,298
Lodgers' tax	0	0	145,855
State shared taxes and municipal taxes	325	0	252,942
Fines	0	0	20,387
Sales of property	0	0	7,275
Donations	0	38,218	38,588
Interest	0	0	4,216
<i>Total revenues</i>	<u>8,623</u>	<u>97,546</u>	<u>569,613</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	0	0	0
Public safety	0	0	53,765
Public works	0	0	283,833
Health and welfare	0	149,509	152,626
Culture and recreation	28,640	0	148,054
Debt service - principal	0	0	73,614
Debt service - interest	0	0	8,324
Capital outlay	0	0	5,218
<i>Total expenditures</i>	<u>28,640</u>	<u>149,509</u>	<u>725,434</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(20,017)	(51,963)	(155,821)
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	12,500	50,799	82,897
Operating transfers (out)	0	0	(21,803)
<i>Total other financing sources (uses)</i>	<u>12,500</u>	<u>50,799</u>	<u>61,094</u>
<i>Net changes in fund balances</i>	(7,517)	(1,164)	(94,727)
Fund balance, beginning of year, as previously stated	12,327	41,743	703,207
Restatements	0	(12,497)	(12,497)
Fund balance, beginning of year, as restated	<u>12,327</u>	<u>29,246</u>	<u>690,710</u>
<b><i>Fund balance (deficit), end of year</i></b>	<b><u>\$4,810</u></b>	<b><u>\$28,082</u></b>	<b><u>\$595,983</u></b>

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Sale of lots	\$2,000	\$2,000	\$7,275	\$5,275
Interest on investments	500	500	310	(190)
Donations	1,000	1,000	370	(630)
<i>Total revenues</i>	3,500	3,500	7,955	4,455
<b>EXPENDITURES</b>				
Health and welfare	4,300	4,300	3,117	1,183
<i>Total expenditures</i>	4,300	4,300	3,117	1,183
<i>Excess (deficiency) of revenues over expenditures</i>	(800)	(800)	4,838	5,638
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	800	800	0	(800)
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	800	800	0	(800)
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$0	\$4,838	\$4,838

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$4,838
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
<b>Net changes in fund balance (GAAP basis)</b>	<b>\$4,838</b>

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Intergovernmental - state	\$17,797	\$17,797	\$17,797	\$0
<i>Total revenues</i>	17,797	17,797	17,797	0
<b>EXPENDITURES</b>				
Public safety	17,797	26,036	26,036	0
<i>Total expenditures</i>	17,797	26,036	26,036	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	(8,239)	(8,239)	\$0
<i>Budgeted cash carryover</i>	0	8,239		
	\$0	\$0		

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
<b>Net changes in fund balance (GAAP basis)</b>	<b>(\$26,036)</b>

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Intergovernmental - state	\$24,200	\$24,200	\$24,200	\$0
Interest on investments	0	0	66	66
<i>Total revenues</i>	24,200	24,200	24,266	66
<b>EXPENDITURES</b>				
Debt service	24,621	24,621	18,178	6,443
<i>Total expenditures</i>	24,621	24,621	18,178	6,443
<i>Excess (deficiency) of revenues over expenditures</i>	(421)	(421)	<u>\$6,088</u>	<u>\$6,509</u>
<i>Budgeted cash carryover</i>	421	421		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$6,088
Adjustments for revenue accruals	(600)
Adjustments for expenditures accruals	0
<u>Net changes in fund balance (GAAP basis)</u>	<u>\$5,488</u>

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Intergovernmental - state	\$8,700	\$16,600	\$9,124	(\$7,476)
Interest	900	900	2,390	1,490
Miscellaneous	0	0	0	0
<i>Total revenues</i>	9,600	17,500	11,514	(5,986)
<b>EXPENDITURES</b>				
Culture and recreation	13,700	21,600	12,731	8,869
<i>Total expenditures</i>	13,700	21,600	12,731	8,869
<i>Excess (deficiency) of revenues over expenditures</i>	(4,100)	(4,100)	(1,217)	2,883
<b>Other Financing Sources (Uses):</b>				
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>	(100)	(100)	<u>\$2,783</u>	<u>\$2,883</u>
Budgeted cash carryover	100	100		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$2,783
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
<b>Net changes in fund balance (GAAP basis)</b>	<u>\$2,783</u>

