



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

CERTIFIED PUBLIC ACCOUNTANTS

TRADITIONAL YET PROGRESSIVE SERVICE SINCE 1962

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# **STATE OF NEW MEXICO**

## **TOWN OF CLAYTON**

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

**JUNE 30, 2017**

**TOWN OF CLAYTON**  
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**TOWN OF CLAYTON**  
**OFFICIAL ROSTER**  
**JUNE 30, 2017**

**BOARD OF TRUSTEES**

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

**ADMINISTRATIVE OFFICIALS**

<i>Ferron Lucero</i>	<i>Town Manager</i>
<i>Renee Valdez</i>	<i>Town Treasurer/Clerk</i>

## **INDEPENDENT AUDITORS' REPORT**

Mr. Wayne Johnson, 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, 2017, and the related notes to the financial statements which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental and nonmajor enterprise 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, 2017, 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. Wayne Johnson, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton, as of June 30, 2017, 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, 2017, and the respective changes in financial position 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. Wayne Johnson, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
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*Other Information*

Our audit was conducted for the purpose of forming opinions on the Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards, and the other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Expenditures of Federal Awards and other supplementary information required by 2.2.2 NMAC* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards and other supplementary information required by 2.2.2 NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2017 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 10, 2017

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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, 2017. 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 \$140,953 less than the \$4,271,694 generated in taxes, other revenues, and transfers for governmental programs.
- In the Town's business-type activities revenues and transfers increased 5% to \$1,717,255 while expenses increased 40%.
- The general fund reported revenues in excess of expenditures this year of \$11,870.

**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, 2017**

**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, 2017**

**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, 2017**

**Government-Wide Financial Analysis**

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016 restated	2017	2016 restated	2017	2016 restated
<b>Assets:</b>						
Current assets and other assets	\$2,492,973	\$2,504,554	\$1,467,728	\$1,395,493	\$3,960,701	\$3,900,047
Capital	9,859,919	9,962,024	17,989,938	17,776,255	27,849,857	27,738,279
<i>Total assets</i>	<i>12,352,892</i>	<i>12,466,578</i>	<i>19,457,666</i>	<i>19,171,748</i>	<i>31,810,558</i>	<i>31,638,326</i>
<b>Deferred outflows</b>	951,122	294,763	190,435	35,606	1,141,557	330,369
<b>Liabilities:</b>						
Current and other liabilities	148,987	180,602	126,860	382,424	275,847	563,026
Long-term liabilities	3,567,848	3,391,577	4,711,680	3,675,386	8,279,528	7,066,963
<i>Total liabilities</i>	<i>3,716,835</i>	<i>3,572,179</i>	<i>4,838,540</i>	<i>4,057,810</i>	<i>8,555,375</i>	<i>7,629,989</i>
<b>Deferred inflows</b>	418,448	161,384	15,648	5,479	434,096	166,863
<b>Net Position:</b>						
Net investment in capital assets	9,506,260	9,471,492	14,969,468	15,338,688	24,475,728	24,810,180
Restricted net position	1,279,546	1,973,776	173,954	178,623	1,453,500	2,152,399
Unrestricted net position	(1,617,075)	(2,417,490)	(349,509)	(373,246)	(1,966,584)	(2,790,736)
<b>Total net position</b>	<b>\$9,168,731</b>	<b>\$9,027,778</b>	<b>\$14,793,913</b>	<b>\$15,144,065</b>	<b>\$23,962,644</b>	<b>\$24,171,843</b>

Capital assets (net of accumulated depreciation) make up 80.0% 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 \$1,966,584.

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, 2017 (Town had a \$209,199 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 4% due to an increase in the net pension liability. Total assets have decreased in 2017 due predominantly to depreciation expense. Investment income continued to decrease in fiscal year 2017 due to decreases in interest rates. These factors primarily affect the increase in current assets in 2017 compared to 2016.

Net position for business-type activities decreased by \$350,152, a decrease of 2%. Overall, liabilities increased due to an increase in the net pension liability for fiscal year 2016/2017.

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**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 2016 were \$2,497,454 and \$2,707,678 in 2017, an increase of \$210,224, 8% for comparative years. The majority of the difference is due to an increase in charges for services - ambulance.

Expenditures in the General Fund for fiscal year 2016 were \$2,641,426 and \$2,695,808 for fiscal year 2017, an increase of \$54,382. The increase was due to an increase in public works. The General Fund fund balance increased in 2017 in the amount of \$51,802 with revenues plus transfers exceeding expenditures for an ending fund balance of \$332,367 as of June 30, 2017.

**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 2015/2016, the Town accounted for \$62,605 in federal grant revenues and \$271,059 in state grants for total grant revenues of \$333,664. In fiscal year 2016/2017, the total grant revenues of \$492,108 consisted of federal grant revenues of \$342,399 and state grant revenues of \$149,709.

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 2015/2016 were \$407,534. The majority of the expenditures were incurred for the Town's snow removal equipment building at the airport. Phase III. Expenditures in fiscal year 2016/2017 were \$491,184. Expenditures were incurred for airport improvements.

**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 2016/2017 was \$2,577. 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 2015/2016 fiscal year was \$1,102,214 and \$1,205,710 for 2016/2017; an increase of \$103,496 or 9%. The increase is attributable to new meters capturing usage more accurately. Net income (before capital and operating transfers) decreased in 2017 versus 2016 by \$666,812. Operating expenses increased in fiscal year 2016/2017 compared to 2015/2016 by \$576,116, which is 43%. The net income decrease resulted from the re-allocation of expenses to the utility fund.

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**General Fund Budgetary Highlights**

The Town of Clayton total actual expenditures for fiscal year 2016/2017 were 6% under the budgeted expenditure amounts for the year. Public safety is responsible for 58%, general government is responsible for 27% and public works is responsible for 7% of the General Fund expenditures.

The Town's total state shared and municipal tax amount for fiscal year 2016/2017 increased by 5% over fiscal year 2015/2016. The Clayton economy improved.

General Fund budgeted revenues and expenditures were amended only slightly during the year by \$19,255 and \$44,755, respectively.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016 restated	2017	2016 restated	2017	2016 restated
<b>Revenues:</b>						
<u>Program Revenues:</u>						
Charges for services	\$395,298	\$221,268	\$1,205,710	\$1,102,214	\$1,601,008	\$1,323,482
Operating grants and contributions	743,339	876,694	0	0	743,339	876,694
Capital grants and contributions	492,108	613,664	54,549	137,852	546,657	751,516
						0
<u>General Revenue:</u>						0
Taxes	2,161,499	2,010,693	194,024	239,283	2,355,523	2,249,976
Investment income	4,498	7,185	2,270	3,107	6,768	10,292
Miscellaneous	383,328	71,687	260,702	159,521	644,030	231,208
<i>Total revenue</i>	4,180,070	3,801,191	1,717,255	1,641,977	5,897,325	5,443,168
						0
<b>Expenses:</b>						0
General Government	936,558	1,056,778	0	0	936,558	1,056,778
Public Safety	2,395,321	2,387,327	0	0	2,395,321	2,387,327
Public Works	243,086	177,470	0	0	243,086	177,470
Health and Welfare	187,265	191,998	0	0	187,265	191,998
Culture and Recreation	358,310	426,109	0	0	358,310	426,109
Interest and fees on long-term debt	10,201	18,847	71,632	79,525	81,833	98,372
Water, sewer and refuse	0	0	1,904,151	1,328,035	1,904,151	1,328,035
<i>Total expenses</i>	4,130,741	4,258,529	1,975,783	1,407,560	6,106,524	5,666,089
						0
<i>Increase in net position before transfers</i>	49,329	(457,338)	(258,528)	234,417	(209,199)	(222,921)
Transfers	91,624	191,624	(91,624)	(191,624)	0	0
<i>Change in net position</i>	140,953	(265,714)	(350,152)	42,793	(209,199)	(222,921)
Net position – July 1	9,027,778	9,293,492	15,144,065	15,101,272	24,171,843	24,394,764
<b><i>Net position - June 30</i></b>	<b>\$9,168,731</b>	<b>\$9,027,778</b>	<b>\$14,793,913</b>	<b>\$15,144,065</b>	<b>\$23,962,644</b>	<b>\$24,171,843</b>

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

**Government Activities**

Revenue received from program and general activities was predominantly less than expenses for fiscal year 2017, with the exception of capital grants where amounts expended have been capitalized.

**Business-Type Activities**

Business-type activities income before transfers decreased the Town's net position by \$258,528. Increased expenses were responsible for this net decrease.

**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 \$2,324,758, which is an increase from the prior year ending fund balances. The Town's proprietary funds provide the same type of information found in the government-wide financial statement, but in more detail. The business-type activities have demonstrated sufficient revenue and sufficient cash flow to guarantee that all expenditures, including long-term debt will be paid in a timely manner.

**Capital Assets and Debt Administration**

**Capital Assets**

The Town of Clayton net capital assets for its government type activities as of June 30, 2017 amounted to \$9,859,919. 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 Runway Rehab

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

Long-term Debt

The Town's total debt (excluding compensated absences and landfill closure payable) as of June 30, 2017 is \$3,374,129, which increased by \$446,030, 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 2016/2017 of \$239,526.

