

STATE OF NEW MEXICO

TOWN OF CLAYTON

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2016

TOWN OF CLAYTON
TABLE OF CONTENTS
JUNE 30, 2016

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheets - Governmental Funds	14
Reconciliation of the Fund Balance of Governmental Funds to Government Activities Net Position	15
Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Statement of Revenues and Expenditures	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
General Fund	19
Municipal Street Fund	20
PROPRIETARY FUNDS:	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Fund Net Position	22
Statement of Cash Flows	23
NOTES TO FINANCIAL STATEMENTS	25
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association (PERA) Plan:	
Municipal General:	
Schedule of the Town of Clayton's Proportionate Share of the Net Pension Liability of PERA Fund Division	62
Municipal Police:	
Schedule of the Town of Clayton's Proportionate Share of the Net Pension Liability of PERA Fund Division	63
Municipal Fire:	
Schedule of the Town of Clayton's Proportionate Share of the Net Pension Liability of PERA Fund Division	64
Municipal General:	
Schedule of Town of Clayton's Contributions	65
Municipal Police:	
Schedule of Town of Clayton's Contributions	66
Municipal Fire:	
Schedule of Town of Clayton's Contributions	67
Notes to Required Supplementary Information	68

TOWN OF CLAYTON
TABLE OF CONTENTS
JUNE 30, 2016

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENTS:	
NONMAJOR GOVERNMENTAL FUNDS:	
NONMAJOR SPECIAL REVENUE FUNDS:	69
Combining Balance Sheets	70
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance	73
Statement of Revenues and Expenditures	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Cemetery Fund	76
Emergency Medical Services Fund	77
Fire Protection Fund	78
Law Enforcement Protection Fund	79
Library Fund	80
Local Government Corrections Fund	81
Lodgers' Tax Fund	82
Recreation Fund	83
Senior Citizens Fund	84
CAPITAL PROJECTS FUND:	85
Statement of Revenues, Expenditures and Changes in Cash Balance	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Government Assistance Fund	86
PERMANENT FUND:	87
Statement of Revenues, Expenditures and Changes in Cash Balance	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Municipal Income Permanent Fund	88
PROPRIETARY FUND:	89
Statement of Revenues, Expenditures and Changes in Cash Balance	
Budget (Non-GAAP Basis) and Actual (Cash Basis):	
Utilities	90
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Legislative Grants	91
Schedule of Cash Accounts	93
Schedule of Pledged Collateral	94
Schedule of Joint Powers Agreements	95
Schedule of Vendor Information	96
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 <i>GOVERNMENT AUDITING STANDARDS</i>	98
Schedule of Findings and Responses	100
Exit Conference and Preparation of Financial Statements	107

TOWN OF CLAYTON
OFFICIAL ROSTER
JUNE 30, 2016

BOARD OF TRUSTEES

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

ADMINISTRATIVE STAFF

<i>Ferron Lucero</i>	<i>Town Manager</i>
<i>Holly Steen</i>	<i>Town Treasurer/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, 2016, 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, 2016, 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
Page Two

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton, as of June 30, 2016, 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, 2016, 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 12 and the pension liability schedules on pages 62 through 67 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
Page Three

Other Information

Our audit was conducted for the purpose of forming opinions on the Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The 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 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.

The schedule of vendor information on page 96 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016 on our consideration of the Town of Clayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
December 9, 2016

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016. 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 decreased over the course of this year's operations.
- During the year the Town's expenses were \$277,016 more than the \$3,992,815 generated in taxes, other revenues, and transfers for governmental programs.
- In the Town's business-type activities revenues and transfers decreased 17.4% to \$1,624,220 while expenses increased 7.8%.
- The general fund reported expenditures in excess of revenues this year of \$143,972.

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.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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.

The government-wide financial statements can be found on pages 13 and 14 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.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016

Government-Wide Financial Analysis

Town of Clayton
Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current assets and other assets	\$2,452,787	\$2,496,042	\$1,569,360	\$1,569,396	\$4,022,147	\$4,065,438
Capital	9,950,722	10,098,420	17,776,255	17,740,310	27,726,977	27,838,730
<i>Total assets</i>	<i>12,403,509</i>	<i>12,594,462</i>	<i>19,345,615</i>	<i>19,309,706</i>	<i>31,749,124</i>	<i>31,904,168</i>
Deferred outflows	294,763	226,529	35,606	38,174	330,369	264,703
Liabilities:						
Current and other liabilities	180,602	295,721	382,423	235,282	563,025	531,003
Long-term liabilities	3,391,577	2,671,343	3,675,386	3,883,548	7,066,963	6,554,891
<i>Total liabilities</i>	<i>3,572,179</i>	<i>2,967,064</i>	<i>4,057,809</i>	<i>4,118,830</i>	<i>7,629,988</i>	<i>7,085,894</i>
Deferred inflows	161,384	612,202	5,479	127,778	166,863	739,980
Net Position:						
Net investment in capital assets	9,460,190	9,478,169	15,338,688	15,204,765	24,798,878	24,682,934
Restricted net position	1,973,776	35,428	178,623	130,651	2,152,399	166,079
Unrestricted net position	(2,469,257)	(271,872)	(199,379)	(234,144)	(2,668,636)	(506,016)
<i>Total net position</i>	<i>\$8,964,709</i>	<i>\$9,241,725</i>	<i>\$15,317,932</i>	<i>\$15,101,272</i>	<i>\$24,282,641</i>	<i>\$24,342,997</i>

Capital assets (net of accumulated depreciation) make up 8.0% 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 net pension liability of \$2,971,197.

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 0% for fiscal year ending June 30, 2016 (Town had a \$60,356 net deficit). This ratio aids management in gauging the effectiveness of its use of assets.

In the Governmental activities total liabilities have been increased by 20% due to an increase in the net pension liability. Total assets have decreased in 2016 due predominantly to depreciation expense. Investment income continued to decrease in fiscal year 2016 due to decreases in interest rates. These factors primarily affect the increase in current assets in 2016 compared to 2015.

Net position for business-type activities increased by \$216,660, an increase of 1.4%. Overall, liabilities decreased due to principal payments on debt and a decrease in the net pension liability for fiscal year 2015/2016.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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 2015 were \$2,324,669 and \$2,497,454 in 2016, an increase of \$172,785, 7.4 for comparative years. The majority of the difference is due to an increase in grant funding.

Expenditures in the General Fund for fiscal year 2015 were \$2,423,784 and \$2,641,426 for fiscal year 2016, an increase of \$217,642. The increase was due to increases in all functional expense items. The General Fund fund balance decreased in 2016 in the amount of \$160,680 with expenditures less transfers exceeding revenues for an ending fund balance of \$280,565 as of June 30, 2016.

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 2014/2015 the Town accounted for \$237,493 in federal grant revenues and \$269,495 in state grants for total grant revenues of \$506,986. In fiscal year 2015/2016 the total grant revenues of \$333,664 consisted of federal grant revenues of \$62,605 and state grant revenues of \$271,059.

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 2014/2015 were \$593,830. The majority of the expenditures were incurred for the Town's snow removal equipment building at the airport. Phase III. Expenditures in fiscal year 2015/2016 were \$407,534. Expenditures were incurred for the completion snow removal equipment building at the airport and various building repairs and renovations.

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 2015/2016 was \$3,016. 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 2014/2015 fiscal year was \$1,132,719 and \$1,102,214 for 2015/2016; a decrease of \$30,515 or 2.7%. The slight decrease is attributable to variation in customer usage. Net income (before capital and operating transfers) decreased in 2016 versus 2015 by \$392,482. Operating expenses increased in fiscal year 2015/2016 compared to 2014/2015 by \$99,512, which is 8.1%. 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, 2016

General Fund Budgetary Highlights

The Town of Clayton total actual expenditures for fiscal year 2015/2016 were 1.8% under the budgeted expenditure amounts for the year. Public safety is responsible for 56.7%, general government is responsible for 32.2% and public works is responsible for 2.4% of the General Fund expenditures.

The Town's total state shared and municipal tax amount for fiscal year 2015/2016 increased by 15.2% over fiscal year 2014/2015. The Clayton economy improved.

General Fund budgeted revenues and expenditures were amended only slightly during the year by \$5,000.

Town of Clayton
Summary of Changes in Net Position

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2016	2015
	2016	2015	2016	2015	2016	2015
Revenues:						
<u>Program Revenues:</u>						
Charges for services	\$221,268	\$224,324	\$1,102,214	\$1,132,719	\$1,323,482	\$1,357,043
Operating grants and contributions	876,694	731,246	0	0	876,694	731,246
Capital grants and contributions	613,664	786,063	311,719	614,440	925,383	1,400,503
					0	0
<u>General Revenue:</u>					0	0
Taxes	2,010,693	1,961,889	239,283	186,623	2,249,976	2,148,512
Investment income	7,185	7,628	3,107	3,886	10,292	11,514
Miscellaneous	71,687	7,275	159,521	168,859	231,208	176,134
<i>Total revenue</i>	<i>3,801,191</i>	<i>3,718,425</i>	<i>1,815,844</i>	<i>2,106,527</i>	<i>5,617,035</i>	<i>5,824,952</i>
					0	0
Expenses:						
General Government	1,068,080	830,136	0	0	1,068,080	830,136
Public Safety	2,387,327	1,992,419	0	0	2,387,327	1,992,419
Public Works	177,470	428,549	0	0	177,470	428,549
Health and Welfare	191,998	182,673	0	0	191,998	182,673
Culture and Recreation	426,109	400,567	0	0	426,109	400,567
Interest and fees on long-term debt	18,847	19,098	79,525	75,238	98,372	94,336
Water, sewer and refuse	0	0	1,328,035	1,230,523	1,328,035	1,230,523
<i>Total expenses</i>	<i>4,269,831</i>	<i>3,853,442</i>	<i>1,407,560</i>	<i>1,305,761</i>	<i>5,677,391</i>	<i>5,159,203</i>
					0	0
<i>Increase in net position before transfers</i>	<i>(468,640)</i>	<i>(135,017)</i>	<i>408,284</i>	<i>800,766</i>	<i>(60,356)</i>	<i>665,749</i>
Transfers	191,624	140,222	(191,624)	(140,222)	0	0
<i>Change in net position</i>	<i>(277,016)</i>	<i>5,205</i>	<i>216,660</i>	<i>660,544</i>	<i>(60,356)</i>	<i>665,749</i>
Net position – July 1	9,241,725	9,236,520	15,101,272	14,440,728	24,342,997	23,677,248
<i>Net position - June 30</i>	<i>\$8,964,709</i>	<i>\$9,241,725</i>	<i>\$15,317,932</i>	<i>\$15,101,272</i>	<i>\$24,282,641</i>	<i>\$24,342,997</i>

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Government Activities

Revenue received from program and general activities was predominantly less than expenses for fiscal year 2016, 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 \$408,284. 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 \$2,254,341, 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, 2016 amounted to \$9,950,722. 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:

- Pool repairs/liner
- Luna LEDA Project
- Event Center
- Airport Snow Removal Equipment Building

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Long-term Debt

The Town's total debt (excluding compensated absences and landfill closure payable) as of June 30, 2016 is \$2,928,099, which decreased by \$257,394, 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 2015/2016 of \$233,383.