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Court fines	\$30,000	\$30,000	\$20,387	(\$9,613)
Interest on investments	2,500	2,500	847	(1,653)
<i>Total revenues</i>	<u>32,500</u>	<u>32,500</u>	<u>21,234</u>	<u>(11,266)</u>
<b>EXPENDITURES</b>				
Public safety	39,750	39,750	27,729	12,021
Capital outlay	6,200	6,200	5,218	982
<i>Total expenditures</i>	<u>45,950</u>	<u>45,950</u>	<u>32,947</u>	<u>13,003</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(13,450)	(13,450)	<u>(\$11,713)</u>	<u>\$13,003</u>
<i>Budgeted cash carryover</i>	<u>13,450</u>	<u>13,450</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$11,713)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
<u>Net changes in fund balance (GAAP basis)</u>	<u>(\$11,713)</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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Lodgers' tax	\$146,000	\$146,000	\$140,261	(\$5,739)
Interest on investments	120	120	292	172
Miscellaneous income	0	6,000	6,000	0
<i>Total revenues</i>	146,120	152,120	146,553	(5,567)
<b>EXPENDITURES</b>				
Culture and recreation	103,200	104,200	102,816	1,384
Debt service	33,690	33,690	33,690	0
<i>Total expenditures</i>	136,890	137,890	136,506	1,384
<i>Excess (deficiency) of revenues over expenditures</i>	9,230	14,230	10,047	(4,183)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	0	0	0	0
Operating transfers (out)	(672)	(672)	(672)	0
<i>Total other financing sources (uses)</i>	(672)	(672)	(672)	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$8,558	\$13,558	\$9,375	(\$4,183)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$9,375
Adjustments for revenue accruals	(406)
Adjustments for expenditures accruals	(3,867)
<b>Net changes in fund balance (GAAP basis)</b>	<b>\$5,102</b>

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Municipal tax	\$198,035	\$198,035	\$205,225	\$7,190
State shared taxes	86,400	86,400	70,533	(15,867)
Interest on investments	500	500	311	(189)
Miscellaneous revenue	400	400	0	(400)
<i>Total revenues</i>	<u>285,335</u>	<u>285,335</u>	<u>276,069</u>	<u>(9,266)</u>
<b>EXPENDITURES</b>				
Public works	285,899	285,899	286,025	(126)
Debt service	38,376	38,376	29,372	9,004
Capital outlay	2,000	2,000	0	2,000
<i>Total expenditures</i>	<u>326,275</u>	<u>326,275</u>	<u>315,397</u>	<u>10,878</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(40,940)	(40,940)	(39,328)	1,612
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	20,598	20,598	15,598	(5,000)
Operating transfers (out)	0	0	(21,131)	(21,131)
<i>Total other financing sources (uses)</i>	<u>20,598</u>	<u>20,598</u>	<u>(5,533)</u>	<u>(26,131)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>(\$20,342)</u>	<u>(\$20,342)</u>	<u>(\$44,861)</u>	<u>(\$24,519)</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$44,861)
Adjustments for revenue accruals	(23,141)
Adjustments for expenditures accruals	1,494
<b>Net changes in fund balance (GAAP basis)</b>	<b>(\$66,508)</b>

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
State shared and municipal taxes	\$300	\$300	\$325	\$25
Charges for services	9,000	9,000	8,298	(702)
<i>Total revenues</i>	<u>9,300</u>	<u>9,300</u>	<u>8,623</u>	<u>(677)</u>
<b>EXPENDITURES</b>				
Culture and recreation	32,737	32,737	28,096	4,641
<i>Total expenditures</i>	<u>32,737</u>	<u>32,737</u>	<u>28,096</u>	<u>4,641</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(23,437)	(23,437)	(19,473)	3,939
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	12,500	12,500	12,500	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(10,937)	(10,937)	<u>(\$6,973)</u>	<u>\$3,939</u>
Budgeted cash carryover	10,937	10,937		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$6,973)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(544)
<b>Net changes in fund balance (GAAP basis)</b>	<b><u>(\$7,517)</u></b>