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	
	2017	2016	2017	2016	2017	2016
Revenue Bonds (USDA)	\$0	\$0	\$1,101,000	\$1,121,000	\$1,101,000	\$1,121,000
Notes Payable: NMFA	353,659	490,532	1,760,791	1,147,519	2,114,450	1,638,051
Note Payable – Water Trust Board	0	0	158,679	169,048	158,679	169,048
<b>Total</b>	<b>\$353,659</b>	<b>\$490,532</b>	<b>\$3,020,470</b>	<b>\$2,437,567</b>	<b>\$3,374,129</b>	<b>\$2,928,099</b>

Economic Factors

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

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

**Requests for Information**

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

**TOWN OF CLAYTON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$1,703,632	\$518,426	\$2,222,058	\$90,407
Investments	279,518	400,000	679,518	63,162
Receivables:				
Accounts receivable, net	127,399	170,318	297,717	811
Taxes	324,944	27,127	352,071	0
Intergovernmental	34,866	3,569	38,435	0
Other	0	0	0	29
Due from others	116,666	30,236	146,902	0
Internal balances	(129,023)	129,023	0	0
Inventories	0	0	0	9,166
Restricted Assets:				
Cash - with trustee/debt service	34,971	133,775	168,746	0
Cash - reserved for debt service (USDA)	0	40,179	40,179	0
Cash - customer/tenant deposits	0	15,075	15,075	8,507
Capital Assets:				
Capital assets not depreciated	814,894	1,595,537	2,410,431	53,895
Capital assets, depreciated	15,105,984	25,931,539	41,037,523	3,627,336
Accumulated depreciation	(6,060,959)	(9,537,138)	(15,598,097)	(2,765,021)
<i>Total capital assets</i>	<i>9,859,919</i>	<i>17,989,938</i>	<i>27,849,857</i>	<i>916,210</i>
<i>Total assets</i>	<i>12,352,892</i>	<i>19,457,666</i>	<i>31,810,558</i>	<i>1,088,292</i>
<b>Deferred outflows of resources</b>	951,122	190,435	1,141,557	54,218
<b>Liabilities</b>				
Accounts payable	79,330	63,720	143,050	902
Accrued payroll liabilities	65,650	15,743	81,393	4,040
Accrued interest payable	1,478	12,409	13,887	0
Compensated absences	0	0	0	2,727
Customer/tenant deposits	0	15,075	15,075	8,600
Due to others	2,529	19,913	22,442	0
Tenant prepaid rents	0	0	0	2,204
Long-term liabilities:				
Current portion of long-term debt	110,080	149,326	259,406	0
Long-term debt	243,579	2,871,144	3,114,723	0
Compensated absences	144,584	38,571	183,155	0
Landfill post closure	0	1,082,721	1,082,721	0
Net pension liability	3,069,605	569,918	3,639,523	162,834
<i>Total liabilities</i>	<i>3,716,835</i>	<i>4,838,540</i>	<i>8,555,375</i>	<i>181,307</i>
<b>Deferred inflows of resources</b>	418,448	15,468	433,916	4,471
<b>Net Position</b>				
Net investment in capital assets	9,506,260	14,969,468	24,475,728	916,210
Restricted for:				
Debt service	34,971	173,954	208,925	0
Other purposes	0	0	0	0
Expendable endowment	1,244,575	0	1,244,575	0
Unrestricted (deficit)	(1,617,075)	(349,509)	(1,966,584)	40,522
<b>Total net position</b>	<b>\$9,168,731</b>	<b>\$14,793,913</b>	<b>\$23,962,644</b>	<b>\$956,732</b>

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



**TOWN OF CLAYTON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General government	\$936,558	\$48,440	\$156,665	\$370,944	(\$360,509)	\$0	(\$360,509)	
Public safety	2,395,321	346,858	502,670	0	(1,545,793)	0	(1,545,793)	
Public works	243,086	0	0	94,969	(148,117)	0	(148,117)	
Health and welfare	187,265	0	68,072	0	(119,193)	0	(119,193)	
Cultural and recreation	358,310	0	15,932	26,195	(316,183)	0	(316,183)	
Interest and fees on long-term debt	10,201	0	0	0	(10,201)	0	(10,201)	
<i>Total governmental activities</i>	<i>4,130,741</i>	<i>395,298</i>	<i>743,339</i>	<i>492,108</i>	<i>(2,499,996)</i>	<i>0</i>	<i>(2,499,996)</i>	
<b>Business-Type Activities:</b>								
Water	958,636	525,058	0	54,549	0	(379,029)	(379,029)	
Wastewater	501,941	321,471	0	0	0	(180,470)	(180,470)	
Solid waste	443,574	359,181	0	0	0	(84,393)	(84,393)	
Interest expense	71,632	0	0	0	0	(71,632)	(71,632)	
<i>Total business-type activities</i>	<i>1,975,783</i>	<i>1,205,710</i>	<i>0</i>	<i>54,549</i>	<i>0</i>	<i>(715,524)</i>	<i>(715,524)</i>	
<b>Total primary government</b>	<b>\$6,106,524</b>	<b>\$1,601,008</b>	<b>\$743,339</b>	<b>\$546,657</b>	<b>(\$2,499,996)</b>	<b>(\$715,524)</b>	<b>(\$3,215,520)</b>	

**COMPONENT UNIT:**

Public Housing Authority	\$376,692	\$151,687	\$78,756	\$83,508				(\$62,741)
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**General Revenues**

Taxes:

Property	\$144,706	\$0	\$144,706	\$0
Gross receipts and other state tax	1,695,883	194,024	1,889,907	0
Lodgers' tax	160,602	0	160,602	0
Franchise tax	60,186	0	60,186	0
Fines, licenses and permits	100,122	0	100,122	0
Investment income	4,498	2,270	6,768	193
Other	391,890	231,702	623,592	100
Gain/Loss on asset disposals	(8,562)	29,000	20,438	0
Operating transfers, net	91,624	(91,624)	0	0
Capital transfers, net	0	0	0	0
<i>Total general revenues and transfers</i>	<i>2,640,949</i>	<i>365,372</i>	<i>3,006,321</i>	<i>293</i>
Change in net position	140,953	(350,152)	(209,199)	(62,448)
Net position (deficit), beginning of year, as previously stated	8,964,709	15,317,932	24,282,641	1,019,180
Restatement	63,069	(173,867)	(110,798)	0
<i>Net position (deficit), beginning of year, as restated</i>	<i>9,027,778</i>	<i>15,144,065</i>	<i>24,171,843</i>	<i>1,019,180</i>
Net position (deficit), end of year	\$9,168,731	\$14,793,913	\$23,962,644	\$956,732

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

**TOWN OF CLAYTON**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEETS**  
**JUNE 30, 2017**

	Major Funds					Total Governmental Funds
	General Fund	Municipal Street Fund	Government Assistance	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>						
Cash	\$42,556	\$59,739	\$48,428	\$1,242,478	\$310,431	\$1,703,632
Investments	0	0	0	0	279,518	279,518
Receivables:						
Accounts, net	127,393	0	0	0	6	127,399
Taxes	276,183	30,185	0	0	18,576	324,944
Intergovernmental	21,861	0	3,674	0	9,331	34,866
Other	0	0	0	0	0	0
Due from other funds	21,903	0	23,403	25,500	221	71,027
Due from others	116,666	0	0	0	0	116,666
Restricted assets:						
Cash held with trustee	0	0	0	0	34,971	34,971
<b>Total assets</b>	<b>\$606,562</b>	<b>\$89,924</b>	<b>\$75,505</b>	<b>\$1,267,978</b>	<b>\$653,054</b>	<b>\$2,693,023</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$59,309	\$2,786	\$0	\$0	\$17,235	\$79,330
Accrued payroll	57,714	3,706	0	0	4,230	65,650
Accrued compensated absences - ST	0	0	0	0	0	0
Due to other funds	133,937	30,334	1,748	23,403	10,628	200,050
Due to others	2,529	0	0	0	0	2,529
<b>Total liabilities</b>	<b>253,489</b>	<b>36,826</b>	<b>1,748</b>	<b>23,403</b>	<b>32,093</b>	<b>347,559</b>
<b>Deferred inflows of resources:</b>						
Property taxes	20,706	0	0	0	0	20,706
<b>Fund Balances:</b>						
Restricted	0	53,098	73,757	1,244,575	620,961	1,992,391
Committed	0	0	0	0	0	0
Assigned	0	0	0	0	0	0
Unassigned	332,367	0	0	0	0	332,367
<b>Total fund balance</b>	<b>332,367</b>	<b>53,098</b>	<b>73,757</b>	<b>1,244,575</b>	<b>620,961</b>	<b>2,324,758</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$606,562</b>	<b>\$89,924</b>	<b>\$75,505</b>	<b>\$1,267,978</b>	<b>\$653,054</b>	<b>\$2,693,023</b>

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

**TOWN OF CLAYTON**  
**RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO GOVERNMENTAL ACTIVITIES NET POSITION**  
**JUNE 30, 2017**

<b>FUND BALANCE of Governmental Funds</b>	<b>\$2,324,758</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,859,919
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.	(498,243)
The net pension liability is long-term and therefore not recognized in the funds	(3,069,605)
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.	532,674
Some revenues are not earned if not available in the funds but are recognized as income for governmental activities.	20,706
Interest payable is not due and payable in the current period and therefore is not reported in the funds.	(1,478)
<b><i>Net position of governmental activities</i></b>	<b>\$9,168,731</b>