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

Town of Clayton
Outstanding Bonds and Liabilities to Financial Institutions

	Governmental Activities		Business-type Activities		Total Activities	
	2016	2015	2016	2015	2016	2015
Revenue Bonds (USDA)	\$0	\$0	\$1,121,000	\$1,141,000	\$1,121,000	\$1,141,000
Notes Payable: NMFA	490,532	620,251	1,147,519	1,215,154	1,638,051	1,835,405
Note Payable – Water Trust Board	0	0	169,048	179,391	169,048	179,391
Total	\$490,532	\$620,251	\$2,437,567	\$2,535,545	\$2,928,099	\$3,155,796

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, 2016

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
Assets				
Cash and cash equivalents	\$1,623,728	\$449,406	\$2,073,134	\$75,470
Investments	252,780	400,000	652,780	63,066
Receivables:				
Accounts receivable, net	31,012	209,342	240,354	0
Taxes	332,073	27,885	359,958	0
Intergovernmental	157,884	173,868	331,752	0
Other	116,666	0	116,666	871
Due from others	0	30,236	30,236	0
Internal balances	(100,000)	100,000	0	0
Inventories	0	0	0	9,872
Restricted Assets:				
Cash - with trustee/debt service	38,644	125,240	163,884	0
Cash - reserved for debt service (USDA)	0	40,038	40,038	0
Cash - customer/tenant deposits	0	13,345	13,345	8,500
Capital Assets:				
Capital assets not depreciated	462,908	945,687	1,408,595	58,725
Capital assets, depreciated	15,046,144	26,044,431	41,090,575	3,563,312
Accumulated depreciation	(5,558,330)	(9,213,863)	(14,772,193)	(2,646,651)
<i>Total capital assets</i>	<u>9,950,722</u>	<u>17,776,255</u>	<u>27,726,977</u>	<u>975,386</u>
<i>Total assets</i>	<u>12,403,509</u>	<u>19,345,615</u>	<u>31,749,124</u>	<u>1,133,165</u>
Deferred outflows of resources	294,763	35,606	330,369	10,661
Liabilities				
Accounts payable	94,480	217,184	311,664	5,377
Accrued payroll liabilities	81,323	15,737	97,060	4,487
Accrued interest payable	2,270	13,591	15,861	0
Compensated absences	0	0	0	0
Customer/tenant deposits	0	13,345	13,345	8,600
Due to others	2,529	19,913	22,442	0
Tenant prepaid rents	0	0	0	711
Long-term liabilities:				
Current portion of long-term debt	125,402	102,653	228,055	0
Long-term debt	365,130	2,334,914	2,700,044	0
Compensated absences	143,044	27,381	170,425	3,422
Landfill post closure	0	1,099,895	1,099,895	0
Net pension liability	2,758,001	213,196	2,971,197	99,491
<i>Total liabilities</i>	<u>3,572,179</u>	<u>4,057,809</u>	<u>7,629,988</u>	<u>122,088</u>
Deferred inflows of resources	161,384	5,479	166,863	2,558
Net Position				
Net investment in capital assets	9,460,190	15,338,688	24,798,878	975,386
Restricted for:				
Debt service	38,644	178,623	217,267	0
Other purposes	763,496	0	763,496	0
Expendable endowment	1,171,636	0	1,171,636	0
Unrestricted (deficit)	(2,469,257)	(199,379)	(2,668,636)	43,794
Total net position	<u>\$8,964,709</u>	<u>\$15,317,932</u>	<u>\$24,282,641</u>	<u>\$1,019,180</u>

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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental Activities:								
General government	\$1,068,080	\$53,842	\$228,491	\$400,378	(\$385,369)	\$0	(\$385,369)	
Public safety	2,387,327	140,664	499,601	0	(1,747,062)	0	(1,747,062)	
Public works	177,470	0	54,685	0	(122,785)	0	(122,785)	
Health and welfare	191,998	22,698	73,363	84,005	(11,932)	0	(11,932)	
Cultural and recreational	426,109	4,064	20,554	129,281	(272,210)	0	(272,210)	
Interest and fees on long-term debt	18,847	0	0	0	(18,847)	0	(18,847)	
<i>Total governmental activities</i>	<i>4,269,831</i>	<i>221,268</i>	<i>876,694</i>	<i>613,664</i>	<i>(2,558,205)</i>	<i>0</i>	<i>(2,558,205)</i>	
Business-Type Activities:								
Water	639,716	457,896	0	173,868	0	(7,952)	(7,952)	
Wastewater	328,411	277,231	0	140,694	0	89,514	89,514	
Solid waste	359,908	367,087	0	0	0	7,179	7,179	
Interest expense	79,525	0	0	0	0	(79,525)	(79,525)	
<i>Total business-type activities</i>	<i>1,407,560</i>	<i>1,102,214</i>	<i>0</i>	<i>314,562</i>	<i>0</i>	<i>9,216</i>	<i>9,216</i>	
Total primary government	\$5,677,391	\$1,323,482	\$876,694	\$928,226	(\$2,558,205)	\$9,216	(\$2,548,989)	

COMPONENT UNIT:

Public Housing Authority	\$351,612	\$155,665	\$75,927	\$136,263				\$16,243
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General Revenues

Taxes:								
Gross receipts/state shared					\$1,611,251	\$239,283	\$1,850,534	\$0
Property					145,851	0	145,851	0
Lodgers' tax					155,722	0	155,722	0
Franchise tax					97,869	0	97,869	0
Investment income					7,185	3,107	10,292	111
Other					73,284	154,728	228,012	1,377
Gain/Loss on asset disposals					(1,597)	1,950	353	0
Operating transfers, net					191,624	(191,624)	0	0
Capital transfers, net					0	0	0	0
<i>Total general revenues and transfers</i>					<i>2,281,189</i>	<i>207,444</i>	<i>2,488,633</i>	<i>1,488</i>
Change in net position					(277,016)	216,660	(60,356)	17,731
Net position (deficit), beginning of year					9,241,725	15,101,272	24,342,997	1,001,449
Net position (deficit), end of year					\$8,964,709	\$15,317,932	\$24,282,641	\$1,019,180

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

TOWN OF CLAYTON

GOVERNMENTAL FUNDS

BALANCE SHEETS

JUNE 30, 2016

	Major Funds					Total Governmental Funds
	General Fund	Municipal Street Fund	Government Assistance	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
ASSETS						
Cash	\$34,621	\$80,756	\$13,646	\$1,162,507	\$332,198	\$1,623,728
Investments	0	0	0	0	252,780	252,780
Receivables:						
Accounts, net	31,012	0	0	0	0	31,012
Taxes	282,887	30,964	0	0	18,222	332,073
Intergovernmental	16,443	0	129,281	0	12,160	157,884
Other	116,666	0	0	0	0	116,666
Due from other funds	8,955	0	23,403	32,532	0	64,890
Restricted assets:						
Cash held with trustee	0	0	0	0	38,644	38,644
Total assets	\$490,584	\$111,720	\$166,330	\$1,195,039	\$654,004	\$2,617,677
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$8,155	\$351	\$79,074	\$0	\$6,900	\$94,480
Accrued payroll liabilities	72,390	5,225	0	0	3,708	81,323
Accrued compensated absences - ST	0	0	0	0	0	0
Due to other funds	106,831	1,334	32,532	23,403	790	164,890
Due to others	2,529	0	0	0	0	2,529
Total liabilities	189,905	6,910	111,606	23,403	11,398	343,222
Deferred inflows of resources:						
Property taxes	20,114	0	0	0	0	20,114
Fund Balances:						
Restricted	0	104,810	54,724	1,171,636	642,606	1,973,776
Committed	0	0	0	0	0	0
Assigned	0	0	0	0	0	0
Unassigned	280,565	0	0	0	0	280,565
Total fund balance	280,565	104,810	54,724	1,171,636	642,606	2,254,341
Total liabilities and fund balance	\$490,584	\$111,720	\$166,330	\$1,195,039	\$654,004	\$2,617,677

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, 2016

FUND BALANCE of Governmental Funds	\$2,254,341
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,950,722
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.	(633,576)
The net pension liability is long-term and therefore not recognized in the funds	(2,758,001)
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.	133,379
Some revenues are not earned if not available in the funds but are recognized as income for governmental activities.	20,114
Interest payable is not due and payable in the current period and therefore is not reported in the funds.	(2,270)
<i>Net position of governmental activities</i>	\$8,964,709