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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Intergovernmental - federal	\$21,843	\$21,843	\$22,453	\$610
Intergovernmental - state	41,670	41,670	41,894	224
Intergovernmental - other	15,000	15,000	1,564	(13,436)
Private grants	0	0	0	0
Fees and charges	23,000	23,000	35,449	12,449
<i>Total revenues</i>	<u>101,513</u>	<u>101,513</u>	<u>101,360</u>	<u>(153)</u>
<b>EXPENDITURES</b>				
Health and welfare	189,195	189,195	147,336	41,859
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>189,195</u>	<u>189,195</u>	<u>147,336</u>	<u>41,859</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(87,682)	(87,682)	(45,976)	41,706
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	85,499	85,499	50,799	(34,700)
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>85,499</u>	<u>85,499</u>	<u>50,799</u>	<u>(34,700)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(2,183)	(2,183)	<u>\$4,823</u>	<u>\$7,006</u>
Budgeted cash carryover	<u>2,183</u>	<u>2,183</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$4,823
Adjustments for revenue accruals	3,814
Adjustments for expenditures accruals	(2,173)
<b>Net changes in fund balance (GAAP basis)</b>	<b>\$6,464</b>

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

**TOWN OF CLAYTON**  
**CAPITAL PROJECTS FUNDS**  
JUNE 30, 2015

**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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Intergovernmental - federal	\$360,000	\$319,881	\$217,797	(\$102,084)
Intergovernmental - state	175,434	417,779	274,986	(142,793)
<i>Total revenues</i>	<u>535,434</u>	<u>737,660</u>	<u>492,783</u>	<u>(244,877)</u>
<b>EXPENDITURES</b>				
Capital outlay	730,665	904,631	547,191	357,440
<i>Total expenditures</i>	<u>730,665</u>	<u>904,631</u>	<u>547,191</u>	<u>357,440</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(195,231)	(166,971)	(54,408)	112,563
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	39,379	59,590	26,537	(33,053)
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>39,379</u>	<u>59,590</u>	<u>26,537</u>	<u>(33,053)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(155,852)	(107,381)	<u>(\$27,871)</u>	<u>\$79,510</u>
<i>Budgeted cash carryover</i>	<u>107,988</u>	<u>107,381</u>		
	<u>(\$47,864)</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$27,871)
Adjustments for revenue accruals	14,203
Adjustments for expenditures accruals	(46,639)
<b>Net changes in fund balance (GAAP basis)</b>	<b>(\$60,307)</b>

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

**TOWN OF CLAYTON**  
**PERMANENT FUND**  
**JUNE 30, 2015**

**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, 2015

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Interest	\$3,000	\$3,000	\$2,891	(\$109)
<i>Total revenues</i>	3,000	3,000	2,891	(109)
<b>EXPENDITURES</b>				
<b>Current:</b>	0	0	0	0
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	\$3,000	\$3,000	\$2,891	(\$109)

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	\$2,891
Adjustments for revenue accruals, transfers, earnings on investments	0
Adjustments for expenditures for payables, inventory, other expenditure accruals	0
<b>Net changes in fund balance (GAAP basis)</b>	<b>\$2,891</b>