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

**TOWN OF CLAYTON**  
**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Major Funds					Total Governmental Funds
	General Fund	Municipal Street Fund	Government Assistance	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
<b>REVENUES</b>						
Property tax	\$144,114	\$0	\$0	\$0	\$0	\$144,114
Charges for services	395,003	0	0	0	295	395,298
Federal operating grants	1,086	0	0	0	21,308	22,394
Federal capital grants	0	0	342,399	0	0	342,399
State operating grants	160,948	0	0	0	422,585	583,533
State capital grants	0	0	149,709	0	0	149,709
Local government operating grants	115,136	0	0	0	22,276	137,412
Gross receipts and other state taxes	1,381,146	288,363	0	0	26,374	1,695,883
Lodgers' tax	0	0	0	0	160,602	160,602
Franchise fees	100,122	0	0	0	0	100,122
Fines, licenses, permits	60,186	0	0	0	0	60,186
Interest income	187	239	0	2,577	1,495	4,498
Sale of property/assets	0	212	0	0	0	212
Prison fund surplus/impact fees	283,610	0	0	26,253	0	309,863
Miscellaneous/donations	66,140	14,974	0	0	913	82,027
<i>Total revenues</i>	<i>2,707,678</i>	<i>303,788</i>	<i>492,108</i>	<i>28,830</i>	<i>655,848</i>	<i>4,188,252</i>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	819,606	0	0	0	0	819,606
Public safety	1,497,739	303,015	0	0	304,953	2,105,707
Public works	169,710	0	0	0	0	169,710
Health and welfare	0	0	0	0	150,675	150,675
Culture and recreation	208,753	0	0	0	138,608	347,361
<b>Debt Service:</b>						
Principal	0	0	0	0	136,905	136,905
Interest	0	0	0	0	10,961	10,961
Capital outlay	0	0	491,184	0	29,117	520,301
<i>Total expenditures</i>	<i>2,695,808</i>	<i>303,015</i>	<i>491,184</i>	<i>0</i>	<i>771,219</i>	<i>4,261,226</i>
<i>Revenues over (under) expenditures</i>	<i>11,870</i>	<i>773</i>	<i>924</i>	<i>28,830</i>	<i>(115,371)</i>	<i>(72,974)</i>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	125,500	0	18,109	44,109	59,100	246,818
Operating transfers (out)	(85,568)	(52,485)	0	0	(17,141)	(155,194)
<i>Total other financing sources (uses)</i>	<i>39,932</i>	<i>(52,485)</i>	<i>18,109</i>	<i>44,109</i>	<i>41,959</i>	<i>91,624</i>
<i>Net changes in fund balances</i>	<i>51,802</i>	<i>(51,712)</i>	<i>19,033</i>	<i>72,939</i>	<i>(73,412)</i>	<i>18,650</i>
Fund balance, beginning of year, as previously stated	280,565	104,810	54,724	1,171,636	642,606	2,254,341
Restatements	0	0	0	0	51,767	51,767
<i>Fund balance, beginning of year, as restated</i>	<i>280,565</i>	<i>104,810</i>	<i>54,724</i>	<i>1,171,636</i>	<i>694,373</i>	<i>2,306,108</i>
<b>Fund balance, end of year</b>	<b>\$332,367</b>	<b>\$53,098</b>	<b>\$73,757</b>	<b>\$1,244,575</b>	<b>\$620,961</b>	<b>\$2,324,758</b>

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

**TOWN OF CLAYTON**  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<b>Net change in fund balances - Governmental Funds</b>	<b>\$18,650</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$524,809) exceeded capital outlay, net of disposals (\$422,704).	(102,105)
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.	136,873
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 (\$1,540) and accrued interest payable \$792.	(748)
Pension expense after the measurement date deferred to next period but was expensed in the funds.	87,691
Some revenues reported in the statement of activities are not available for expenditure in the governmental funds - property tax.	592
<b><i>Change in net position of governmental activities</i></b>	<b>\$140,953</b>

**TOWN OF CLAYTON**  
**GENERAL FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Property tax	\$145,000	\$145,000	\$145,110	\$110
Charges for services	224,574	224,574	169,180	(55,394)
Federal operating grants	3,243	3,243	1,511	(1,732)
Federal capital grants	0	0	0	0
State operating grants	140,000	140,000	160,971	20,971
State capital grants	0	0	0	0
Local government operating grants	108,000	108,000	109,271	1,271
Gross receipts and other state taxes	1,329,946	1,329,946	1,387,001	57,055
Lodgers' tax	0	0	0	0
Franchise fees	110,700	110,700	100,565	(10,135)
Fines, licenses, permits	58,575	58,575	60,186	1,611
Interest income	0	0	187	187
Prison fund surplus	315,000	315,000	286,139	(28,861)
Miscellaneous/donations	166,881	186,136	66,125	(120,011)
<i>Total revenues</i>	<u>2,601,919</u>	<u>2,621,174</u>	<u>2,486,246</u>	<u>(134,928)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	672,695	698,195	678,409	19,786
Public safety	1,579,188	1,579,188	1,478,595	100,593
Public works	168,347	168,347	166,460	1,887
Health and welfare	0	0	15	(15)
Culture and recreation	227,985	247,240	204,474	42,766
<b>Debt service</b>	0	0	0	0
<b>Capital outlay</b>	5,500	5,500	0	5,500
<i>Total expenditures</i>	<u>2,653,715</u>	<u>2,698,470</u>	<u>2,527,953</u>	<u>170,517</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(51,796)	(77,296)	(41,707)	35,589
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	100,000	125,500	125,500	0
Operating transfers (out)	(92,713)	(92,713)	(85,568)	7,145
<i>Total other financing sources (uses)</i>	<u>7,287</u>	<u>32,787</u>	<u>39,932</u>	<u>7,145</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	(44,509)	(44,509)	<u>(\$1,775)</u>	<u>\$42,734</u>
Budgeted cash carryover	44,509	44,509		
	<u>\$0</u>	<u>\$0</u>		

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	(\$1,775)
Adjustments for revenue accruals, transfers, earnings on investments	221,432
Adjustments for expenditures for payables, inventory, other expenditure accruals	(167,855)
<b>Net changes in fund balance (GAAP basis)</b>	<u>\$51,802</u>

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

**TOWN OF CLAYTON**  
**MUNICIPAL STREET FUND**  
**SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
<b>REVENUES</b>				
Municipal tax	\$213,919	\$213,919	\$196,465	(\$17,454)
State shared taxes	50,000	50,000	92,678	42,678
Interest on investments	400	400	239	(161)
Miscellaneous revenue	0	0	44,186	44,186
<i>Total revenues</i>	<u>264,319</u>	<u>264,319</u>	<u>333,568</u>	<u>69,249</u>
<b>EXPENDITURES</b>				
Public works	334,915	334,915	301,885	33,030
Debt service	8,376	8,376	8,376	0
Capital outlay	0	0	0	0
<i>Total expenditures</i>	<u>343,291</u>	<u>343,291</u>	<u>310,261</u>	<u>33,030</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(78,972)	(78,972)	23,307	102,279
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	100,000	100,000	0	(100,000)
Operating transfers (out)	(10,000)	(18,736)	(44,109)	(25,373)
<i>Total other financing sources (uses)</i>	<u>90,000</u>	<u>81,264</u>	<u>(44,109)</u>	<u>(125,373)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$11,028</u>	<u>\$2,292</u>	<u>(\$20,802)</u>	<u>(\$23,094)</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(\$20,802)
Adjustments for revenue accruals	(29,780)
Adjustments for expenditures accruals	7,246
Adjustments for transfers	(8,376)
<u>Net changes in fund balance (GAAP basis)</u>	<u>(\$51,712)</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, 2017**

	Joint Utilities
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$518,426
Investments	400,000
Grants receivable	3,569
State shared and municipal taxes receivable	27,127
Accounts receivable, water and sewer (net of allowance)	170,318
Due from other funds	129,023
Due from other sources	30,236
<i>Total current assets</i>	1,278,699
<b>Non-Current Assets</b>	
<b>Restricted Assets:</b>	
Cash held with trustee	133,775
Cash - reserved for USDA	40,179
Cash - customer deposits	15,075
<i>Total restricted assets</i>	189,029
<b>Capital Assets:</b>	
Capital assets - not depreciated	1,595,537
Capital assets - depreciated	25,931,539
Less accumulated depreciation	(9,537,138)
<i>Net capital assets</i>	17,989,938
<i>Total assets</i>	19,457,666
<b>Deferred outflows of resources</b>	190,435
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	63,720
Accrued payroll	15,743
Accrued interest payable	12,409
Utility deposits	15,075
Due to others	19,913
Current portion of long-term debt/lease payable	149,326
<i>Total current liabilities</i>	276,186
<b>Non-Current Liabilities:</b>	
Long-term debt	2,871,144
Compensated absences	38,571
Landfill post closure	1,082,721
Net pension liability	569,918
<i>Total noncurrent liabilities</i>	4,562,354
<i>Total liabilities</i>	4,838,540
<b>Deferred inflows of resources</b>	15,648
<b>Net Position:</b>	
Net investment in capital assets	14,969,468
Restricted for debt service	173,954
Unrestricted	(349,509)
<i>Total net position</i>	<b>\$14,793,913</b>

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



**TOWN OF CLAYTON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Joint Utilities
<b>OPERATING REVENUES</b>	
Water	\$525,058
Wastewater	321,471
Solid waste	359,181
<i>Total operating revenues</i>	1,205,710
<b>OPERATING EXPENSES</b>	
Operating expenses:	
Water	679,563
Wastewater	292,602
Solid waste	422,983
Depreciation	507,287
Bad debt expense	1,716
<i>Total operating expenses</i>	1,904,151
<i>Net income (loss) from operations</i>	(698,441)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal operating grants	0
Federal capital grants	50,979
State operating grants	0
State capital grants	3,570
Local government operating grants	0
Gross receipts and other state taxes	194,024
Interest earnings	2,270
Interest expense	(71,632)
Forgiveness of debt income	142,232
Sale of property/assets	29,000
Prison fund surplus	89,470
<i>Total non-operating revenues (expenses)</i>	439,913
<i>Net income (loss) before contributions and transfers</i>	(258,528)
<b>OTHER FINANCING SOURCES (USES):</b>	
Operating transfers in	8,376
Operating transfers (out)	(100,000)
<i>Total other financing sources (uses)</i>	(91,624)
<i>Change in net position</i>	(350,152)
Total fund net position, at beginning of year, as previously stated	15,317,932
Restatements	(173,867)
<i>Total fund net position, at beginning of year, as restated</i>	15,144,065
<b><i>Total fund net position, at end of year</i></b>	<b>\$14,793,913</b>