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, 2016

	Major Funds					Total Governmental Funds
	General Fund	Municipal Street Fund	Government Assistance	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
REVENUES						
Intergovernmental - federal	\$8,429	\$0	\$62,605	\$0	\$12,500	\$83,534
Intergovernmental - state	191,638	0	271,059	0	409,701	872,398
Intergovernmental - other	120,720	0	0	0	31,908	152,628
Property tax	146,119	0	0	0	0	146,119
State shared taxes and municipal taxes	1,329,927	281,276	0	0	48	1,611,251
Lodgers' tax	0	0	0	0	155,722	155,722
Licenses and permits	10,177	0	0	0	0	10,177
Fines	40,835	0	0	0	0	40,835
Franchise tax	97,869	0	0	0	0	97,869
Charges for services	143,494	0	0	0	25,537	169,031
Interest income	189	311	0	3,016	3,669	7,185
Sale of property	10,541	0	0	0	0	10,541
Donations	895	0	0	0	330	1,225
Prison fund - impact fees	280,000	0	0	0	0	280,000
Miscellaneous	116,621	54,685	0	0	3,776	175,082
<i>Total revenues</i>	<i>2,497,454</i>	<i>336,272</i>	<i>333,664</i>	<i>3,016</i>	<i>643,191</i>	<i>3,813,597</i>
EXPENDITURES						
Current:						
General government	829,546	0	0	11,393	0	840,939
Public safety	1,524,144	271,514	0	0	215,307	2,010,965
Public works	62,770	0	0	0	0	62,770
Health and welfare	0	0	0	0	152,931	152,931
Cultural and recreational	221,036	0	0	0	130,302	351,338
Capital outlay	3,930	49,428	407,534	0	26,847	487,739
Debt Service:						
Principal	0	0	0	0	129,719	129,719
Interest and other charges	0	0	0	0	18,847	18,847
<i>Total expenditures</i>	<i>2,641,426</i>	<i>320,942</i>	<i>407,534</i>	<i>11,393</i>	<i>673,953</i>	<i>4,055,248</i>
<i>Revenues over (under) expenditures</i>	<i>(143,972)</i>	<i>15,330</i>	<i>(73,870)</i>	<i>(8,377)</i>	<i>(30,762)</i>	<i>(241,651)</i>
Other Financing Sources (Uses):						
Transfers in	100,000	100,000	39,196	0	89,512	328,708
Transfers out	(116,708)	(20,376)	0	0	0	(137,084)
<i>Total other financing sources (uses)</i>	<i>(16,708)</i>	<i>79,624</i>	<i>39,196</i>	<i>0</i>	<i>89,512</i>	<i>191,624</i>
<i>Net changes in fund balances</i>	<i>(160,680)</i>	<i>94,954</i>	<i>(34,674)</i>	<i>(8,377)</i>	<i>58,750</i>	<i>(50,027)</i>
Fund balance, beginning of year	441,245	9,856	89,398	1,180,013	583,856	2,304,368
<i>Fund balance, end of year</i>	<i>\$280,565</i>	<i>\$104,810</i>	<i>\$54,724</i>	<i>\$1,171,636</i>	<i>\$642,606</i>	<i>\$2,254,341</i>

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

TOWN OF CLAYTON
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Net change in fund balances - Governmental Funds	(\$50,027)
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 depreciation (\$525,015) exceeded capital outlay, net of disposals (\$377,317).	(147,698)
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.	129,719
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 (\$25,241) and accrued interest payable \$0.	25,241
Pension expense after the measurement date deferred to next period but was expensed in the funds.	(233,983)
Some revenues reported in the statement of activities are not available for expenditure in the governmental funds - property tax.	(268)
<i>Change in net position of governmental activities</i>	<i>(\$277,016)</i>

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
State shared taxes and municipal taxes	\$1,238,200	\$1,238,200	\$1,322,131	\$83,931
Property taxes	140,000	140,000	144,028	4,028
Franchise taxes	108,000	108,000	97,745	(10,255)
Fine and forfeits	96,000	96,000	40,835	(55,165)
Licenses and permits	11,300	11,300	10,177	(1,123)
Intergovernmental Revenue:				
Federal	2,000	2,000	7,951	5,951
State	108,743	113,743	191,638	77,895
Local	395,000	395,000	400,276	5,276
Interest	100	100	144	44
Charges for services	224,074	224,074	108,443	(115,631)
Miscellaneous	298,200	298,200	127,559	(170,641)
<i>Total revenues</i>	<u>2,621,617</u>	<u>2,626,617</u>	<u>2,450,927</u>	<u>(175,690)</u>
EXPENDITURES				
Current:				
General government	765,329	765,329	820,020	(54,691)
Public safety	1,508,856	1,513,856	1,444,346	69,510
Public works	64,283	64,283	61,871	2,412
Cultural and recreational	241,837	241,837	219,799	22,038
Debt service	0	0	0	0
Capital outlay	12,500	12,500	3,930	8,570
<i>Total expenditures</i>	<u>2,592,805</u>	<u>2,597,805</u>	<u>2,549,966</u>	<u>47,839</u>
<i>Excess (deficiency) of revenues over expenditures</i>	28,812	28,812	(99,039)	(127,851)
Other Financing Sources (Uses):				
Operating transfers in	100,000	480,000	100,000	(380,000)
Operating transfers (out)	(121,427)	(130,068)	(116,708)	13,360
<i>Total other financing sources (uses)</i>	<u>(21,427)</u>	<u>349,932</u>	<u>(16,708)</u>	<u>(366,640)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$7,385</u>	<u>\$378,744</u>	<u>(\$115,747)</u>	<u>(\$494,491)</u>
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)			(\$115,747)	
Adjustments for revenue accruals, transfers, earnings on investments			46,527	
Adjustments for expenditures for payables, inventory, other expenditure accruals			(91,460)	
Net changes in fund balance (GAAP basis)			(\$160,680)	

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Municipal tax	\$205,500	\$205,500	\$190,779	(\$14,721)
State shared taxes	50,000	63,864	83,894	20,030
Interest on investments	400	400	311	(89)
Miscellaneous revenue	0	55,000	54,685	(315)
<i>Total revenues</i>	<u>255,900</u>	<u>324,764</u>	<u>329,669</u>	<u>4,905</u>
EXPENDITURES				
Public works	324,342	324,342	279,522	44,820
Debt service	8,376	8,376	8,376	0
Capital outlay	0	55,000	49,428	5,572
<i>Total expenditures</i>	<u>332,718</u>	<u>387,718</u>	<u>337,326</u>	<u>50,392</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(76,818)	(62,954)	(7,657)	55,297
Other Financing Sources (Uses):				
Operating transfers in	100,000	100,000	100,000	0
Operating transfers (out)	(12,000)	(12,000)	(12,000)	0
<i>Total other financing sources (uses)</i>	<u>88,000</u>	<u>88,000</u>	<u>88,000</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$11,182</u>	<u>\$25,046</u>	<u>\$80,343</u>	<u>\$55,297</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$80,343
Adjustments for revenue accruals	6,603
Adjustments for expenditures accruals	8,008
Net changes in fund balance (GAAP basis)	<u>\$94,954</u>

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

TOWN OF CLAYTON
PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2016

	Joint Utilities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$449,406
Investments	400,000
Grants receivable	173,868
State shared and municipal taxes receivable	27,885
Accounts receivable, water and sewer (net of allowance)	209,342
Due from other funds	100,000
Due from other sources	30,236
<i>Total current assets</i>	1,390,737
Non-Current Assets	
Restricted Assets:	
Cash held with trustee	125,240
Cash - reserved for USDA	40,038
Cash - customer deposits	13,345
<i>Total restricted assets</i>	178,623
Capital Assets:	
Capital assets - not depreciated	945,687
Capital assets - depreciated	26,044,431
Less accumulated depreciation	(9,213,863)
<i>Net capital assets</i>	17,776,255
<i>Total assets</i>	19,345,615
Deferred outflows of resources	35,606
LIABILITIES	
Current Liabilities:	
Accounts payable	217,184
Accrued payroll	15,737
Accrued interest payable	13,591
Utility deposits	13,345
Due to others	19,913
Current portion of long-term debt/lease payable	102,653
<i>Total current liabilities</i>	382,423
Non-Current Liabilities:	
Long-term debt	2,334,914
Compensated absences	27,381
Landfill post closure	1,099,895
Net pension liability	213,196
<i>Total noncurrent liabilities</i>	3,675,386
<i>Total liabilities</i>	4,057,809
Deferred inflows of resources	5,479
Net Position:	
Net investment in capital assets	15,338,688
Restricted for debt service	178,623
Unrestricted	(199,379)
<i>Total net position</i>	\$15,317,932

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, 2016

	Joint Utilities
OPERATING REVENUES	
Water	\$457,896
Wastewater	277,231
Solid waste	367,087
<i>Total operating revenues</i>	1,102,214
OPERATING EXPENSES	
Operating expenses:	
Water	358,173
Wastewater	198,032
Solid waste	339,317
Depreciation	430,172
Bad debt expense	2,341
<i>Total operating expenses</i>	1,328,035
<i>Net income (loss) from operations</i>	(225,821)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants and subsidies	137,851
State grants	173,868
State gross receipts tax	239,283
Interest earnings	3,107
Interest expense	(79,525)
Forgiveness of debt income	2,843
Gain on sale of assets	1,950
Prison fund operating surplus	154,728
<i>Total non-operating revenues (expenses)</i>	634,105
<i>Net income (loss) before contributions and transfers</i>	408,284
Operating transfers in	14,006
Operating transfers (out)	(205,630)
<i>Change in net position</i>	216,660
Total fund net position, at beginning of year	15,101,272
<i>Total fund net position, at end of year</i>	\$15,317,932