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

**TOWN OF CLAYTON**  
**ENTERPRISE FUNDS**  
**JUNE 30, 2015**

**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, 2015**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Refuse collection	\$353,500	\$353,500	\$343,425	(\$10,075)
Water sales	561,750	561,750	465,524	(96,226)
Sewer charges	276,800	276,800	274,200	(2,600)
Total government tax	252,193	252,193	239,729	(12,464)
Other	40,000	64,396	10,900	(53,496)
<i>Total revenues</i>	<u>1,484,243</u>	<u>1,508,639</u>	<u>1,333,778</u>	<u>(174,861)</u>
<b>OPERATING EXPENSES</b>				
Personnel services	565,848	565,848	475,611	90,237
Contractual services	600,346	600,346	228,059	372,287
Other operating expense	153,929	178,325	411,699	(233,374)
Capital outlay	1,798,878	2,264,740	1,186,333	1,078,407
<i>Total operating expenses</i>	<u>3,119,001</u>	<u>3,609,259</u>	<u>2,301,702</u>	<u>1,307,557</u>
<i>Operating income (loss)</i>	(1,634,758)	(2,100,620)	(967,924)	1,132,696
<b>Non-Operating Revenue (Expenses)</b>				
Interest income	6,500	6,500	3,886	(2,614)
Transfers in	0	0	8,376	8,376
Transfers (out)	(153,598)	(153,598)	(148,598)	5,000
Loan proceeds	224,851	690,713	224,852	(465,861)
Principal and interest payments	(171,852)	(171,852)	(165,740)	6,112
Capital grants - state	0	0	20,223	(20,223)
Capital grants - federal	1,159,277	1,159,277	912,420	246,857
Other non-operating revenue	0	0	158,646	(158,646)
<i>Total non-operating revenue (expenses)</i>	<u>1,065,178</u>	<u>1,531,040</u>	<u>1,014,065</u>	<u>(516,975)</u>
<i>Net income (loss)</i>	(569,580)	(569,580)	<u>\$46,141</u>	<u>\$615,721</u>
Budgeted cash carryover	569,580	569,580		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Net income	\$46,141
Adjustments for revenue accruals and loan proceeds	(547,278)
Adjustments for expense accruals, depreciation and principal payments	1,161,681
Changes in net position	<u>\$660,544</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, 2015**

Financial Institution: Account Name	Type of Account	Bank Balance	(Checks) Deposits	Book Balance
<b>CASH</b>				
First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415				
Special Revenues Pool	Checking	\$46,086	(\$47,046)	(\$960)
Payroll Account	Checking	3,693	(1,870)	1,823
MMDA Account	MMA	944,169	0	944,169
Certificate of Deposit	CD	100,000	0	100,000
Certificate of Deposit	CD	24,000	0	24,000
		<b>\$1,117,948</b>	<b>(\$48,916)</b>	<b>\$1,069,032</b>
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415-0488				
General Fund	Checking	\$94,852	(\$21,250)	\$73,602
Utility Pool	Checking	510,220	(6,372)	503,848
A W Thompson Library Fund	Checking	6,182	(543)	5,639
Capital Projects Fund	Checking	257,948	(28,756)	229,192
Vendor Account	Checking	301,939	(86)	301,853
Severance Account	Checking	56,760	(9)	56,751
Wastewater Construction	Checking	0	0	0
TOC Pooled Money Market	MMA	291,074	0	291,074
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
		<b>\$2,047,755</b>	<b>(\$57,016)</b>	<b>\$1,990,739</b>

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, 2015

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

Security	CUSIP	Maturity	Market Value
FNMA	31419KU78	11/1/2015	\$363,052
Lea Cnty Pub Sch Dist	521513CE9	7/15/2019	146,775
Dulce NM Indpt Sch Dist 21	264430HK8	3/1/2019	108,014
W Las Vegas NM Sch District	953869JV9	8/15/2017	102,867
			<u>\$720,708</u>

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

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

Security	CUSIP	Maturity	Market Value
Dulce, New Mexico	264430KJ7	9/1/2017	\$171,040
Carlsbad, New Mexico	142735DG1	8/1/2016	253,487
FNMA	31385XEC7	6/1/2033	196,929
FNMA	3138AA6S5	4/1/2026	107,038
SBA 521906	83165AKT0	11/25/2024	231,524
			<u>\$960,018</u>

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, 2015**

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending dates	Total Estimated Amount of Project	Contribution 6/30/2015	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	\$173,327	Town of Clayton	REV: Town of Clayton EXP: Town of Clayton
Town of Clayton County of Union	County of Union	Emergency Manager	July 1, 2014 to June 30, 2015	N/A	\$8,944	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, 2014 to June 30, 2015	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.

