

STATE OF NEW MEXICO

TOWN OF CLAYTON

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2018

TOWN OF CLAYTON
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OFFICIAL ROSTER
JUNE 30, 2018

BOARD OF TRUSTEES

<u>Name</u>	<u>Title</u>
<i>Ernest Sanchez</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>Judy Steen</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, 2018, 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 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, 2018, 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
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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, 2018, 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, 2018, 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
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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 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 *other supplementary information required by 2.2.2 NMAC* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 *other supplementary information required by 2.2.2 NMAC* is 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, 2018 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, 2018

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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, 2018. 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 \$110,938 more than the \$5,960,642 generated in taxes, other revenues, and transfers for governmental programs.
- In the Town's business-type activities revenues and transfers increased 1% to \$1,733,404 while expenses decreased 4%.
- The general fund reported revenues in excess of expenditures this year of \$64,833.

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, 2018

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, 2018

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, 2018

Government-Wide Financial Analysis

Town of Clayton
Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
	Assets:					
Current assets and other assets	\$2,710,499	\$2,492,973	\$1,571,529	\$1,467,728	\$4,282,028	\$3,960,701
Capital	9,721,741	9,859,919	17,480,155	17,989,938	27,201,896	27,849,857
Total assets	12,432,240	12,352,892	19,051,684	19,457,666	31,483,924	31,810,558
Deferred outflows	668,092	951,122	117,427	190,435	785,519	1,141,557
Liabilities:						
Current and other liabilities	205,971	148,987	82,816	126,860	288,787	275,847
Long-term liabilities	2,952,667	3,567,848	4,492,195	4,711,680	7,444,862	8,279,528
Total liabilities	3,158,638	3,716,835	4,575,011	4,838,540	7,733,649	8,555,375
Deferred inflows	620,818	418,448	48,769	15,648	669,587	434,096
Net Position:						
Net investment in capital assets	9,478,162	9,506,260	14,583,959	14,969,468	24,062,121	24,475,728
Restricted net position	2,563,294	1,279,546	183,533	173,954	2,746,827	1,453,500
Unrestricted net position	(2,720,580)	(1,617,075)	(222,161)	(349,509)	(2,942,741)	(1,966,584)
Total net position	\$9,320,876	\$9,168,731	\$14,545,331	\$14,793,913	\$23,866,207	\$23,962,644

Capital assets (net of accumulated depreciation) make up 104% 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 predominantly to the net pension liability of \$2,625,883.

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, 2018 (Town had a \$194,698 net deficit). This ratio aids management in gauging the effectiveness of its use of assets.

In the Governmental activities total liabilities have decreased by 31% due to a decrease in the net pension liability. Total assets have increased slightly in 2018 due to an increase cash. Investment income increased in fiscal year 2018 due to increases in interest rates. These factors primarily affect the increase in current assets in 2018 compared to 2017.

Net position for business-type activities decreased by \$248,582, a decrease of 2%. Overall, assets decreased due predominantly to depreciation of capital assets.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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 2017 were \$2,707,678 and \$2,589,037 in 2018, a decrease of \$118,641, 4% for comparative years. The majority of the difference is due to a decrease in grant revenues.

Expenditures in the General Fund for fiscal year 2017 were \$2,695,808 and \$2,526,468 for fiscal year 2018, a decrease of \$169,340. The decrease was due to a decrease in most functions. The General Fund fund balance increased in 2018 in the amount of \$64,833 with revenues plus transfers exceeding expenditures for an ending fund balance of \$422,700 as of June 30, 2018.

MUNICIPAL STREET FUND

The Municipal Street Fund accounts for the Town's street projects primarily funded from gas tax and jail fund surplus. Revenue and expenditures remained relatively consistent except that the street fund purchased a grader for the prison fund reimbursed by the prison-fund surplus.