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, 2016

	Joint Utilities
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers (including other funds)	\$930,941
Cash paid to suppliers	(498,718)
Cash paid to employees	(485,295)
<i>Net cash provided (used) by operating activities</i>	(53,072)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Landfill post closure	32,583
State tax	238,178
Miscellaneous income	154,728
Transfers in (out)	(191,624)
<i>Net cash provided (used) by noncapital financing activities</i>	233,865
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	(446,117)
Sale of property and equipment	1,950
Capital grants	164,963
Long-term debt proceeds	(127,675)
Principal paid: revenue bonds/lease purchase/advances	(7,624)
Interest paid: revenue bonds/lease purchase/advances	(71,900)
Other debt income - subsidy debt forgiveness	2,843
<i>Net cash provided (used) by capital and related financing activities</i>	(483,560)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	3,107
<i>Net cash provided (used) by investing activities</i>	3,107
<i>Net increase (decrease) in cash</i>	(299,660)
Cash, beginning of year	927,689
<i>Cash, end of year</i>	628,029
Cash and cash equivalents	\$449,406
Cash held with trustee	40,038
Cash reserved for USDA	125,240
Customer deposits	13,345
<i>Total cash</i>	\$628,029

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, 2016

	Joint Utilities
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	(\$225,821)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	430,172
Change in assets and liabilities:	
(Increase) Decrease in assets:	
Accounts receivable	(41,527)
Due from other funds	(100,000)
Due from other sources	(30,236)
Increase (Decrease) in liabilities:	
Accounts and contracts payable	168,924
Wages payable	5,592
Compensated absences	(28,093)
Tenant deposits/utility deposits	490
Decrease in landfill closure liability	0
Net pension contribution/liability	(232,573)
<i>Total adjustments</i>	172,749
<i>Net cash provided (used) by operating activities</i>	<i>(\$53,072)</i>

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

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016. 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, 2016

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, 2016

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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Town reports the following major governmental funds:

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

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

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

The *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 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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 *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 *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 *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 *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 *library fund* accounts for the state Grants-in-Aid to Public Libraries, to be used for the acquisition of library materials (NMSL Rule 92-1). The fund was established by local ordinance in accordance with Section 3-18-14 NMSA 1978.

The *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 *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 *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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide a balanced budget. The comprehensive budget package is brought before the board of trustees for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the original budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, 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.

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.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016

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, 2016

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, 2016, 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	\$553	\$553	\$931
First National Bank of New Mexico	1,257,901	(42,421)	1,215,480	31,501
Farmer's & Stockmen's Bank - checking	0	0	0	83,039
Farmer's & Stockmen's Bank	1,684,115	(120,851)	1,563,264	31,565
Cash held with Trustee	163,884	0	163,884	0
<i>Total cash deposits</i>	3,105,900	(162,719)	2,943,181	147,036
Less CD's report as investments	(652,780)	0	(652,780)	(63,066)
	\$2,453,120	(\$162,719)	\$2,290,401	\$83,970

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

	Primary Government	Component Unit
Statement of Net Position:		
Cash	\$2,086,479	\$75,470
Restricted cash	203,922	8,500
Total cash reported on financial statements	\$2,290,401	\$83,970

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$1,257,901	\$1,684,115
Less: FDIC insurance – demand deposits	(250,000)	(250,000)
FDIC insurance – Time deposits	(124,000)	(250,000)
<i>Uninsured public funds</i>	883,901	1,184,115
Pledged collateral held by pledging bank's agent, but not in the Town's name	667,769	885,000
<i>Uninsured and uncollateralized public funds</i>	\$216,132	\$299,115
Total pledged collateral	\$667,769	\$885,000
50% pledged collateral requirement per state statute	441,951	592,058
<i>Pledged collateral (under) over the requirement</i>	\$225,818	\$292,942

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, 2016, \$2,068,016 of the Town's bank balance of \$2,942,016 was exposed to custodial credit risk as follows:

	First National Bank of New Mexico	Farmer's & Stockmen's Bank	Total
Uninsured and collateral held by agent, not in Town's name	\$883,901	\$1,184,115	\$2,068,016

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3. RESTRICTED CASH

At June 30, 2016, the Town had cash reserved for USDA of \$40,038. In addition, cash was held and invested by the New Mexico Finance Authority (NMFA) as part of the loan agreements. Cash is held for:

Debt Reserve	\$118,639
<u>Debt Service</u>	<u>45,245</u>
	<u>\$163,884</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, 2016

NOTE 4. RECEIVABLES, NET

Receivables net of allowance for doubtful accounts at June 30, 2016 consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$31,012	\$237,709
Allowance for doubtful accounts	0	(28,367)
<i>Total</i>	31,012	209,342
Taxes receivable:		
Gross receipts tax	256,052	27,885
Franchise taxes	26,680	0
Property taxes	31,119	0
Lodgers' taxes	18,222	0
<i>Total</i>	332,073	27,885
Intergovernmental receivables:		
Water system improvements	0	173,868
Public safety grants	8,426	0
Capital grants - state	129,281	0
Senior programs	6,737	0
Other – County	13,440	0
<i>Total</i>	157,884	173,868
Other receivables:		
Prison Fund	116,666	30,236
<i>Receivables, net</i>	\$637,635	\$441,331

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 \$0 resulting in an allowance for doubtful accounts balance of \$0 at June 30, 2016. 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 \$2,341 resulting in an allowance for doubtful accounts balance of \$28,367 at June 30, 2016.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. PROPERTY TAX

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

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

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year 2016, was \$4.938 per \$1,000 for non-residential and \$4.938 for residential property. In the year 2016, there was no tax rate established for payment of bonds principal and interest.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. CAPITAL ASSETS

Governmental activities capital assets for the fiscal year ended June 30, 2016, are as follows:

	Balance June 30, 2015	Increases	Transfers/ Decreases	Balance June 30, 2016
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$278,730	\$0	\$0	\$278,730
Construction in progress	1,128,074	270,839	(1,214,735)	184,178
<i>Total capital assets, not being depreciated</i>	<u>1,406,804</u>	<u>270,839</u>	<u>(1,214,735)</u>	<u>462,908</u>
Depreciable capital assets:				
Buildings and improvements	3,495,680	0	1,009,248	4,504,928
Airport runway	3,241,289	0	205,487	3,446,776
Airport improvements	98,870	0	0	98,870
Infrastructure	3,059,141	0	0	3,059,141
Furniture, fixtures and equipment	3,956,287	118,616	(138,474)	3,936,429
<i>Total depreciable capital assets</i>	<u>13,851,267</u>	<u>118,616</u>	<u>1,076,261</u>	<u>15,046,144</u>
Less accumulated depreciation:				
Buildings and improvements	(1,795,159)	(125,737)	0	(1,920,896)
Airport runway	(766,753)	(99,631)	0	(866,384)
Airport improvements	(824)	(13,163)	0	(13,987)
Infrastructure	(293,939)	(63,021)	0	(356,960)
Furniture, fixtures and equipment	(2,302,976)	(223,463)	126,336	(2,400,103)
<i>Total accumulated depreciation</i>	<u>(5,159,651)</u>	<u>(525,015)</u>	<u>126,336</u>	<u>(5,558,330)</u>
<i>Depreciable capital assets, net</i>	<u>8,691,616</u>	<u>(406,399)</u>	<u>1,202,597</u>	<u>9,487,814</u>
<i>Total capital assets, net</i>	<u>\$10,098,420</u>	<u>(\$135,560)</u>	<u>(\$12,138)</u>	<u>\$9,950,722</u>

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

General government	\$64,817
Public safety	292,489
Public works	91,113
Culture and recreation	50,335
Health and welfare	26,261
	<u>\$525,015</u>

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. CAPITAL ASSETS (CONTINUED)

Business-type activities capital assets for the fiscal year ended June 30, 2016 are as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$745,966	\$0	\$0	\$745,966
Construction in progress	4,055,384	363,667	(4,219,330)	199,721
<i>Total capital assets, not being depreciated</i>	4,801,350	363,667	(4,219,330)	945,687
Depreciable capital assets:				
Water utility system	12,387,770	0	0	12,387,770
Sewer utility system	8,459,734	0	4,219,330	12,679,064
Solid waste system	74,455	0	0	74,455
Furniture, fixtures and equipment	878,136	102,450	(77,444)	903,142
<i>Total depreciable capital assets</i>	21,800,095	102,450	4,141,886	26,044,431
Less accumulated depreciation:				
Water utility system	(4,296,864)	(260,656)	0	(4,557,520)
Sewer utility system	(3,914,978)	(126,548)	0	(4,041,526)
Solid waste system	(10,004)	(2,302)	0	(12,306)
Furniture, fixtures and equipment	(639,289)	(40,666)	77,444	(602,511)
<i>Total accumulated depreciation</i>	(8,861,135)	(430,172)	77,444	(9,213,863)
<i>Depreciable capital assets, net</i>	12,938,960	(327,722)	4,219,330	16,830,568
<i>Total capital assets, net</i>	\$17,740,310	\$35,945	\$0	\$17,776,255

Depreciation expense for business-type activities for the year ended June 30, 2016 was \$430,172.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. CAPITAL ASSETS - COMPONENT UNIT

The housing authority of the Town of Clayton reclassified capital assets reported at June 30, 2015. The following reflects the reclassifications and activity for the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$51,294	\$0	\$0	\$51,294
Construction in progress	0	7,431	0	7,431
Total capital assets, not being depreciated	51,294	7,431	0	58,725
Depreciable capital assets:				
Buildings	2,264,503	81,056	0	2,345,559
Building improvements	642,848	0	0	642,848
Equipment and furniture	512,027	1,510	0	513,537
Vehicles	32,324	29,044	0	61,368
Total depreciable capital assets	3,451,702	111,610	0	3,563,312
Less accumulated depreciation:				
Buildings	(1,517,644)	(75,812)	0	(1,593,456)
Building improvements	(531,081)	(22,711)	0	(553,792)
Equipment and furniture	(454,433)	(15,359)	0	(469,792)
Vehicles	(27,380)	(2,231)	0	(29,611)
Total accumulated depreciation	(2,530,538)	(116,113)	0	(2,646,651)
Depreciable capital assets, net	921,164	(4,503)	0	916,661
Business-type capital assets, net	\$972,458	\$2,928	\$0	\$975,386