# TOWN OF CLAYTON

## SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT) FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prepared by Agency Staff Name: Holly Steen and Carla Taylor

Title: Treasurer and Administrative Assistant Date: 9/15/2015

RFB#/RFP# / State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N)	Brief Description of the Scope of Work
RFP #AP 2014-01	Request for Proposal	WHPacific	Price negotiated per task order	N/A	WHPacific, 6501 Americas Parkway Ste 400, Albuquerque, NM 87110	Y	N	On call aviation engineering services
RFP #AP 2014-01	Request for Proposal	WHPacific	Price negotiated per task order	N/A	Armstrong, 2305 Renard Place SE Suite 210, Albuquerque, NM 87106	Y	N	On call aviation engineering services
RFB Clayton Municipal Airpark Improvements 2014	Request for bids	Stoven Construction, Inc.	\$450,000.00	\$450,000.00	Stoven Construction, Inc., 2709 Vassar Place NE Ste F, Albuquerque, NM 87107	Y	N	Construction of a 2,400 sq. ft. snow removal equipment building
NA	Sole Source Procurement	Tri State Recycle, LLC	\$87,300.73	N/A	Tri State Recycle LLC, 727 E. Market Street, Texline, TX 79087	N	N/A	Solid Waste Hauling

**TOWN OF CLAYTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or Unexpended Revenue at June 30, 2014	Restatements	Receipts	Expenditures	Accrued or Unexpended Revenue at June 30, 2015
<b><u>U.S. Department of Agriculture</u></b>								
Water and Waste Disposal (Grant)								
Systems for Rural Communities	10.760		\$965,500	\$270,198	(\$94,693)	(\$687,568)	\$527,594	\$15,531
<i>Total U.S. Department of Agriculture</i>			\$965,500	\$270,198	(\$94,693)	(\$687,568)	\$527,594	\$15,531
<b><u>U.S. Department of Commerce</u></b>								
Investments for Public Works and Economic Development								
	11.300	08-01-04214	\$1,177,265	\$169,587	\$0	(\$224,852)	\$55,265	\$0
<i>Total U.S. Department of Commerce</i>			\$1,177,265	\$169,587	\$0	(\$224,852)	\$55,265	\$0
<b><u>U.S. Department of Health and Human Services</u></b>								
Passed through North Central New Mexico Economic Development District								
Title III C	93.045	2014-15-68013	\$10,259	\$0	\$0	(\$9,195)	\$10,004	\$809
Title III C	93.045	2013-14-68013	10,259	883	790	(1,673)	0	0
Area Agency on Aging								
Nutritional Service Incentive Program	93.053	2014-15	11,585	0	0	(11,585)	11,585	0
<i>Total U.S. Department of Health and Human Services</i>			\$32,103	\$883	\$790	(\$22,453)	\$21,589	\$809
<b><u>U.S. Department of Transportation</u></b>								
Federal Aviation Administration								
Airport Improvement Program	20.106	3-35-0010-016-2014	\$319,881	\$0	\$24,288	(\$213,102)	\$232,798	\$43,984
Passed through New Mexico Department of Transportation								
Operation Driving While Intoxicated (ODWI)	20.608	14-AL-64-021	5,838	1,032	0	(2,520)	1,488	0
Operation Driving While Intoxicated (ODWI)	20.608	15-AL-64-021	5,710	0	0	(1,734)	4,044	2,310
100 Days and Nights of Summer	20.600	14-PT-DS-021	1,243	0	225	(1,243)	1,018	0
100 Days and Nights of Summer	20.600	15-DS-PT-021	1,812	0	0	0	215	215
<i>Total U.S. Department of Transportation</i>			\$334,484	\$1,032	\$24,513	(\$218,599)	\$239,563	\$46,509
<b><u>U.S. Department of Justice</u></b>								
Region IV Narcotics Task Force	16.738	3-35-0010-016-2014	\$5,289	\$0	\$0	(\$4,695)	\$4,695	\$0
<i>Total U.S. Department of Justice</i>			\$5,289	\$0	\$0	(\$4,695)	\$4,695	\$0