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

**TOWN OF CLAYTON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Joint Utilities
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers (including other funds)	\$1,242,895
Cash paid to suppliers	(922,202)
Cash paid to employees	(404,868)
<i>Net cash provided (used) by operating activities</i>	(84,175)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Landfill post closure	(17,174)
State tax	758
Miscellaneous income	191,870
Transfers in (out)	(29,023)
<i>Net cash provided (used) by noncapital financing activities</i>	146,431
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of property and equipment	(720,971)
Sale of property and equipment	184,012
Capital grants	173,868
Long-term debt proceeds	582,903
Principal paid: revenue bonds/lease purchase/advances	(149,326)
Interest paid: revenue bonds/lease purchase/advances	(87,922)
Other debt income - subsidy debt forgiveness	32,336
<i>Net cash provided (used) by capital and related financing activities</i>	14,900
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	2,270
<i>Net cash provided (used) by investing activities</i>	2,270
<i>Net increase (decrease) in cash</i>	79,426
Cash, beginning of year	628,029
<b><i>Cash, end of year</i></b>	<b>\$707,455</b>
Cash and cash equivalents	\$518,426
Cash held with trustee	133,775
Cash reserved for USDA	40,179
Customer deposits	15,075
<i>Total cash</i>	\$707,455

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, 2017**

	Joint Utilities
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income (loss)	(\$698,441)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	507,287
<b>Change in assets and liabilities:</b>	
(Increase) Decrease in assets:	
Accounts receivable	35,455
Due from other funds	0
Due from other sources	0
Increase (Decrease) in liabilities:	
Accounts and contracts payable	(153,464)
Wages payable	6
Compensated absences	11,190
Tenant deposits/utility deposits	1,730
Decrease in landfill closure liability	0
Net pension contribution/liability	212,062
<i>Total adjustments</i>	614,266
<b><i>Net cash provided (used) by operating activities</i></b>	<b><i>(\$84,175)</i></b>

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

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017. 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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

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

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, 2017**

**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, 2017**

**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, 2017**

**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, 2017, 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, 2017**

**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, 2017**

**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, 2017**

**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, 2017, 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	\$552	\$552	\$685
First National Bank of New Mexico	1,250,134	(10,625)	1,239,509	0
Farmer's & Stockmen's Bank	1,736,364	(19,595)	1,716,769	161,391
Cash held with Trustee	168,746	0	168,746	0
<i>Total cash deposits</i>	3,155,244	(29,668)	3,125,576	162,076
Less CD's report as investments	(679,518)	0	(679,518)	(63,162)
	<b>\$2,475,726</b>	<b>(\$29,668)</b>	<b>\$2,446,058</b>	<b>\$98,914</b>

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

	Primary Government	Component Unit
Statement of Net Position:		
Cash	\$2,222,058	\$90,407
Restricted cash	224,000	8,507
<b>Total cash reported on financial statements</b>	<b>\$2,446,058</b>	<b>\$98,914</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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	\$1,250,134	\$1,736,364
Less: FDIC insurance – demand deposits	(250,000)	(250,000)
FDIC insurance – Time deposits	(100,000)	(250,000)
<i>Uninsured public funds</i>	900,134	1,236,364
Pledged collateral held by pledging bank's agent, but not in the Town's name	(563,156)	(860,000)
<b><i>Uninsured and uncollateralized public funds</i></b>	<b>\$336,978</b>	<b>\$376,364</b>
Total pledged collateral	\$563,156	\$860,000
50% pledged collateral requirement per state statute	(450,067)	(618,182)
<b><i>Pledged collateral (under) over the requirement</i></b>	<b>\$113,089</b>	<b>\$241,818</b>

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

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

*Custodial Credit Risk-Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$713,341 of the Town's bank balance of \$2,986,498 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	\$336,978	\$376,363	\$713,341



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 3. RESTRICTED CASH**

At June 30, 2017, the Town had cash reserved for USDA of \$40,179. 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	\$159,107
Debt Reserve	\$49,818
Customer Deposits - Utilities	15,075
<hr/>	
	<b>\$224,000</b>
<hr/>	

**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, 2017**

**NOTE 4. RECEIVABLES, NET**

Receivables net of allowance for doubtful accounts at June 30, 2017 consisted of the following:

	Governmental Activities	Business-Type Activities
<b>Accounts receivable:</b>		
Charges for services	\$255,094	\$200,379
Allowance for doubtful accounts	(127,695)	(30,061)
<i>Total</i>	127,399	170,318
<b>Taxes receivable:</b>		
Gross receipts tax	249,417	27,127
Franchise taxes	26,237	0
Property taxes	30,714	0
Lodgers' taxes	18,576	0
<i>Total</i>	324,944	27,127
<b>Intergovernmental receivables:</b>		
Water system improvements	0	3,569
Public safety grants	2,555	0
Capital grants - state	3,674	0
Senior programs	9,331	0
Other – County	19,306	0
<i>Total</i>	34,866	3,569
<b>Other receivables:</b>		
Prison Fund	116,666	30,236
<b><i>Receivables, net</i></b>	<b>\$603,875</b>	<b>\$231,250</b>

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

Governmental Activities – During the current fiscal year, the Town recorded bad debt expense of \$127,695 resulting in an allowance for doubtful accounts balance of \$127,695 at June 30, 2017. 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 \$1,693 resulting in an allowance for doubtful accounts balance of \$30,061 at June 30, 2017.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 5. PROPERTY TAX**

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

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

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year 2017, was \$4.938 per \$1,000 for non-residential and \$4.938 for residential property. In the year 2017, there was no tax rate established for payment of bonds principal and interest.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6. CAPITAL ASSETS**

Governmental activities capital assets for the fiscal year ended June 30, 2017, are as follows:

	Balance June 30, 2016	Restatements	Increases	Transfers/ Decreases	Balance June 30, 2017
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$278,730	\$1,526	\$0	\$0	\$280,256
Construction in progress	184,178	0	418,403	(67,943)	534,638
<i>Total capital assets, not being depreciated</i>	<i>462,908</i>	<i>1,526</i>	<i>418,403</i>	<i>(67,943)</i>	<i>814,894</i>
Depreciable capital assets:					
Buildings and improvements	4,504,928	9,866	0	0	4,514,794
Airport runway	3,446,776	(205,488)	0	0	3,241,288
Airport improvements	98,870	205,488	0	0	304,358
Infrastructure	3,059,141	0	0	0	3,059,141
Furniture, fixtures and equipment	3,936,429	0	13,075	36,899	3,986,403
<i>Total depreciable capital assets</i>	<i>15,046,144</i>	<i>9,866</i>	<i>13,075</i>	<i>36,899</i>	<i>15,105,984</i>
Less accumulated depreciation:					
Buildings and improvements	(1,920,896)	(90)	(130,342)	0	(2,051,328)
Airport runway	(866,384)	0	(99,631)	0	(966,015)
Airport improvements	(13,987)	0	(13,163)	0	(27,150)
Infrastructure	(356,960)	0	(60,725)	0	(417,685)
Furniture, fixtures and equipment	(2,400,103)	0	(220,948)	22,270	(2,598,781)
<i>Total accumulated depreciation</i>	<i>(5,558,330)</i>	<i>(90)</i>	<i>(524,809)</i>	<i>22,270</i>	<i>(6,060,959)</i>
<i>Depreciable capital assets, net</i>	<i>9,487,814</i>	<i>9,776</i>	<i>(511,734)</i>	<i>59,169</i>	<i>9,045,025</i>
<b><i>Total capital assets, net</i></b>	<b><i>\$9,950,722</i></b>	<b><i>\$11,302</i></b>	<b><i>(\$93,331)</i></b>	<b><i>(\$8,774)</i></b>	<b><i>\$9,859,919</i></b>

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

General government	\$66,449
Public safety	292,087
Public works	91,244
Culture and recreation	50,335
Health and welfare	24,694
	<b><u>\$524,809</u></b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

Business-type activities capital assets for the fiscal year ended June 30, 2017 are as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$745,966	\$0	\$0	\$745,966
Construction in progress	199,721	649,850	0	849,571
<i>Total capital assets, not being depreciated</i>	<i>945,687</i>	<i>649,850</i>	<i>0</i>	<i>1,595,537</i>
Depreciable capital assets:				
Water utility system	12,387,770	0	0	12,387,770
Sewer utility system	12,679,064	71,120	(2,793)	12,747,391
Solid waste system	74,455	0	0	74,455
Furniture, fixtures and equipment	903,142	0	(181,219)	721,923
<i>Total depreciable capital assets</i>	<i>26,044,431</i>	<i>71,120</i>	<i>(184,012)</i>	<i>25,931,539</i>
Less accumulated depreciation:				
Water utility system	(4,557,520)	(254,150)	0	(4,811,670)
Sewer utility system	(4,041,526)	(205,508)	2,793	(4,244,241)
Solid waste system	(12,306)	(2,302)	0	(14,608)
Furniture, fixtures and equipment	(602,511)	(45,327)	181,219	(466,619)
<i>Total accumulated depreciation</i>	<i>(9,213,863)</i>	<i>(507,287)</i>	<i>184,012</i>	<i>(9,537,138)</i>
<i>Depreciable capital assets, net</i>	<i>16,830,568</i>	<i>(436,167)</i>	<i>0</i>	<i>16,394,401</i>
<b><i>Total capital assets, net</i></b>	<b><i>\$17,776,255</i></b>	<b><i>\$213,683</i></b>	<b><i>\$0</i></b>	<b><i>\$17,989,938</i></b>

Depreciation expense for business-type activities for the year ended June 30, 2017 was \$507,287.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