Depreciation expense for the component unit for the year ended June 30, 2016 was \$116,113.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2016, were as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Notes payable:					
NMFA (#2265) Golf course irrigation loan	\$92,646	\$0	(\$29,599)	\$63,047	\$30,848
NMFA (#2818) Police vehicles loan	53,234	0	(24,030)	29,204	17,733
NMFA (#2965) Fire pumper loan	474,371	0	(76,090)	398,281	76,821
Compensated absences	170,842	88,858	(116,656)	143,044	0
	\$791,093	\$88,858	(\$246,375)	\$633,576	\$125,402

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, 2016, including interest payments, is as follows:

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, including interest payments, is as follows:

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, 2016, including interest payments, are as follows:

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, are as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	Amounts Due Within One Year
Notes Payable:					
Joint Utility System Revenue Bonds (USDA)	\$1,141,000	\$0	(\$20,000)	\$1,121,000	\$20,000
Land Acquisition & Water Wells Imp #1	125,151	0	(22,989)	102,162	23,957
Land Acquisition & Water Wells Imp #2	25,472	0	(5,069)	20,403	5,082
Wastewater System Improvement	1,054,318	0	(42,420)	1,011,898	43,245
Water Reuse Discharge System	179,391	0	(10,343)	169,048	10,369
Drinking Water	10,213	5,686	(2,843)	13,056	0
Compensated Absences	55,474	24,424	(52,517)	27,381	0
Landfill Closure & Post-Closure Liability	1,097,009	2,886	0	1,099,895	0
<i>Component unit capital assets, net</i>	\$3,688,028	\$32,996	(\$156,181)	\$3,564,843	\$102,653

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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	20,000	28,600	48,600
2022 – 2026	100,000	134,600	234,600
2027 – 2031	120,000	120,600	240,600
2032 – 2036	150,000	101,700	251,700
2037 – 2041	150,000	81,100	231,100
2042 – 2046	200,000	57,500	257,500
2047 – 2051	210,000	30,000	240,000
2052 – 2053	91,000	3,600	94,600
	<u>\$1,121,000</u>	<u>\$677,500</u>	<u>\$1,798,500</u>

Land Acquisition and Water Well Improvement #1

On December 21, 2000, the Town borrowed \$375,096 from the New Mexico Finance Authority. The loan proceeds were used to assist in the purchase of land and water wells for the municipal water system. The note bears interest at a 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, 2016, including interest payments, is as follows:

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, is as follows:

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, 2016, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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	47,496	30,575	78,071
2022 – 2026	260,247	130,104	390,351
2027 – 2031	309,170	81,181	390,351
2032 – 2034	216,118	18,093	234,211
	\$1,011,898	\$393,366	\$1,405,264

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, are as follows:

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the Town has only drawn \$13,056.

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, 2016, \$2,843 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, 2016, are as follows:

Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the Town place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. During the fiscal year ended June 30, 2010, the Town placed a final cover on the municipal landfill and it is considered closed. The Town has contracted with a private company to remove the solid waste from the Town limits, and dispose of it at another location that is not owned by the Town. The Town anticipates expending approximately \$29,697 on post-closure monitoring during the upcoming fiscal year.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 was \$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.

During the fiscal year ending June 30, 2016, the bonds were refunded, setting aside funds in an escrow to pay off the balance of the old bonds which were to pay off in November 2016. As part of the refunding an additional \$6,000,000 was borrowed for improvements to the facility. At June 30, 2016, the balance of the new bonds was \$57,535,000.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.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_2015.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 \$194,080 for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2015.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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, 2016, the Town of Clayton reported a liability of \$1,421,304 for its proportionate share of the net pension liability. At June 30, 2015, the Town of Clayton's proportion was .1394 percent, which was changed from its proportion measured as of June 30, 2014 of .1326 percent.

For the year ended June 30, 2016, the Town of Clayton recognized PERA Fund Division Municipal General pension expense of \$66,931. At June 30, 2016, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$31,483
Changes of assumptions	0	554
Net difference between projected and actual earnings on pension plan investments	0	4,496
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	40,506	0
Town of Claytn contributions subsequent to the measurement date	104,289	0
Total	\$144,795	\$36,533

\$104,289 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2017	(\$37,645)
2018	(37,645)
2019	(37,645)
2020	76,402
2021	0
	(\$36,533)

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

For PERA Fund Division Municipal Police, at June 30, 2016, the Town of Clayton reported a liability of \$712,629 for its proportionate share of the net pension liability. At June 30, 2015, the Town of Clayton's proportion was .1482 percent, which was a decrease of .0216 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town of Clayton recognized PERA Fund Division Municipal Police pension expense of \$30,545. At June 30, 2016, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$49,796	\$0
Changes of assumptions	0	29,483
Net difference between projected and actual earnings on pension plan investments	0	1,977
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	0	53,768
Town of Clayton contributions subsequent to the measurement date	54,139	0
Total	\$103,935	\$85,228

\$54,139 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2017	(\$6,068)
2018	(6,068)
2019	(6,068)
2020	36,540
2021	0
	\$18,336

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

For PERA Fund Division Municipal Fire, at June 30, 2016, the Town of Clayton reported a liability of \$936,755 for its proportionate share of the net pension liability. At June 30, 2015, the Town of Clayton's proportion was .1815 percent, which was a decrease of .0146 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town of Clayton recognized PERA Fund Division Municipal Fire pension expense of \$75,377. At June 30, 2016, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$36,891	\$0
Changes of assumptions	19,757	0
Net difference between projected and actual earnings on pension plan investments	0	1,127
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	0	46,533
Town of Clayton contributions subsequent to the measurement date	35,652	0
Total	\$92,300	\$47,660

\$35,652 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2017	\$11,124
2018	11,124
2019	11,124
2020	22,149
2021	0
	\$55,521

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
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%	

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

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.

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.

PERA Fund Division Municipal General	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town of Clayton’s proportionate share of the net pension liability	\$2,419,916	\$1,421,304	\$591,025
PERA Fund Division Municipal Police	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town of Clayton’s proportionate share of the net pension liability	\$1,176,863	\$712,629	\$331,799
PERA Fund Division Municipal Fire	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town of Clayton’s proportionate share of the net pension liability	\$1,270,471	\$936,755	\$661,727

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, 2016, 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, 2016

NOTE 11. INTERFUND BALANCES AND TRANSFERS

	Due from:				Total
	General Fund	Government Assistance Fund	Municipal Income Permanent Fund	Joint Utilities Fund	
Due to:					
General Fund	\$0	\$0	\$0	\$100,000	\$100,000
Government Assistance Fund	6,831	0	32,532	0	39,363
Municipal Income Permanent Fund	0	23,403	0	0	23,403
Municipal Street Fund	1,334	0	0	0	1,334
Nonmajor Governmental Fund	790	0	0	0	790
	\$8,955	\$23,403	\$32,532	\$100,000	\$164,890

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

	Transfers In:					Total
	General Fund	Government Assistance Fund	Joint Utilities Fund	Nonmajor Governmental Fund	Municipal Street Fund	
Transfers (Out):						
General Fund	\$0	\$27,196	\$0	\$89,512	\$0	\$116,708
Municipal Street Fund	0	12,000	8,376	0	0	20,376
Joint Utility Fund	100,000	0	5,630	0	100,000	205,630
	\$100,000	\$39,196	\$14,006	\$89,512	\$100,000	\$342,714

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, 2016

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.

The classification of governmental fund balances is as follows:

	Major Funds					Total
	General Fund	Municipal Street Fund	Government Assistance Fund	Municipal Income Permanent Fund	Other Funds	
Fund Balances:						
Restricted for:						
Cemetery care	\$0	\$0	\$0	\$0	\$127,319	\$127,319
Health and social services	0	0	0	0	41,188	41,188
Streets and parks	0	104,810	0	0	0	104,810
Fire protection	0	0	0	0	44,907	44,907
Library	0	0	0	0	133,887	133,887
Law enforcement and corrections	0	0	0	0	126,206	126,206
Recreation and promotion	0	0	0	0	130,455	130,455
Debt service	0	0	0	0	38,644	38,644
Capital projects	0	0	54,724	0	0	54,724
Expendable endowment	0	0	0	1,171,636	0	1,171,636
Unassigned	280,565	0	0	0	0	280,565
Total fund balances	\$280,565	\$104,810	\$54,724	\$1,171,636	\$642,606	\$2,254,341

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co- payments or out-of-pocket payments to eligible retirees. The Town has elected not to participate in the post-employment health insurance plan.