**TOWN OF CLAYTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Project Number	Award Amount	Accrued or Unexpended Revenue at June 30, 2014	Restatements	Receipts	Expenditures	Accrued or Unexpended Revenue at June 30, 2015
<b>COMPONENT UNIT</b>								
<b><u>U.S. Department of Housing and</u></b>								
<b><u>Urban Development</u></b>								
<b>Passed through New Mexico Department</b>								
<b>of Finance and Administration</b>								
<b>Direct Funding:</b>								
Low Rent Public Housing Operating								
Subsidy - Housing								
	14.850	NM055-00000114D	\$77,840	\$0	\$0	(\$38,793)	\$38,793	\$0
Public Housing Capital Fund	14.872	NM055-00000115D	67,646	0	0	(36,876)	36,876	0
Public Housing Capital Fund	14.872	NM02P008501-13	59,983	0	0	(8,583)	8,583	0
	14.872	NM02P008501-14	65,943	0	0	(6,500)	6,500	0
<i>Total U.S. Department of Housing and Urban Development</i>			\$271,412	\$0	\$0	(\$90,752)	\$90,752	\$0
<b><u>Total Federal Financial Assistance</u></b>			<b>\$2,786,053</b>	<b>\$441,700</b>	<b>(\$69,390)</b>	<b>(\$1,248,919)</b>	<b>\$939,458</b>	<b>\$62,849</b>
Grant revenue receivable (page 12) (\$151,011 less state grant receivables of \$88,162)								\$62,849
								\$0

**TOWN OF CLAYTON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2015**

**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, 2014. 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 \$939,458. The amounts of expenditures within the funds are reflected within the financial statements as follows:

<b>General Fund</b>	
Public Safety	\$11,460
Capital outlay/CIP additions	232,798
<b>Special Revenue Funds</b>	
<u>Senior Citizens Fund:</u>	
Health and Welfare	21,589
<b>Proprietary Funds</b>	
<u>Joint Utility Fund</u>	
Capital outlay/CIP additions	582,859
<hr/>	
Component Unit	90,752
<hr/>	
	<b>\$939,458</b>
<hr/>	

**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. Tim Keller, 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, 2015, 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 December 10, 2015.

**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. 2015-001 and 2015-002.



Mr. Tim Keller, 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 2015-004, 2014-001, 2014-002, 2014-003, 2013-005, and 2009-008.

### **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.  
Las Cruces, New Mexico  
December 10, 2015

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

Mr. Tim Keller, 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, 2015. 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, 2015.

Mr. Tim Keller, 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 2015-003 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.

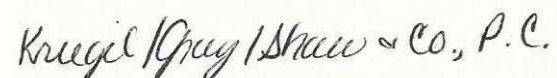
**Report on Internal Control over Compliance**

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.  
Las Cruces, New Mexico  
December 10, 2015

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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

20.106

Airport Improvement Program

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, 2015

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SECTION II – FINANCIAL STATEMENT FINDINGS

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**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

**2015-001 Lack of Control over Recurring Bill Payment – Significant Deficiency**

**Statement of Condition** – Monthly recurring bills are paid without a purchase order (i.e. fuel, senior’s food, rug cleaning services). Monthly bills are included on a “monthly payables” list. The accounts payable clerk has been given permission to pay these bills when an invoice comes in without receiving any additional approval.

**Criteria** – Good budgetary control requires that purchases be approved prior to purchase and payment through the purchase order system.