The housing authority of the Town of Clayton reclassified capital assets reported at June 30, 2016. The following reflects the reclassifications and activity for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Reclassifications	Increases	Decreases	Balance June 30, 2017
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$51,294	\$0	\$0	\$0	\$51,294
Construction in progress	7,431	(7,000)	2,170	0	2,601
<i>Total capital assets, not being depreciated</i>	<i>58,725</i>	<i>(7,000)</i>	<i>2,170</i>	<i>0</i>	<i>53,895</i>
Depreciable capital assets:					
Buildings	2,345,559	8,510	57,024	0	2,411,093
Building improvements	642,848	0	0	0	642,848
Equipment and furniture	513,537	(1,510)	0	0	512,027
Vehicles	61,368	0	0	0	61,368
<i>Total depreciable capital assets</i>	<i>3,563,312</i>	<i>7,000</i>	<i>57,024</i>	<i>0</i>	<i>3,627,336</i>
Less accumulated depreciation:					
Buildings	(1,593,456)	0	(73,961)	0	(1,667,417)
Building improvements	(553,792)	0	(22,201)	0	(575,993)
Equipment and furniture	(469,792)	0	(15,089)	0	(484,881)
Vehicles	(29,611)	0	(7,119)	0	(36,730)
<i>Total accumulated depreciation</i>	<i>(2,646,651)</i>	<i>0</i>	<i>(118,370)</i>	<i>0</i>	<i>(2,765,021)</i>
<i>Depreciable capital assets, net</i>	<i>916,661</i>	<i>7,000</i>	<i>(61,346)</i>	<i>0</i>	<i>862,315</i>
<b><i>Business-type capital assets, net</i></b>	<b><i>\$975,386</i></b>	<b><i>\$0</i></b>	<b><i>(\$59,176)</i></b>	<b><i>\$0</i></b>	<b><i>\$916,210</i></b>

Depreciation expense for the component unit for the year ended June 30, 2017 was \$118,370.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 8. LONG-TERM OBLIGATIONS**

Changes in governmental activities obligations during the year ended June 30, 2017, were as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
Notes payable:					
NMFA (#2265) Golf course irrigation loan	\$63,047	\$0	(\$30,848)	\$32,199	\$32,199
NMFA (#2818) Police vehicles loan	29,204	0	(29,204)	0	0
NMFA (#2965) Fire pumper loan	398,281	0	(76,821)	321,460	77,881
Compensated absences	143,044	83,820	(82,280)	144,584	0
	<b>\$633,576</b>	<b>\$83,820</b>	<b>(\$219,153)</b>	<b>\$498,243</b>	<b>\$110,080</b>

**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, 2017, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2018	\$32,199	\$1,486	\$33,685

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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.

This note was paid off during fiscal year ending June 30, 2017.

**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, 2017, including interest payments, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2018	\$77,881	\$7,714	\$85,595
2019	79,314	6,281	85,595
2020	81,082	4,513	85,595
2021	83,183	2,412	85,595
	\$321,460	\$20,920	\$342,380



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, are as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Amounts Due Within One Year
<b>Notes Payable:</b>					
Joint Utility System Revenue Bonds (USDA)	\$1,121,000	\$0	(\$20,000)	\$1,101,000	\$20,000
Land Acquisition & Water Wells Imp #1	102,162	0	(23,957)	78,205	24,978
Land Acquisition & Water Wells Imp #2	20,403	0	(5,082)	15,321	5,094
Wastewater System Improvement	1,011,898	0	(43,245)	968,653	44,171
Water Reuse Discharge System	169,048	0	(10,369)	158,679	10,394
Drinking Water	13,056	685,556	0	698,612	44,689
Compensated Absences	27,381	22,127	(10,937)	38,571	0
Landfill Closure & Post-Closure Liability	1,099,895	0	(17,174)	1,082,721	0
	<b>\$3,564,843</b>	<b>\$707,683</b>	<b>(\$130,764)</b>	<b>\$4,141,762</b>	<b>\$149,326</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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	20,000	28,000	48,000
2023 – 2027	100,000	131,900	231,900
2028 – 2032	130,000	117,300	247,300
2033 – 2037	150,000	97,600	247,600
2038 – 2042	160,000	76,900	236,900
2043 – 2047	200,000	52,000	252,000
2048 – 2052	220,000	24,300	244,300
2053	41,000	1,100	42,100
	<u>\$1,101,000</u>	<u>\$646,700</u>	<u>\$1,747,700</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, 2017, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2018	\$24,978	\$3,186	\$28,164
2019	26,050	2,178	28,228
2020	27,177	1,116	28,293
	<u>\$78,205</u>	<u>\$6,480</u>	<u>\$84,685</u>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2018	\$5,094	\$0	\$5,094
2019	5,107	0	5,107
2020	5,120	0	5,120
	\$15,321	\$0	\$15,321

**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, 2017, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2018	\$44,171	\$33,900	\$78,071
2019	45,182	32,888	78,070
2020	46,269	31,800	78,069
2021	47,496	30,574	78,070
2022	48,855	29,214	78,069
2023 – 2027	268,806	121,546	390,352
2028 – 2032	320,942	69,410	390,352
2033 – 2034	146,932	9,208	156,140
	\$968,653	\$358,540	\$1,327,193

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2018	\$10,394	\$0	\$10,394
2019	10,420	0	10,420
2020	10,447	0	10,447
2021	10,472	0	10,472
2022	10,500	0	10,500
2023 – 2027	52,890	0	52,890
2028 – 2032	53,556	0	53,556
	<b>\$158,679</b>	<b>\$0</b>	<b>\$158,679</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, the Town has only drawn \$698,612.

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, 2017, \$142,232 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, 2017, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2018	\$44,689	\$20,636	\$65,325
2019	30,324	12,986	43,310
2020	30,931	12,380	43,311
2021	31,549	11,761	43,310
2022	32,180	11,130	43,310
2023 – 2027	170,817	45,735	216,552
2028 – 2032	188,595	27,956	216,551
2033 – 2036	169,527	8,327	177,854
	<b>\$698,612</b>	<b>\$150,911</b>	<b>\$849,523</b>

**Landfill Closure and Post-Closure Costs**

State and federal laws and regulations require the Town place a final cover on its landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. During the fiscal year ended June 30, 2010, the Town placed a final cover on the municipal landfill and it is considered closed. 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 \$40,646 on post-closure monitoring during the upcoming fiscal year.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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 improve the facility, the Town has issued revenue bonds titled, *Town of Clayton, New Mexico Jail Project Refunding Revenue Bonds, Series 2015*.

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 \$57,535,000. The bonds accrue interest at rates between 2.00% and 5.00% per annum and mature on November 1, 2029. The balance of the bonds at June 30, 2017 was \$54,485,000.

As part of the refunding, an additional \$6,000,000 was borrowed for improvements to the facility.

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

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2016 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](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](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 \$195,321 for the year ended June 30, 2017.

**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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

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, 2016.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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, 2017, the Town of Clayton reported a liability of \$2,035,423 for its proportionate share of the net pension liability. At June 30, 2016, the Town of Clayton's proportion was .1274 percent, which was changed from its proportion measured as of June 30, 2015 of .1394 percent.

For the year ended June 30, 2017, the Town of Clayton recognized PERA Fund Division Municipal General pension expense of \$202,809. At June 30, 2017, the Town of Clayton reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$81,833	\$0
Changes of assumptions	119,016	0
Net difference between projected and actual earnings on pension plan investments	374,514	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	0	55,886
Town of Clayton contributions subsequent to the measurement date	106,591	0
<b>Total</b>	<b>\$681,954</b>	<b>\$55,886</b>

\$106,591 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2016 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:	
2018	\$112,229
2019	112,229
2020	203,019
2021	92,000
2022	0
	<b>\$519,477</b>



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**For PERA Fund Division Municipal Police**, at June 30, 2017, the Town of Clayton reported a liability of \$1,062,475 for its proportionate share of the net pension liability. At June 30, 2016, the Town of Clayton's proportion was .1440 percent, which was a decrease of .0042 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town of Clayton recognized PERA Fund Division Municipal Police pension expense of \$140,110. At June 30, 2017, the Town of Clayton reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$78,002	\$0
Changes of assumptions	51,211	0
Net difference between projected and actual earnings on pension plan investments	168,036	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	0	68,806
Town of Clayton contributions subsequent to the measurement date	56,534	0
<b>Total</b>	<b>\$353,783</b>	<b>\$68,806</b>

\$56,534 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2016 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:	
2018	\$41,954
2019	41,954
2020	101,977
2021	42,558
2022	0
	<b>\$228,443</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**For PERA Fund Division Municipal Fire**, at June 30, 2017, the Town of Clayton reported a liability of \$704,459 for its proportionate share of the net pension liability. At June 30, 2016, the Town of Clayton’s proportion was .1056 percent, which was a decrease of .0759 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town of Clayton recognized PERA Fund Division Municipal Fire pension expense of (\$10,627). At June 30, 2017, the Town of Clayton reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$31,901	\$0
Changes of assumptions	37,263	0
Net difference between projected and actual earnings on pension plan investments	58,678	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	0	313,875
Town of Clayton contributions subsequent to the measurement date	32,196	0
<b>Total</b>	<b>\$160,038</b>	<b>\$313,875</b>

\$32,196 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2016 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:	
2018	(\$70,594)
2019	(70,594)
2020	(51,934)
2021	7,089
2022	0
	<b>(\$186,033)</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2015 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Open
Payroll growth rate	3.50%
Remaining amortization period	30 years
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Investment rate of return*	7.75%
Administrative expenses	0.45% of payroll
Projected salary increases*	4.00% - 14.25%
Post-retirement benefit increases	2.00% compounded annually (2.50% for certain retirees and disabled participants with annual benefits less than \$20,000)

\* Includes inflation at 3.00%

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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Client Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.0%	

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**Discount rate:** The discount rate used to measure the total pension liability was 7.48 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 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

<b>PERA Fund Division Municipal General</b>	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Town of Clayton’s proportionate share of the net pension liability	\$3,034,635	\$2,035,423	\$1,206,626
<b>PERA Fund Division Municipal Police</b>	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Town of Clayton’s proportionate share of the net pension liability	\$1,563,164	\$1,062,475	\$652,969
<b>PERA Fund Division Municipal Fire</b>	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Town of Clayton’s proportionate share of the net pension liability	\$921,429	\$704,459	\$526,241

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY16 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, 2017, 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, 2017**