NOTE 14. 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 15. 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 16. CONSTRUCTION COMMITMENTS

As of June 30, 2016, the Town has construction contracts in progress with total cost of \$82,065. 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 \$7,385.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 17. 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. Excess of fund actual expenditures/transfers out over budget

Fund	Budget/Amount	Actual Amount	Over Expended
Emergency Medical Services Fund	\$16,452	\$19,840	(\$3,388)
Library Fund	\$12,394	\$16,890	(\$4,496)

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***

	As of Measurement Date	
	June 30, 2015 2016	June 30, 2014 2015
Town of Clayton's proportion of the net pension liability (asset)	0.1394%	0.1326%
Town of Clayton's proportionate share of the net pension liability (asset)	\$1,421,304	\$1,034,422
Town of Clayton's covered-employee payroll	\$1,157,502	\$1,031,518
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	122.79%	100.28%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*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 PROPORATIONATE SHARE
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION
MUNICIPAL POLICE**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years*

	As of	
	Measurement Date	
	June 30, 2015	June 30, 2014
	2016	2015
Town of Clayton's proportion of the net pension liability (asset)	0.1482%	0.1698%
Town of Clayton's proportionate share of the net pension liability (asset)	\$712,629	\$553,530
Town of Clayton's covered-employee payroll	\$289,443	\$320,148
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	245.21%	172.90%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*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*

	As of	
	Measurement Date	
	June 30, 2015	June 30, 2014
	2016	2015
Town of Clayton's proportion of the net pension liability (asset)	0.1815%	0.1961%
Town of Clayton's proportionate share of the net pension liability (asset)	\$936,755	\$818,520
Town of Clayton's covered-employee payroll	\$206,885	\$214,384
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	452.79%	381.80%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*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*

	2016	2015
Contractually required contribution	\$104,289	\$110,541
Contributions in relation to the contractually required contribution	\$104,289	\$110,541
Contribution deficiency (excess)	\$0	\$0
Town of Clayton's covered-employee payroll	\$1,091,034	\$1,157,502
Contributions as a percentage of covered-employee payroll	9.55%	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*

	2016	2015
Contractually required contribution	\$54,139	\$54,705
Contributions in relation to the contractually required contribution	\$54,139	\$54,705
Contribution deficiency (excess)	\$0	\$0
Town of Clayton's covered-employee payroll	\$286,449	\$289,443
Contributions as a percentage of covered-employee payroll	18.90%	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*

	2016	2015
Contractually required contribution	\$35,652	\$44,791
Contributions in relation to the contractually required contribution	\$35,652	\$44,791
Contribution deficiency (excess)	\$0	\$0
Town of Clayton's covered-employee payroll	\$164,675	\$206,885
Contributions as a percentage of covered-employee payroll	21.65%	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, 2016

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 FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.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. 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.

SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
SPECIAL REVENUE FUNDS
JUNE 30, 2016

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, 2016

	Cemetery	Emergency Medical Services	Fire Protection Fund
ASSETS			
Cash	\$27,498	\$0	\$46,941
Investments	100,000	0	0
Taxes receivable	0	0	0
Intergovernmental receivables	0	0	0
Restricted assets:			
Cash held with trustee	0	0	135
<i>Total assets</i>	\$127,498	\$0	\$47,076
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$0	\$0	\$1,423
Accrued payroll	0	0	0
Accrued compensated absences - ST	0	0	0
Due to other funds	179	0	611
<i>Total liabilities</i>	179	0	2,034
Fund Balance:			
Restricted	127,319	0	45,042
Assigned	0	0	0
Unrestricted	0	0	0
<i>Total fund balance</i>	127,319	0	45,042
<i>Total liabilities and fund balance</i>	\$127,498	\$0	\$47,076

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

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

	Law Enforcement Protection	Library	Local Government Corrections	Lodgers' Tax
ASSETS				
Cash	\$0	\$122,887	\$4,384	\$80,420
Investments	0	11,000	117,780	24,000
Taxes receivable	0	0	0	18,222
Intergovernmental receivables	5,423	0	0	0
Restricted assets:				
Cash held with trustee	7,114	0	0	31,395
<i>Total assets</i>	\$12,537	\$133,887	\$122,164	\$154,037
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$0	\$0	\$1,381	\$0
Accrued payroll	0	0	0	0
Accrued compensated absences - ST	0	0	0	0
Due to other funds	0	0	0	0
<i>Total liabilities</i>	0	0	1,381	0
Fund Balance:				
Restricted	12,537	133,887	120,783	154,037
Assigned	0	0	0	0
Unrestricted	0	0	0	0
<i>Total fund balance</i>	12,537	133,887	120,783	154,037
<i>Total liabilities and fund balance</i>	\$12,537	\$133,887	\$122,164	\$154,037

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

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2016

	Recreation	Senior Citizens	Totals
ASSETS			
Cash	\$8,027	\$42,041	\$332,198
Investments	0	0	252,780
Taxes receivable	0	0	18,222
Intergovernmental receivables	0	6,737	12,160
Restricted assets:			
Cash held with trustee	0	0	38,644
<i>Total assets</i>	\$8,027	\$48,778	\$654,004
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$0	\$4,096	\$6,900
Accrued payroll	214	3,494	3,708
Accrued compensated absences - ST	0	0	0
Due to other funds	0	0	790
<i>Total liabilities</i>	214	7,590	11,398
Fund Balance:			
Restricted	7,813	41,188	642,606
Assigned	0	0	0
Unrestricted	0	0	0
<i>Total fund balance</i>	7,813	41,188	642,606
<i>Total liabilities and fund balance</i>	\$8,027	\$48,778	\$654,004

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, 2016

	Cemetery	Emergency Medical Services	Fire Protection Fund
REVENUES			
Intergovernmental - federal	\$0	\$0	\$0
Intergovernmental - state	0	16,452	313,259
Intergovernmental - other	0	0	0
Charges for services	1,179	0	0
Lodgers' tax	0	0	0
State shared taxes and municipal taxes	0	0	0
Fines	0	0	0
Sales of property	0	0	0
Donations	330	0	0
Miscellaneous revenues	0	0	3,776
Interest	288	0	134
<i>Total revenues</i>	<u>1,797</u>	<u>16,452</u>	<u>317,169</u>
EXPENDITURES			
Current:			
General government	0	0	0
Public safety	0	7,510	164,329
Public works	0	0	0
Health and welfare	7,361	0	0
Culture and recreation	0	0	0
Debt service - principal	0	0	76,090
Debt service - interest	0	0	11,357
Capital outlay	0	12,330	18,080
<i>Total expenditures</i>	<u>7,361</u>	<u>19,840</u>	<u>269,856</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(5,564)	(3,388)	47,313
Other Financing Sources (Uses):			
Operating transfers in	0	3,388	0
Operating transfers (out)	0	0	0
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>3,388</u>	<u>0</u>
<i>Net changes in fund balances</i>	(5,564)	0	47,313
Fund balance, beginning of year	132,883	0	(2,271)
<i>Fund balance (deficit), end of year</i>	<u>\$127,319</u>	<u>\$0</u>	<u>\$45,042</u>

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, 2016

	Law Enforcement Protection	Library	Local Government Corrections	Lodgers' Tax
REVENUES				
Intergovernmental - federal	\$0	\$0	\$0	\$0
Intergovernmental - state	23,600	16,570	0	0
Intergovernmental - other	0	0	10,865	0
Charges for services	0	0	0	0
Lodgers' tax	0	0	0	155,722
State shared taxes and municipal taxes	0	0	0	0
Fines	0	0	0	0
Sales of property	0	0	0	0
Donations	0	0	0	0
Miscellaneous revenues	0	0	0	0
Interest	177	2,198	509	363
<i>Total revenues</i>	<u>23,777</u>	<u>18,768</u>	<u>11,374</u>	<u>156,085</u>
EXPENDITURES				
Current:				
General government	0	0	0	0
Public safety	0	0	27,196	0
Public works	0	0	0	0
Health and welfare	0	0	0	0
Culture and recreation	0	16,890	0	95,198
Debt service - principal	24,030	0	0	29,599
Debt service - interest	591	0	0	6,899
Capital outlay	0	0	5,283	7,426
<i>Total expenditures</i>	<u>24,621</u>	<u>16,890</u>	<u>32,479</u>	<u>139,122</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(844)	1,878	(21,105)	16,963
Other Financing Sources (Uses):				
Operating transfers in	0	4,000	0	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>4,000</u>	<u>0</u>	<u>0</u>
<i>Net changes in fund balances</i>	(844)	5,878	(21,105)	16,963
Fund balance, beginning of year	13,381	128,009	141,888	137,074
<i>Fund balance (deficit), end of year</i>	<u>\$12,537</u>	<u>\$133,887</u>	<u>\$120,783</u>	<u>\$154,037</u>

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, 2016

	Recreation	Senior Citizens	Totals
REVENUES			
Intergovernmental - federal	\$0	\$12,500	\$12,500
Intergovernmental - state	0	39,820	409,701
Intergovernmental - other	0	21,043	31,908
Charges for services	3,169	21,189	25,537
Lodgers' tax	0	0	155,722
State shared taxes and municipal taxes	48	0	48
Fines	0	0	0
Sales of property	0	0	0
Donations	0	0	330
Miscellaneous revenues	0	0	3,776
Interest	0	0	3,669
<i>Total revenues</i>	3,217	94,552	643,191
EXPENDITURES			
Current:			
General government	0	0	0
Public safety	0	0	199,035
Public works	0	0	0
Health and welfare	0	145,570	152,931
Culture and recreation	18,214	0	130,302
Debt service - principal	0	0	129,719
Debt service - interest	0	0	18,847
Capital outlay	0	0	43,119
<i>Total expenditures</i>	18,214	145,570	673,953
<i>Excess (deficiency) of revenues over expenditures</i>	(14,997)	(51,018)	(30,762)
Other Financing Sources (Uses):			
Operating transfers in	18,000	64,124	89,512
Operating transfers (out)	0	0	0
<i>Total other financing sources (uses)</i>	18,000	64,124	89,512
<i>Net changes in fund balances</i>	3,003	13,106	58,750
Fund balance, beginning of year	4,810	28,082	583,856
<i>Fund balance (deficit), end of year</i>	\$7,813	\$41,188	\$642,606

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Sale of lots	\$2,000	\$2,000	\$1,179	(\$821)
Interest on investments	500	500	288	(212)
Donations	1,000	1,000	330	(670)
<i>Total revenues</i>	<u>3,500</u>	<u>3,500</u>	<u>1,797</u>	<u>(1,703)</u>
EXPENDITURES				
Health and welfare	4,300	4,300	2,435	1,865
Capital outlay	5,000	5,000	4,926	74
<i>Total expenditures</i>	<u>9,300</u>	<u>9,300</u>	<u>7,361</u>	<u>1,939</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(5,800)	(5,800)	(5,564)	236
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(5,800)	(5,800)	<u>(\$5,564)</u>	<u>\$236</u>
Budgeted cash carryover	5,800	5,800		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$5,564)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	0
Net changes in fund balance (GAAP basis)	<u>(\$5,564)</u>