**Cause** – Lack of recognition of the purchase order purpose to encumber budget.

**Effect** – Potential to over expend budget and potential for unauthorized purchases.

**Recommendation** – Update monthly payables list to include all applicable vendors. Create open purchase orders for vendors paid monthly to properly encumber the budget.

**Management’s Response** – Agree with auditor’s recommendation. The situation has already been corrected by the administrative assistant and accounts payable/payroll clerk utilizing cooperative procurement contracting for out of town vendors and using open purchase orders on a monthly basis for local vendors.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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SECTION II – FINANCIAL STATEMENT FINDINGS

---

**CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):**

**2015-002 Senior Center Food Purchase – Significant Deficiency**

**Statement of Condition** – Senior Center food and supplies are purchased at the local supermarket by a Senior Center employee. Purchases are made multiple times each week. Receipts are given to the accounts payable clerk to verify that the monthly invoice received from the vendor is correct but there is no verification the food and supplies are delivered to the Senior Center.

**Criteria** – Good internal controls require a segregation of duties over purchase and receipt of goods.

**Cause** – Lack of awareness of control necessity.

**Effect** – Potential for unapproved purchases and increased risk of fraudulent purchases.

**Recommendation** – A supervisor at the Senior Center should sign off on all receipts verifying that all food and supplies purchased were delivered to the Center.

**Management's Response** – Agree with auditor's recommendation. Corrections have been made by the administrative assistant. Supervisor is signing off on receipts; staff is verifying purchases and delivery.

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

---

SECTION II – FINANCIAL STATEMENT FINDINGS

---

**CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):**

**2015-004 Legal Compliance with Budget – Compliance**

**Statement of Condition** – The Town’s authorized budget was exceeded by actual transfers out.

Fund	Budget Amount	Actual Amount	Over Expended
Municipal Street Fund			
Transfers out	\$0	\$21,131	(\$21,131)

**Criteria** – Section 6-6-6 of the New Mexico State Statutes prohibits any payments in excess of the approved budget.

**Cause** – The Town transferred street fund money to the governmental assistance fund to pay for a portion of the chip seal project for the year. The original movement of funds was recorded as an expenditure instead of a transfer out. Therefore, the need for a budget increase for transfers out was not identified. In addition, the Town failed to record the transfer of funds to Utility Fund for debt payments.

**Effect** – Potential to over expend a funds resources by not properly identifying and budgeting transfers out.

**Recommendation** – Carefully evaluate all transactions involving the movement of money between funds to identify any potential budget issues. In addition, reconcile the total transfers in and out on a monthly basis to insure they are balanced and all related budgets are appropriate.

**Management’s Response** – Agree with auditor’s recommendation. The recommendation will be implemented by the Town Treasurer/Clerk beginning January 2016.

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

**2014-001 Procurement Violations – Compliance**

Repeated with modification.

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

- Town of Clayton did not have sole source documentation for solid waste hauling services.

**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.

**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 procurements.

**Management's Response** – Agree with auditor's recommendation. The Town's Treasurer/Clerk will insure implementation of recommendation by June 30, 2016.



**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

---

**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):**

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

Repeated with modification.

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

- No verification of daily count of cash left in the drawer.
- Counting cash at the front desk while customers are coming in – too many distractions.

**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** – Agree with auditor's recommendation. The Town Treasurer/Clerk will insure by January 2016 that a second drawer will be utilized allowing utility clerk to move to an alternate location for counting and will be confirmed under dual control standards.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

---

SECTION II – FINANCIAL STATEMENT FINDINGS

---

**CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):**

**2014-003 Lack of Adherence with Controls Over Payroll – Other Matters**

Repeated with modification.

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

- Two employees did not have any pay rate documentation in personnel file.

**Criteria** – Good internal controls require that all employee legal documentation and current pay rates be updated and preserved.

**Cause** – Lack of a consistent review process.

**Effect** – Potential for unauthorized pay rate utilization.

**Recommendation** – Personnel files should be reviewed periodically to insure all current and appropriate documentation is maintained.