**NOTE 11. INTERFUND BALANCES AND TRANSFERS**

	<b>Due To:</b>					Total
	General Fund	Government Assistance Fund	Municipal Income Permanent Fund	Municipal Street Fund	Nonmajor Governmental Funds	
<b>Due From:</b>						
General Fund	\$8,193	\$1,748	\$0	\$1,334	\$10,628	\$21,903
Government Assistance Fund	0	0	23,403	0	0	23,403
Municipal Income Permanent Fund	25,500	0	0	0	0	25,500
Joint Utilities	100,023	0	0	29,000	0	129,023
Nonmajor Governmental Funds	221	0	0	0	0	221
	<b>\$133,937</b>	<b>\$1,748</b>	<b>\$23,403</b>	<b>\$30,334</b>	<b>\$10,628</b>	<b>\$200,050</b>

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

	<b>Transfers In:</b>					Total
	General Fund	Government Assistance Fund	Joint Utilities Fund	Nonmajor Governmental Funds	Municipal Permanent Fund	
<b>Transfers (Out):</b>						
General Fund	\$25,500	\$968	\$0	\$59,100	\$0	\$85,568
Municipal Street Fund	0	0	8,376	0	44,109	52,485
Joint Utility Fund	100,000	0	0	0	0	100,000
Nonmajor Governmental Funds	0	17,141	0	0	0	17,141
	<b>\$125,500</b>	<b>\$18,109</b>	<b>\$8,376</b>	<b>\$59,100</b>	<b>\$44,109</b>	<b>\$255,194</b>

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

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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	\$125,776	\$125,776
Health and social services	0	0	0	0	46,552	46,552
Streets and parks	0	53,098	0	0	0	53,098
Fire protection	0	0	0	0	53,623	53,623
Library	0	0	0	0	182,084	182,084
Law enforcement and corrections	0	0	0	0	70,018	70,018
Recreation and promotion	0	0	0	0	120,092	120,092
Debt service	0	0	0	0	34,971	34,971
Capital projects	0	0	73,757	0	0	73,757
Expendable endow ment	0	0	0	1,244,575	0	1,244,575
Unassigned	332,367	0	0	0	(12,155)	320,212
<b>Total fund balances</b>	<b>\$332,367</b>	<b>\$53,098</b>	<b>\$73,757</b>	<b>\$1,244,575</b>	<b>\$620,961</b>	<b>\$2,324,758</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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, 2017, the Town has no construction contracts in progress.

**NOTE 17. RESTATEMENTS**

Beginning fund balances/net position were restated for the following:

Library beginning fund balance was corrected for previously donated funds never recorded on the Town's records	\$51,767
Joint Utilities beginning fund net position was corrected for previously accrued grant funds	\$173,867
Governmental Activities net position was corrected for capital assets	\$11,302

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

A. Excess of fund actual expenditures/transfers out over budget

<u>Fund</u>	<u>Budget/Amount</u>	<u>Actual Amount</u>	<u>Over Expended / Transferred Out</u>
Local Government Corrections	\$46,500	\$66,309	(\$19,809)
Municipal Street Fund	\$18,736	\$44,109	(\$25,373)

B. Deficit Fund Balances

<u>Fund</u>	<u>Fund Balance</u>
Emergency Medical Services	(\$5,487)
Recreation	(\$6,668)



REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN OF CLAYTON'S PROPORTIONATE 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, 2016 <b>2017</b>	June 30, 2015 <b>2016</b>	June 30, 2014 <b>2015</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1274%	0.1394%	0.1326%
Town of Clayton's proportionate share of the net pension liability (asset)	\$2,035,423	\$1,421,304	\$1,034,422
Town of Clayton's covered-employee payroll	\$1,091,034	\$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	186.56%	122.79%	100.28%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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 POLICE**

Public Employees Retirement Association (PERA) Plan

Last 10 Fiscal Years\*

	As of Measurement Date		
	June 30, 2016 <b>2017</b>	June 30, 2015 <b>2016</b>	June 30, 2014 <b>2015</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1440%	0.1482%	0.1698%
Town of Clayton's proportionate share of the net pension liability (asset)	\$1,062,475	\$712,629	\$553,530
Town of Clayton's covered-employee payroll	\$286,449	\$289,443	\$320,148
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	370.91%	245.21%	172.90%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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, 2016 <b>2017</b>	June 30, 2015 <b>2016</b>	June 30, 2014 <b>2015</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1056%	0.1815%	0.1961%
Town of Clayton's proportionate share of the net pension liability (asset)	\$704,459	\$936,755	\$818,520
Town of Clayton's covered-employee payroll	\$164,675	\$206,885	\$214,384
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	427.79%	452.79%	381.80%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	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\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$106,591	\$104,289	\$110,541
Contributions in relation to the contractually required contribution	\$106,591	\$104,289	\$110,541
Contribution deficiency (excess)	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$1,116,141	\$1,091,034	\$1,157,502
Contributions as a percentage of covered-employee payroll	9.55%	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\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$56,534	\$54,139	\$54,705
Contributions in relation to the contractually required contribution	\$56,534	\$54,139	\$54,705
Contribution deficiency (excess)	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$299,124	\$286,449	\$289,443
Contributions as a percentage of covered-employee payroll	18.90%	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\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$32,196	\$35,652	\$44,791
Contributions in relation to the contractually required contribution	\$32,196	\$35,652	\$44,791
Contribution deficiency (excess)	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$148,714	\$164,675	\$206,885
Contributions as a percentage of covered-employee payroll	21.65%	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, 2017

**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 FY16 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.pdf).

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf). The summary of Key Findings for the PERA Fund (on page 2 of the report) provides summary information for each division.



## SUPPLEMENTARY INFORMATION

**TOWN OF CLAYTON**  
**SPECIAL REVENUE FUNDS**  
JUNE 30, 2017

**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, 2017**

	Cemetery	Emergency Medical Services	Fire Protection Fund	Law Enforcement Protection	Library
<b>ASSETS</b>					
Cash	\$25,911	\$0	\$63,264	\$1,382	\$120,346
Investments	100,000	0	0	0	61,738
Receivables:					
Accounts, net	0	0	0	0	0
Taxes	0	0	0	0	0
Intergovernmental	0	0	0	0	0
Other	0	0	0	0	0
Due from other funds	0	0	0	0	0
Due from prison fund	0	0	0	0	0
Restricted assets:					
Cash held with trustee	0	0	376	0	0
<b>Total assets</b>	<b>\$125,911</b>	<b>\$0</b>	<b>\$63,640</b>	<b>\$1,382</b>	<b>\$182,084</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	\$135	\$0	\$9,030	\$0	\$0
Accrued payroll	0	0	0	0	0
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	0	5,487	611	0	0
<b>Total liabilities</b>	<b>135</b>	<b>5,487</b>	<b>9,641</b>	<b>0</b>	<b>0</b>
<b>Fund Balance:</b>					
Restricted	125,776	0	53,999	1,382	182,084
Assigned	0	0	0	0	0
Unrestricted	0	(5,487)	0	0	0
<b>Total fund balance</b>	<b>125,776</b>	<b>(5,487)</b>	<b>53,999</b>	<b>1,382</b>	<b>182,084</b>
<b>Total liabilities and fund balance</b>	<b>\$125,911</b>	<b>\$0</b>	<b>\$63,640</b>	<b>\$1,382</b>	<b>\$182,084</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2017**