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

TOWN OF CLAYTON
EMERGENCY MEDICAL SERVICES FUND
SPECIAL REVENUE FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - state	\$16,452	\$16,452	\$16,452	\$0
<i>Total revenues</i>	16,452	16,452	16,452	0
EXPENDITURES				
Public safety	4,452	4,452	7,510	(3,058)
Capital outlay	12,000	12,000	12,330	(330)
<i>Total expenditures</i>	16,452	16,452	19,840	(3,388)
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	(3,388)	(3,388)
Other Financing Sources (Uses):				
Operating transfers in	0	3,388	3,388	0
<i>Total other financing sources (uses)</i>	0	3,388	3,388	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	\$0	\$3,388	\$0	(\$3,388)

Budgetary - GAAP Reporting Reconciliation:

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

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - state	\$311,408	\$313,260	\$313,259	(\$1)
Miscellaneous revenue	0	3,776	3,776	0
<i>Total revenues</i>	311,408	317,036	317,035	(1)
EXPENDITURES				
Public safety	161,553	163,405	164,749	(1,344)
Debt service	87,447	87,447	87,446	1
Capital outlay	62,525	62,525	18,080	44,445
<i>Total expenditures</i>	311,525	313,377	270,275	43,102
<i>Excess (deficiency) of revenues over expenditures</i>	(117)	3,659	<u>\$46,760</u>	<u>\$43,101</u>
<i>Budgeted cash carryover</i>	0	0		
	<u>(\$117)</u>	<u>\$3,659</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$46,760
Adjustments for revenue accruals	134
Adjustments for expenditures accruals	419
Net changes in fund balance (GAAP basis)	<u>\$47,313</u>

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - state	\$23,600	\$23,600	\$23,600	\$0
Interest on investments	0	0	0	0
<i>Total revenues</i>	23,600	23,600	23,600	0
EXPENDITURES				
Debt service	23,600	23,600	23,600	0
<i>Total expenditures</i>	23,600	23,600	23,600	0
<i>Excess (deficiency) of revenues over expenditures</i>	\$0	\$0	\$0	\$0

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$0
Adjustments for revenue accruals	177
Adjustments for expenditures accruals	(1,021)
Net changes in fund balance (GAAP basis)	(\$844)

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - state	\$10,503	\$10,503	\$16,570	\$6,067
Interest	900	900	390	(510)
Miscellaneous	0	0	1,809	1,809
<i>Total revenues</i>	<u>11,403</u>	<u>11,403</u>	<u>18,769</u>	<u>7,366</u>
EXPENDITURES				
Culture and recreation	12,394	12,394	16,890	(4,496)
<i>Total expenditures</i>	<u>12,394</u>	<u>12,394</u>	<u>16,890</u>	<u>(4,496)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(991)	(991)	1,879	2,870
Other Financing Sources (Uses):				
Operating transfers in	4,000	4,000	4,000	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$3,009</u>	<u>\$3,009</u>	<u>\$5,879</u>	<u>\$2,870</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$5,879
Adjustments for revenue accruals	(1)
Adjustments for expenditures accruals	0
Net changes in fund balance (GAAP basis)	\$5,878

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Court fines	\$30,000	\$30,000	\$10,865	(\$19,135)
Interest on investments	2,500	2,500	509	(1,991)
<i>Total revenues</i>	<u>32,500</u>	<u>32,500</u>	<u>11,374</u>	<u>(21,126)</u>
EXPENDITURES				
Public safety	34,750	34,750	25,815	8,935
Capital outlay	6,200	6,200	5,283	917
<i>Total expenditures</i>	<u>40,950</u>	<u>40,950</u>	<u>31,098</u>	<u>9,852</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(8,450)	(8,450)	<u>(\$19,724)</u>	<u>\$9,852</u>
<i>Budgeted cash carryover</i>	<u>8,450</u>	<u>8,450</u>		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$19,724)
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	(1,381)
<u>Net changes in fund balance (GAAP basis)</u>	<u>(\$21,105)</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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Lodgers' tax	\$144,000	\$153,054	\$155,596	\$2,542
Interest on investments	100	100	363	263
Miscellaneous income	0	0	126	126
<i>Total revenues</i>	144,100	153,154	156,085	2,931
EXPENDITURES				
Culture and recreation	101,465	101,465	99,066	2,399
Debt service	33,690	33,690	33,690	0
Capital outlay	13,000	13,000	7,426	5,574
<i>Total expenditures</i>	148,155	148,155	140,182	7,973
<i>Excess (deficiency) of revenues over expenditures</i>	(4,055)	4,999	15,903	10,904
Other Financing Sources (Uses):				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(4,055)	4,999	<u>\$15,903</u>	<u>\$10,904</u>
<i>Budgeted cash carryover</i>	4,055	0		
	<u>\$0</u>	<u>\$4,999</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$15,903
Adjustments for revenue accruals	0
Adjustments for expenditures accruals	1,060
Net changes in fund balance (GAAP basis)	\$16,963

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
State shared and municipal taxes	\$300	\$300	\$49	(\$251)
Charges for services	9,000	9,000	3,169	(5,831)
<i>Total revenues</i>	<u>9,300</u>	<u>9,300</u>	<u>3,218</u>	<u>(6,082)</u>
EXPENDITURES				
Culture and recreation	34,062	34,062	20,245	13,817
<i>Total expenditures</i>	<u>34,062</u>	<u>34,062</u>	<u>20,245</u>	<u>13,817</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(24,762)	(24,762)	(17,027)	7,986
Other Financing Sources (Uses):				
Operating transfers in	18,000	18,000	18,000	0
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(6,762)	(6,762)	<u>\$973</u>	<u>\$7,986</u>
Budgeted cash carryover	6,762	6,762		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$973
Adjustments for revenue accruals	(1)
Adjustments for expenditures accruals	2,031
Net changes in fund balance (GAAP basis)	<u>\$3,003</u>

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - federal	\$21,270	\$21,270	\$17,778	(\$3,492)
Intergovernmental - state	41,670	41,670	39,711	(1,959)
Intergovernmental - other	15,000	15,000	12,500	(2,500)
Private grants	0	0	0	0
Fees and charges	23,000	23,000	22,394	(606)
<i>Total revenues</i>	<u>100,940</u>	<u>100,940</u>	<u>92,383</u>	<u>(8,557)</u>
EXPENDITURES				
Health and welfare	181,583	181,583	144,563	37,020
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>181,583</u>	<u>181,583</u>	<u>144,563</u>	<u>37,020</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(80,643)	(80,643)	(52,180)	28,463
Other Financing Sources (Uses):				
Operating transfers in	77,167	77,167	64,124	(13,043)
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>77,167</u>	<u>77,167</u>	<u>64,124</u>	<u>(13,043)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(3,476)	(3,476)	<u>\$11,944</u>	<u>\$15,420</u>
Budgeted cash carryover	3,476	3,476		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$11,944
Adjustments for revenue accruals	2,169
Adjustments for expenditures accruals	(1,007)
Net changes in fund balance (GAAP basis)	\$13,106

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

TOWN OF CLAYTON
CAPITAL PROJECTS FUNDS
JUNE 30, 2016

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Intergovernmental - federal	\$106,779	\$106,779	\$106,589	(\$190)
Intergovernmental - state	517,477	627,477	176,181	(451,296)
<i>Total revenues</i>	<u>624,256</u>	<u>734,256</u>	<u>282,770</u>	<u>(451,486)</u>
EXPENDITURES				
Capital outlay	734,242	844,232	420,970	423,262
<i>Total expenditures</i>	<u>734,242</u>	<u>844,232</u>	<u>420,970</u>	<u>423,262</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(109,986)	(109,976)	(138,200)	(28,224)
Other Financing Sources (Uses):				
Operating transfers in	34,260	39,513	39,196	(317)
Operating transfers (out)	0	(130,000)	0	130,000
<i>Total other financing sources (uses)</i>	<u>34,260</u>	<u>(90,487)</u>	<u>39,196</u>	<u>129,683</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(75,726)	(200,463)	<u>(\$99,004)</u>	<u>\$101,459</u>
<i>Budgeted cash carryover</i>	<u>75,726</u>	<u>80,118</u>		
	<u>\$0</u>	<u>(\$120,345)</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$99,004)
Adjustments for revenue accruals	50,894
Adjustments for expenditures accruals	13,436
Net changes in fund balance (GAAP basis)	<u>(\$34,674)</u>

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

TOWN OF CLAYTON
PERMANENT FUND
JUNE 30, 2016

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Interest	\$2,350	\$2,888	\$2,929	\$41
<i>Total revenues</i>	2,350	2,888	2,929	41
EXPENDITURES				
Current:	0	11,392	11,392	0
<i>Total expenditures</i>	0	11,392	11,392	0
<i>Excess (deficiency) of revenues over expenditures</i>	2,350	(8,504)	(8,463)	0
Other Financing Sources (Uses):				
Operating transfers (out)	0	(250,000)	0	250,000
<i>Total other financing sources (uses)</i>	0	(250,000)	0	250,000
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	2,350	(258,504)	(8,463)	\$250,000
<i>Budgeted cash carryover</i>	0	258,504		
	\$2,350	\$0		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$8,463)
Adjustments for revenue accruals	87
Adjustments for expenditures accruals	(1)
Net changes in fund balance (GAAP basis)	(\$8,377)