**Management's Response** – The finding is on two part time employees. This represents three percent of the total employees. Internal control procedures will be followed to eliminate the reoccurrence. Human Resources will insure resolution by June 30, 2016.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

---

SECTION II – FINANCIAL STATEMENT FINDINGS

---

**CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):**

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

Resolved and not repeated.

**2014-005 Inconclusive Cash Reconciliation Procedures – Significant Deficiency**

Resolved and not repeated.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

---

SECTION II – FINANCIAL STATEMENT FINDINGS

---

**CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):**

**2013-004 Credit Card Transactions – Other Matters**

Not repeated.

**2013-005 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.
- Two instances where the purchase order did not agree to the vendor invoice.
- One instance where purchase requisition was not created for a purchase greater than \$1,000 (purchase of \$3,360).

**Criteria** – The Town of Clayton has established the requirement to prepare requisitions and purchased orders prior to and in agreement with vendor invoices. Per Town of Clayton’s procurement procedures, “a requisition form must be completed and signed by Treasurer and Town Manager prior to issuance of purchase order.”

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

**Cause** – Although purchase orders are commonly estimates there is no policy established to determine an acceptable range for differences between the purchase order and invoice.

**Recommendation** – All purchase orders should be completed prior to purchase of goods and services. A policy should be created for all purchase orders not in agreement with the final purchase price on vendor invoices. In addition, approved purchase requisition should be created for all purchases greater than \$1,000.

**Management’s Response** – Agree with auditor’s recommendation. The Town’s accounts payable/payroll clerk will implement the recommendation by January 2016.

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):**

**2009-008 Capital Assets Subsidiary Records – Significant Deficiency**

Repeated with modification.

**Statement of Condition** – During fiscal year 2015, a fixed asset inventory was completed by each department listing asset additions and deletions but the town has yet to establish a complete capital asset inventory.

**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** – Lack of personnel to complete the process within one fiscal year.

**Recommendation** – Ensure that consistent progress is made to complete capital asset inventory and set a goal for completion.

**Management's Response** – Agree with auditor's recommendation. Human resources has been assigned the capital asset inventory to be completed by June 30, 2016.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

---

SECTION II – FINANCIAL STATEMENT FINDINGS

---

**COMPONENT UNIT:**

**CURRENT YEAR SIGNIFICANT DEFICIENCIES:**

None.

**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

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

Resolved and not repeated.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

**2015-003 Davis-Bacon Act Violations – 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 prime contractor failed to report certified payrolls to the Town on its sub contractors. (The federal grantor has approved and signed off on all expenditures.)

**Criteria** – The Davis-Bacon Act requires construction contractors working on construction projects that are federally funded to report weekly to the Town their certified payrolls to evidence compliance with prevailing wage rates.

**Cause** – The sub contractors failed to report certified payrolls to the prime contractor. These sub contractors were not disclosed to the Town.

**Effect** – The Town was unable to monitor Davis-Bacon Act compliance with regard to the sub contractors wages paid.

**Recommendation** – The Town should consider additional site visits and interviews at the job site to identify sub contractors utilized on the job have been disclosed and that wage rates are appropriate.

**Management's Response** – Agree with auditor's recommendation. The Town's administrative assistant will implement the recommendation immediately for all contracts currently in process.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

---

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

**2014-007 Required Reports Not Submitted – Other Matters**

Resolved and not repeated.

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

Repeated.

**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** – Town agrees with auditor recommendations. The Town Treasurer/Clerk will establish the appropriate accounts by June 30, 2016.



**TOWN OF CLAYTON**  
**EXIT CONFERENCE**  
**JUNE 30, 2015**

**EXIT CONFERENCE:**

The exit conference was held December 7, 2015 and was attended by the following:

**From Town of Clayton:**

Jack Chosvig, Mayor  
Holly Steen, Treasurer  
Carla Taylor, Administrative Assistant

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

Debbie Gray, CPA/Shareholder  
Rebecca Pott, Staff Auditor  
Crystal Martinez, 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.