	Local Government Corrections	Lodgers' Tax	Recreation	Senior Citizens	Totals
<b>ASSETS</b>					
Cash	(\$49,144)	\$106,516	\$0	\$42,156	\$310,431
Investments	117,780	0	0	0	279,518
Receivables:					
Accounts, net	0	0	0	6	6
Taxes	0	18,576	0	0	18,576
Intergovernmental	0	0	0	9,331	9,331
Other	0	0	0	0	0
Due from other funds	0	0	221	0	221
Due from prison fund	0	0	0	0	0
Restricted assets:					
Cash held with trustee	0	34,595	0	0	34,971
<b>Total assets</b>	<b>\$68,636</b>	<b>\$159,687</b>	<b>\$221</b>	<b>\$51,493</b>	<b>\$653,054</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	\$0	\$5,000	\$0	\$3,070	\$17,235
Accrued payroll	0	0	2,359	1,871	4,230
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	0	0	4,530	0	10,628
<b>Total liabilities</b>	<b>0</b>	<b>5,000</b>	<b>6,889</b>	<b>4,941</b>	<b>32,093</b>
<b>Fund Balance:</b>					
Restricted	68,636	154,687	0	46,552	633,116
Assigned	0	0	0	0	0
Unrestricted	0	0	(6,668)	0	(12,155)
<b>Total fund balance</b>	<b>68,636</b>	<b>154,687</b>	<b>(6,668)</b>	<b>46,552</b>	<b>620,961</b>
<b>Total liabilities and fund balance</b>	<b>\$68,636</b>	<b>\$159,687</b>	<b>\$221</b>	<b>\$51,493</b>	<b>\$653,054</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Cemetery	Emergency Medical Services	Fire Protection Fund	Law Enforcement Protection	Library
<b>REVENUES</b>					
Property tax	\$0	\$0	\$0	\$0	\$0
Charges for services	295	0	0	0	0
Federal operating grants	0	0	0	0	0
Federal capital grants	0	0	0	0	0
State operating grants	0	32,070	318,600	20,219	14,932
State capital grants	0	0	0	0	0
Local government operating grants	0	0	0	0	0
Gross receipts and other state taxes	0	0	0	0	0
Lodgers' tax	0	0	0	0	0
Franchise fees	0	0	0	0	0
Fines, licenses, permits	0	0	0	0	0
Interest income	322	0	240	17	(29)
Sale of property/assets	0	0	0	0	0
Prison fund surplus	0	0	0	0	0
Miscellaneous/donations	445	0	468	0	0
<i>Total revenues</i>	1,062	32,070	319,308	20,236	14,903
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	0	0	0	0	0
Public safety	0	31,557	210,471	0	0
Public works	0	0	0	0	0
Health and welfare	2,605	0	0	0	0
Culture and recreation	0	0	0	0	18,473
Debt Service:					
Principal	0	0	76,821	29,204	0
Interest	0	0	8,774	2,187	0
Capital outlay	0	6,000	14,285	0	0
<i>Total expenditures</i>	2,605	37,557	310,351	31,391	18,473
<i>Excess (deficiency) of revenues over expenditures</i>	(1,543)	(5,487)	8,957	(11,155)	(3,570)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	0	0	0	0	0
Operating transfers (out)	0	0	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0	0	0
<i>Net changes in fund balances</i>	(1,543)	(5,487)	8,957	(11,155)	(3,570)
Fund balance, beginning of year, as previously stated	127,319	0	45,042	12,537	133,887
Restatements	0	0	0	0	51,767
<i>Fund balance, beginning of year, as restated</i>	127,319	0	45,042	12,537	185,654
<b><i>Fund balance (deficit), end of year</i></b>	<b>\$125,776</b>	<b>(\$5,487)</b>	<b>\$53,999</b>	<b>\$1,382</b>	<b>\$182,084</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Local Government Corrections	Lodgers' Tax	Recreation	Senior Citizens	Totals
<b>REVENUES</b>					
Property tax	\$0	\$0	\$0	\$0	\$0
Charges for services	0	0	0	0	295
Federal operating grants	0	0	0	21,308	21,308
Federal capital grants	0	0	0	0	0
State operating grants	0	0	0	36,764	422,585
State capital grants	0	0	0	0	0
Local government operating grants	12,276	0	0	10,000	22,276
Gross receipts and other state taxes	0	0	112	26,262	26,374
Lodgers' tax	0	157,430	3,172	0	160,602
Franchise fees	0	0	0	0	0
Fines, licenses, permits	0	0	0	0	0
Interest income	505	440	0	0	1,495
Sale of property/assets	0	0	0	0	0
Prison fund surplus	0	0	0	0	0
Miscellaneous/donations	0	0	0	0	913
<i>Total revenues</i>	12,781	157,870	3,284	94,334	655,848
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	0	0	0	0	0
Public safety	62,925	0	0	0	304,953
Public works	0	0	0	0	0
Health and welfare	0	0	0	148,070	150,675
Culture and recreation	0	102,370	17,765	0	138,608
Debt Service:					
Principal	0	30,880	0	0	136,905
Interest	0	0	0	0	10,961
Capital outlay	2,003	6,829	0	0	29,117
<i>Total expenditures</i>	64,928	140,079	17,765	148,070	771,219
<i>Excess (deficiency) of revenues over expenditures</i>	(52,147)	17,791	(14,481)	(53,736)	(115,371)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	0	0	0	59,100	59,100
Operating transfers (out)	0	(17,141)	0	0	(17,141)
<i>Total other financing sources (uses)</i>	0	(17,141)	0	59,100	41,959
<i>Net changes in fund balances</i>	(52,147)	650	(14,481)	5,364	(73,412)
Fund balance, beginning of year, as previously stated	120,783	154,037	7,813	41,188	642,606
Restatements	0	0	0	0	51,767
<i>Fund balance, beginning of year, as restated</i>	120,783	154,037	7,813	41,188	694,373
<b><i>Fund balance (deficit), end of year</i></b>	<b>\$68,636</b>	<b>\$154,687</b>	<b>(\$6,668)</b>	<b>\$46,552</b>	<b>\$620,961</b>

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, 2017**

Project	Agency	Grant #	Effective Date	Reversion Date	Original Amount	Arts in Public Places	Net Amount	Expenditures to Date	Reverted	Remaining
Civic Center Repairs	DFA	14-L-2017	12/10/2014	6/30/2018	\$57,000	-	\$57,000	\$32,533	\$0	\$24,467
Design Event Center	DFA	14-L-2018	12/10/2014	6/30/2018	55,000	-	55,000	55,000	0	0
City Hall Repairs	DFA	14-L-2019	12/10/2014	6/30/2018	115,000	-	115,000	4,108	0	110,892
Library Air Conditioning	DFA	15-0883	12/19/2016	6/30/2019	50,000	-	50,000	0	0	50,000
Pool Repairs	DFA	15-0884	12/19/2016	6/30/2019	70,000	-	70,000	67,943	0	2,057
<b>Grand totals</b>					<b>\$347,000</b>	<b>-</b>	<b>\$347,000</b>	<b>\$159,584</b>	<b>\$0</b>	<b>\$187,416</b>

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



**TOWN OF CLAYTON**  
**SCHEDULE OF CASH ACCOUNTS**  
**JUNE 30, 2017**

Financial Institution: Account Name	Type of Account	Bank Balance	(Checks) Deposits	Book Balance
<b>CASH</b>				
First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415				
Special Revenues Pool	Checking	\$164,968	(\$8,547)	\$156,421
Payroll Account	Checking	3,594	(2,078)	1,516
MMDA Account	MMA	981,572	0	981,572
Certificate of Deposit	CD	100,000	0	100,000
		<b>\$1,250,134</b>	<b>(\$10,625)</b>	<b>\$1,239,509</b>
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415-0488				
General Fund	Checking	\$27,643	(\$29,124)	(\$1,481)
Utility Pool	Checking	329,824	9,381	339,205
USDA Reserve Account	Checking	40,179	0	40,179
A W Thompson Library Fund	Checking	8,048	149	8,197
Capital Projects Fund	Checking	97,502	(1)	97,501
Vendor Account	Checking	303,543	0	303,543
Severance Account	Checking	56,988	0	56,988
TOC Pooled Money Market	MMA	293,119	0	293,119
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
Certificate of Deposit	CD	50,738	0	50,738
		<b>\$1,736,364</b>	<b>(\$19,595)</b>	<b>\$1,716,769</b>

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

# TOWN OF CLAYTON

## SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY OF PUBLIC FUNDS

JUNE 30, 2017

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

Security	CUSIP	Maturity	Market Value
FNMA #MA2176	31418BM29	2/1/2035	\$563,156

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	3615000030	8/29/2017	\$700,000
FHLB LOC	3615000001	8/30/2017	160,000
			\$860,000

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, 2017**

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending dates	Total Estimated Amount of Project	Contribution 6/30/2017	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	\$179,023	Town of Clayton	REV: Town of Clayton EXP: Town of Clayton
Town of Clayton County of Union	County of Union	Emergency Manager	July 1, 2016 to June 30, 2017	N/A	\$7,156	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, 2016 to June 30, 2017	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.

**HOUSING AUTHORITY OF THE TOWN OF CLAYTON**  
**(A Component Unit of the Town of Clayton)**  
**Financial Data Schedule**  
**June 30, 2017**

Line Item #	Account Description	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872	Total
111	Cash - Unrestricted	90,406	1	90,407
114	Cash - Tenant Security Deposits	8,507	-	8,507
100	Total Cash	98,913	1	98,914
122	Accounts Receivable - HUD Other Projects	-	-	-
126	Accounts Receivable - Tenants	811	-	811
126.1	Allowance for Doubtful Accts - Tenants	-	-	-
129	Accrued Interest Receivable	29	-	29
120	Total Receivables, Net of Allowance for Doubtful Accts	840	-	840
131	Investments - Unrestricted	63,162	-	63,162
132	Investments - Restricted	-	-	-
142	Prepaid Expenses and Other Assets	-	-	-
143	Inventories	10,184	-	10,184
143.1	Allowance for Obsolete Inventories	(1,018)	-	(1,018)
150	Total Current Assets	172,081	1	172,082
161	Land	51,294	-	51,294
162	Buildings	2,292,322	118,771	2,411,093
163	Furniture, Equipment & Machinery - Dwellings	421,179	-	421,179
164	Furniture, Equipment & Machinery - Administration	152,216	-	152,216
165	Leasehold Improvements	642,848	-	642,848
166	Accumulated Depreciation	(2,765,021)	-	(2,765,021)
167	Construction in Progress	-	2,601	2,601
160	Total Capital Assets, Net of Accumulated Depreciation	794,838	121,372	916,210
180	Total Non-Current Assets	794,838	121,372	916,210
190	Total Assets	966,919	121,373	1,088,292
200	Deferred Outflow of Resources	54,218	-	54,218
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>1,021,137</b>	<b>121,373</b>	<b>1,142,510</b>
312	Accounts Payable <= 90 Days	902	-	902
321	Accrued Wage/Payroll Taxes Payable	4,040	-	4,040
322	Accrued Compensated Absences - Current Portion	2,727	-	2,727
341	Tenant Security Deposits	8,600	-	8,600
342	Deferred Revenue	2,204	-	2,204
310	Total Current Liabilities	18,473	-	18,473
357	Accrued Pension and OPEB Liabilities	162,834	-	162,834
350	Total Noncurrent Liabilities	162,834	-	162,834
300	Total Liabilities	181,307	-	181,307
400	Deferred Inflow of Resources	4,471	-	4,471
508.1	Net Investment of Capital Assets	794,838	121,372	916,210
511.4	Restricted Net Position	-	-	-
512.4	Unrestricted Net Position	40,521	1	40,522
513	Total Equity - Net Position	835,359	121,373	956,732
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and</b>	<b>1,021,137</b>	<b>121,373</b>	<b>1,142,510</b>
70300	Net Tenant Rental Revenue	148,279	-	148,279
70400	Tenant Revenue - Other	3,408	-	3,408
70500	Total Tenant Revenue	151,687	-	151,687
70600	HUD PHA Operating Grants	78,756	-	78,756
70610	Capital Grants	-	83,508	83,508
70700	Total Fee Revenue	78,756	83,508	162,264
71100	Investment Income - Unrestricted	193	-	193
71500	Other Revenue	100	-	100
70000	Total Revenue	230,736	83,508	314,244

**HOUSING AUTHORITY OF THE TOWN OF CLAYTON**  
**(A Component Unit of the Town of Clayton)**  
**Financial Data Schedule**  
**June 30, 2017**