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

TOWN OF CLAYTON
ENTERPRISE FUNDS
JUNE 30, 2016

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, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Refuse collection	\$353,500	\$353,500	\$343,384	(\$10,116)
Water sales	562,150	562,150	440,351	(121,799)
Sewer charges	276,800	276,800	274,125	(2,675)
Total government tax	252,093	252,093	237,532	(14,561)
Other	102,000	829,200	647	(828,553)
<i>Total revenues</i>	<u>1,546,543</u>	<u>2,273,743</u>	<u>1,296,039</u>	<u>(977,704)</u>
OPERATING EXPENSES				
Personnel services	596,010	596,010	484,702	111,308
Contractual services	592,750	977,750	543,938	433,812
Other operating expense	224,325	566,525	205,439	361,086
Capital outlay	761,630	761,630	287,268	474,362
<i>Total operating expenses</i>	<u>2,174,715</u>	<u>2,901,915</u>	<u>1,521,347</u>	<u>1,380,568</u>
<i>Operating income (loss)</i>	(628,172)	(628,172)	(225,308)	402,864
Non-Operating Revenue (Expenses)				
Interest income	2,000	2,000	1,991	(9)
Transfers in	79,876	82,714	11,214	(71,500)
Transfers (out)	(279,876)	(282,714)	(208,468)	74,246
Loan proceeds	0	0	5,686	5,686
Principal and interest payments	(176,540)	(176,540)	(165,480)	11,060
Capital grants - state	445,639	445,639	5,630	440,009
Capital grants - federal	246,858	246,858	184,962	61,896
Other non-operating revenue	0	0	156,678	(156,678)
<i>Total non-operating revenue (expenses)</i>	<u>317,957</u>	<u>317,957</u>	<u>(7,787)</u>	<u>(325,744)</u>
<i>Net income (loss)</i>	(310,215)	(310,215)	<u>(\$233,095)</u>	<u>\$77,120</u>
Budgeted cash carryover	310,215	310,215		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Net income	(\$233,095)
Adjustments for revenue accruals and loan proceeds	167,650
Adjustments for expense accruals, depreciation and principal payments	282,105
Changes in net position	<u>\$216,660</u>

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

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
SCHEDULE OF LEGISLATIVE GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project	Agency	Grant #	Effective Date	Reversion Date	Original Amount
Civic Center Repairs	DFA	14-L-2017	12/10/2014	6/30/2018	\$57,000
Design Event Center	DFA	14-L-2018	12/10/2014	6/30/2018	55,000
City Hall Repairs	DFA	14-L-2019	12/10/2014	6/30/2018	115,000
Library Air Conditioning	DFA	15-0883	12/19/2016	6/30/2019	50,000
Pool Repairs	DFA	15-0884	12/19/2016	6/30/2019	70,000
Grand totals					\$347,000

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

TOWN OF CLAYTON
SCHEDULE OF LEGISLATIVE GRANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Project	Arts in Public Places	Net Amount	Expenditures to Date	Reverted	Remaining
Civic Center Repairs	-	\$57,000	\$32,533	-	\$24,467
Design Event Center	-	55,000	46,820	-	8,180
City Hall Repairs	-	115,000	0	-	115,000
Library Air Conditioning	-	50,000	-	-	50,000
Pool Repairs	-	70,000	49,928	-	20,072
<i>Grand totals</i>	-	\$347,000	\$129,281	-	\$217,719

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

TOWN OF CLAYTON
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2016

Financial Institution: Account Name	Type of Account	Bank Balance	(Checks) Deposits	Book Balance
CASH				
First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415				
Special Revenues Pool	Checking	\$195,296	(\$40,402)	\$154,894
Payroll Account	Checking	3,468	(2,019)	1,449
MMDA Account	MMA	935,137	0	935,137
Certificate of Deposit	CD	100,000	0	100,000
Certificate of Deposit	CD	24,000	0	24,000
		\$1,257,901	(\$42,421)	\$1,215,480
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415-0488				
General Fund	Checking	\$71,260	(\$38,988)	\$32,272
Utility Pool	Checking	329,459	(52,584)	276,875
USDA Reserve Account	Checking	40,038	0	40,038
A W Thompson Library Fund	Checking	11,328	(200)	11,128
Capital Projects Fund	Checking	83,086	(28,285)	54,801
Vendor Account	Checking	86,231	184,169	270,400
Severance Account	Checking	56,874	0	56,874
Wastewater Construction	Checking	184,963	(184,963)	0
TOC Pooled Money Market	MMA	292,096	0	292,096
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
		\$1,684,115	(\$120,851)	\$1,563,264

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, 2016

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

Security	CUSIP	Maturity	Market Value
FHLMC - Pool #C91344	3128P7P56	11/1/2030	\$305,958
Lea Cnty Pub Sch Dist	521513CE9	7/15/2019	150,699
Dulce NM Indpt Sch Dist 21	264430HK8	3/1/2019	109,177
W Las Vegas NM Sch District	953869JV9	8/15/2017	101,935
			<u>\$667,769</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
FHLB LOC	3615000002	8/31/2016	\$725,000
FHLB LOC	3615000001	8/30/2017	160,000
			<u>\$885,000</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, 2016

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending dates	Total Estimated Amount of Project	Contribution 6/30/2016	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	\$149,613	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	\$10,464	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, 2016

Prepared by Agency Staff Name: Carla Taylor

Title: Administrative Assistant Date: November 17, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor win contract?
6034	Town of Clayton	Municipalities		Competitive (RFP or RFB)	File Construction LLC	Winner
6034	Town of Clayton	Municipalities		Competitive (RFP or RFB)	New Image Construction, Inc	Loser

TOWN OF CLAYTON
SCHEDULE OF VENDOR INFORMATION
for Purchases Exceeding \$60,000 (excluding GRT) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by Agency Staff Name: Carla Taylor

Title: Administrative Assistant

Date: November 17, 2016

\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of Vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
\$499,296.00		Albuquerque, NM			Installation of radio read water meters Town wide	
\$499,296.00		Ribera, NM			Installation of radio read water meters Town wide	

**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, 2016, 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 9, 2016.

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 responses that we consider to be significant deficiencies. 2009-008

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 responses as items 2016-001, 2015-004, 2014-001, and 2013-005.

Town of Clayton's Response to Findings

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

Purpose of this Report

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

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

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
December 9, 2016

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT YEAR FINDINGS:

2016-001 Asset Deletions - Notification – Non Compliance

Statement of Condition – An auction was held to sell 16 obsolete and out of service assets but no notification was sent to the State Auditor for the asset deletions.

Criteria – In accordance with Sections 13-6-1 and 13-6-2 NMSA 1978, a written notification of the official finding and proposed disposition must be sent to the State Auditor.

Cause – Oversight, lack of appropriate review.

Effect – Non compliance with notification requirements.

Recommendation – The state auditor’s office should be notified of all future deletions.

Management’s Response – The Town agrees with the auditor recommendation. While the Town of Clayton did inform DFA they did fail to notify the State Auditor. The Town Treasurer will send written notification for all future deletions to the State Auditor’s office.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDINGS:

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

Resolved and not repeated.

2015-002 Senior Center Food Purchase – Significant Deficiency

Resolved and not repeated.

2015-004 Legal Compliance with Budget – Non Compliance

Repeated with modification.

Statement of Condition – The Town’s authorized budget was exceeded in two funds as follows:

Fund	Budget Amount	Actual Amount	Over Expended
Emergency Medical Services Fund	\$16,452	\$19,840	(\$3,388)
Library Fund	\$12,394	\$16,840	(\$4,496)

In addition, the Town’s expenditure budget exceeded the available projected revenues and cash carryover in the following funds:

Government Assistance Fund	(\$120,345)
Fire Protection Fund	(\$117)

This finding is essentially the same as prior year.

Criteria – Section 6-6-6 of the New Mexico State Statutes prohibits any payments in excess of the approved budget. Per 2.2.210 NMAC if budgeted expenditures exceed budgeted revenues there must be available cash at the beginning of the year (July 1) to balance the budget.

Cause – Lack of appropriate monitoring of budget status and a budget adjustment for an operating transfer out with no offset of previously budget expenditures (government assistance fund).

Effect – Potential to over expend a funds resources by not properly identifying available resources and/or not processing the necessary budget adjustments for additional expenditures.

Recommendation – Carefully evaluate all transactions involving the movement of money between funds to identify any potential budget issues and provide budget adjustments where needed prior to year end. Review budgets for each fund throughout the year to insure resources (cash-beginning and budgeted revenues) are available to support the budgeted expenditures.

Management’s Response – Management agrees with the finding. Beginning December 2016, the Town Treasurer and the Town Manager will more closely review budget to actual conditions especially where transfer of funds between funds is being considered.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2014-001 Procurement Violations – Non Compliance

Repeated.

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.

This remains the same as prior year.

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 Administrative Assistant will insure that sole source documentation for solid waste hauling services is completed by January 2017.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

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

Resolved and not repeated.

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

Resolved and 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 there was no purchase order.
- Three instances where an invoice was dated prior to the purchase order.
- One instance where the purchase order did not include all items purchased.
- Three instances where purchase requisition was not created for a purchase greater than \$1,000 (purchase of \$3,360).

This finding remains essentially the same as prior year.

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. 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 Treasurer (requisitions) and Human Resources (PO’s) will insure that all purchases have the appropriate requisitions and purchase orders required by current procedures prior to purchase of goods and services.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2009-008 Capital Assets Subsidiary Records – Significant Deficiency

Repeated.

Statement of Condition – During fiscal year 2016, 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.

This remains the same as prior year.

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 – Human Resources will immediately maintain the capital asset inventory schedule in a manner that will allow for sorting by location to facilitate additions and deletion entries and physical observation.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COMPONENT UNIT:

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

None.

CURRENT STATUS ON PRIOR YEAR FINDINGS:

None.

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

2015-003 Davis-Bacon Act Violations – Other Matters

Resolved and not repeated.

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

Resolved and not repeated.

TOWN OF CLAYTON
EXIT CONFERENCE
JUNE 30, 2016

EXIT CONFERENCE:

The exit conference was held November 18, 2016 and was attended by the following:

From Town of Clayton:

Ferron Lucero, Town Manager
Jack Chosvig, Mayor
Renee Valdez, Treasurer/Clerk
Carla Taylor, Administrative Assistant

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

Debbie Gray, CPA/Shareholder
Rebecca Pott, Staff Auditor
Leonardo Ramirez, 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.