Line Item #	Account Description	Public Housing Low Rent 14.850	Public Housing Capital Fund Program 14.872	Total
91100	Administrative Salaries	42,396	-	42,396
91200	Auditing Fees	6,941	3,000	9,941
91400	Advertising & Marketing	390	-	390
91500	Employee Benefit Contributions - Administrative	26,169	-	26,169
91600	Office Expenses	4,549	-	4,549
91700	Legal Expenses	-	-	-
91800	Travel	783	-	783
91900	Other	5,307	-	5,307
91000	Total Operating - Administrative	<u>86,535</u>	<u>3,000</u>	<u>89,535</u>
93100	Water	16,413	-	16,413
93200	Electricity	5,485	-	5,485
93300	Gas	1,752	-	1,752
93600	Sewer	11,428	-	11,428
93800	Other Utilities	3,619	-	3,619
93000	Total Utilities	<u>38,697</u>	<u>-</u>	<u>38,697</u>
94100	Ordinary Maintenance and Operations - Labor	44,075	-	44,075
94200	Ordinary Maintenance and Operations - Materials & Other	10,754	-	10,754
94300	Ordinary Maintenance and Operations Contracts	24,630	-	24,630
94500	Employee Benefit Contributions - Ordinary Maintenance	28,945	-	28,945
94000	Total Maintenance	<u>108,404</u>	<u>-</u>	<u>108,404</u>
96110	Property Insurance	9,717	-	9,717
96120	Liability Insurance	8,511	-	8,511
96130	Workmen's Compensation	3,051	-	3,051
96100	Total Insurance Premiums	<u>21,279</u>	<u>-</u>	<u>21,279</u>
96200	Other General Expenses	407	-	407
96210	Compensated Absences	-	-	-
96000	Total Other General Expenses	<u>407</u>	<u>-</u>	<u>407</u>
96900	Total Operating Expenses	<u>255,322</u>	<u>3,000</u>	<u>258,322</u>
97000	Excess Revenue over Operating Expenses	(24,586)	80,508	55,922
97400	Depreciation Expense	<u>118,370</u>	<u>-</u>	<u>118,370</u>
90000	Total Expenses	<u>373,692</u>	<u>3,000</u>	<u>376,692</u>
10010	Operating Transfers In	21,314	-	21,314
10020	Operating Transfers Out	-	(21,314)	(21,314)
10100	Total Other Financing Sources (Uses)	<u>21,314</u>	<u>(21,314)</u>	<u>-</u>
<b>10000</b>	<b>Excess (Deficiency) of Total Rev Over (Under) Total Exp</b>	<b><u>(121,642)</u></b>	<b><u>59,194</u></b>	<b><u>(62,448)</u></b>
11030	Beginning Equity	\$ 957,001	\$ 62,179	\$ 1,019,180
11040	Prior Period Adj, Equity Transfers, Correction of Errors	\$ -	\$ -	\$ -
11190	Unit Months Available	600	-	600
11210	Number of Unit Months Leased	592	-	592

ADDITIONAL FEDERAL INFORMATION

**TOWN OF CLAYTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Passed through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>				
Water and Waste Disposal (Grant) Systems for Rural Communities	10.760		-	\$50,979
<i>Total U.S. Department of Agriculture</i>				\$50,979
<b><u>U.S. Environmental Protection Agency</u></b>				
<b>Passed through NM Finance Authority</b>				
<i>EPA Capitalization Grants for DWSRF</i>	66.468	CLAYTON 12 (3037-DW)		\$493,754
<b><u>U.S. Department of Health and Human Services</u></b>				
<b>Passed through North Central New Mexico Economic Development District</b>				
Title III C	93.045	2016-17-68013	-	\$8,680
Title III C	93.045	2015-16-68013	-	0
				8,680
Area Agency on Aging Nutritional Service Incentive Program	93.053	2015-16	-	0
Nutritional Service Incentive Program	93.053	2016-17	-	12,629
				12,629
<i>Total U.S. Department of Health and Human Services</i>				\$21,309
<b><u>U.S. Department of Transportation</u></b>				
Federal Aviation Administration				
Airport Improvement Program	20.106	-	-	\$342,398
<b>Passed through New Mexico Department of Transportation</b>				
Operation Driving While Intoxicated (ODWI)	20.608	14-AL-64-021	-	0
Operation Driving While Intoxicated (ODWI)	20.608	15-AL-64-021	-	0
STEP	20.608	16-ST-05D021	-	3,445
				3,445
100 Days and Nights of Summer	20.600	15-DS-PT-021	-	0
100 Days and Nights of Summer	20.600	16-DS-02-021	-	1,034
				1,034
<i>Total U.S. Department of Transportation</i>				\$346,877

**TOWN OF CLAYTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Program Title	Federal CFDA Number or Agency Prefix	Passed through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
<b>COMPONENT UNIT</b>				
<b><u>U.S. Department of Housing and</u></b>				
<b><u>Urban Development</u></b>				
<b>Passed through New Mexico Department</b>				
<b>of Finance and Administration</b>				
<b>Direct Funding:</b>				
Low Rent Public Housing Operating				
Subsidy - Housing	14.850	NM055-00000114D	-	\$78,756
Public Housing Capital Fund	14.872	NM055-00000115D	-	19,842
Public Housing Capital Fund	14.872	NM02P008501-13	-	0
Public Housing Capital Fund	14.872	NM02P008501-14	-	569
Public Housing Capital Fund	14.872	NM02P008501-16	-	63,098
				83,509
<i>Total U.S. Department of Housing and Urban Development</i>				<b>\$162,265</b>
<b><i>Total Federal Financial Assistance</i></b>				<b>\$1,075,184</b>



**TOWN OF CLAYTON**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2017

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Town of Clayton, under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Clayton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Town of Clayton.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

**NOTE 3.** Town of Clayton has elected not to use the de Minimis indirect cost rate allowed under the Uniform Guidance.

**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. Wayne Johnson, 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, 2017, and the related notes to the financial statements, which collectively comprise Town of Clayton's basic financial statements and the combining and individual funds of Town of Clayton presented as supplementary information, and have issued our report thereon dated December 10, 2017.

**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. Wayne Johnson, 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 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 10, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Mr. Wayne Johnson, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited Town of Clayton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Clayton's major federal programs for the year ended June 30, 2017. Town of Clayton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Town of Clayton's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Clayton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Mr. Wayne Johnson, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
Page Two

***Opinion on Each Major Federal Program***

In our opinion, Town of Clayton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Report on Internal Control over Compliance**

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

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

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

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

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

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

December 10, 2017

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS**

Type of Auditor’s Report issued:

**Unmodified**

**Internal Control Over Financial Reporting:**

Material weakness(es) identified?

\_\_\_\_\_ Yes     X  No

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

X  Yes    \_\_\_\_\_ No

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes     X  No

**FEDERAL AWARDS**

**Internal Control Over Major Programs:**

Material weakness(es) identified?

\_\_\_\_\_ Yes     X  No

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

\_\_\_\_\_ Yes     X  No

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

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?

\_\_\_\_\_ Yes     X  No

**Identification of Major Programs:**

CFDA Number(s)

66.468

Name of Federal Program or Cluster

EPA - Capital Grants for DWSRF

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

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes     X  No

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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SECTION II – FINANCIAL STATEMENT FINDINGS

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**CURRENT YEAR FINDINGS:**

None.

**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

**2016-001 Asset Deletions - Notification – Non Compliance**

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 / Transferred Out
Local Government Corrections Fund	\$46,500	\$66,309	(\$19,809)
Municipal Street Fund	\$18,736	\$44,109	(\$25,373)

This finding remains essentially the same as the prior year (two funds over expended) except that the Town’s expenditures did not exceed its available projected revenues and cash carryover in any funds for the fiscal year ended June 30, 2017.

**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 auditor’s recommendation.

Responsible Position: Town Treasurer/Clerk      Time Line: January 2018

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

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

**2014-001 Procurement Violations – Non Compliance**

Repeated with modification.

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

- Medical Supplies - selected vendor based on how quickly supplies can be received but did not document this determination.
- Road materials - Although vendor has a state-wide purchase agreement, it is not for cold mix materials purchased. Selected a particular vendor because vendor brings equipment and oil when delivering cold mix but this was not documented.

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 document the reasons for selection of the vendor from procurements.

**Management's Response** – Management agrees with the auditor's recommendation.

Responsible Position: Town Treasurer/Clerk and department heads.

Time Line: January 2018



**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

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

**2013-005 Required Accounting Documentation/ Disbursements – Other Matters**

Repeated with modification.

**Statement of Condition** – During test work, we found the following exceptions out of 100 transactions tested:

- Two instances where an invoice was dated prior to the purchase order.
- Fourteen instances where purchase requisition was not created for a purchase greater than \$1,000.

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** – Oversight.

**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** – Management agrees with the auditor’s recommendation.

Responsible Position: Town Treasurer/Clerk      Time Line: March 31, 2018

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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SECTION II – FINANCIAL STATEMENT FINDINGS

---

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

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

Repeated with modification.

**Statement of Condition** – Although during fiscal year 2017, the Town began to maintain an asset inventory/depreciation schedule it is not complete nor in accordance with the capitalization policy. A fixed asset inventory was completed by each department listing asset additions and deletions,.

**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 schedule and set a goal for completion.

**Management's Response** – Management agrees with the auditor's recommendation.

Responsible Position: Town Treasurer/Clerk      Time Line: June 2018

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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SECTION II – FINANCIAL STATEMENT FINDINGS

---

**COMPONENT UNIT:**

**CURRENT YEAR FINDINGS:**

None.

**CURRENT STATUS ON PRIOR YEAR FINDINGS:**

None.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

None.

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

None.

**TOWN OF CLAYTON**  
**EXIT CONFERENCE**  
**JUNE 30, 2017**

**EXIT CONFERENCE:**

The exit conference was held December 13, 2017 and was attended by the following:

**Representing Town of Clayton:**

Ferron Lucero, Town Manager  
Jack Chosvig, Mayor  
Renee Valdez, Treasurer/Clerk

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

Debbie Gray, CPA/Shareholder

**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.