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 2017/2018 was \$7,045. 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 2016/2017 fiscal year was \$1,205,710 and \$1,352,334 for 2017/2018; an increase of \$146,624 or 12%. The increase is attributable to new meters capturing usage more accurately. Net loss (before capital and operating transfers) decreased in 2018 versus 2017 by \$97,570. Operating expenses increased in fiscal year 2017/2018 compared to 2016/2017 by \$94,217, which is 5%. The net loss decrease resulted from the increase in income.

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

General Fund Budgetary Highlights

The Town of Clayton total actual expenditures for fiscal year 2017/2018 were 8% under the budgeted expenditure amounts for the year. Public safety is responsible for 56%, general government is responsible for 28% and public works is responsible for 6% of the General Fund expenditures.

The Town's total state shared and municipal tax amount for fiscal year 2017/2018 increased by 3% over fiscal year 2016/2017. The Clayton economy improved.

General Fund budgeted revenues and expenditures were amended only slightly during the year by \$13,000 and \$38,942, respectively.

Town of Clayton
Summary of Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Revenues:						
<u>Program Revenues:</u>						
Charges for services	\$485,398	\$395,298	\$1,352,334	\$1,205,710	\$1,837,732	\$1,601,008
Operating grants and contributions	654,132	743,339	0	0	654,132	743,339
Capital grants and contributions	326,079	492,108	14,986	54,549	341,065	546,657
<u>General Revenue:</u>						
Taxes	2,316,188	2,161,499	199,397	194,024	2,515,585	2,355,523
Investment income	12,374	4,498	6,162	2,270	18,536	6,768
Miscellaneous	433,067	383,328	160,525	260,702	593,592	644,030
<i>Total revenue</i>	<i>4,227,238</i>	<i>4,180,070</i>	<i>1,733,404</i>	<i>1,717,255</i>	<i>5,960,642</i>	<i>5,897,325</i>
Expenses:						
General Government	837,652	922,057	0	0	837,652	922,057
Public Safety	1,869,936	2,395,321	0	0	1,869,936	2,395,321
Public Works	563,495	243,086	0	0	563,495	243,086
Health and Welfare	170,351	187,265	0	0	170,351	187,265
Culture and Recreation	418,580	358,310	0	0	418,580	358,310
Capital Outlay	307,725	0	0	0	307,725	0
Interest and fees on long-term debt	9,479	10,201	84,428	71,632	93,907	81,833
Water, sewer and refuse	0	0	1,809,934	1,904,151	1,809,934	1,904,151
<i>Total expenses</i>	<i>4,177,218</i>	<i>4,116,240</i>	<i>1,894,362</i>	<i>1,975,783</i>	<i>6,071,580</i>	<i>6,092,023</i>
<i>Increase in net position before transfers</i>	<i>50,020</i>	<i>63,830</i>	<i>(160,958)</i>	<i>(258,528)</i>	<i>(110,938)</i>	<i>(194,698)</i>
<i>Transfers</i>	<i>87,624</i>	<i>91,624</i>	<i>(87,624)</i>	<i>(91,624)</i>	<i>0</i>	<i>0</i>
<i>Change in net position</i>	<i>137,644</i>	<i>155,454</i>	<i>(248,582)</i>	<i>(350,152)</i>	<i>(110,938)</i>	<i>(194,698)</i>
Net position – July 1	9,183,232	9,027,778	14,793,913	15,144,065	23,977,145	24,171,843
<i>Net position - June 30</i>	<i>\$9,320,876</i>	<i>\$9,183,232</i>	<i>\$14,545,331</i>	<i>\$14,793,913</i>	<i>\$23,866,207</i>	<i>\$23,977,145</i>

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Government Activities

Revenue received from program and general activities was predominantly less than expenses for fiscal year 2018, 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 \$160,958. Expenses continue to be greater than income creating 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 \$9,320,876, 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, 2018 amounted to \$9,721,741. This investment in capital assets includes land, construction in progress, buildings and improvements, airport, infrastructure, and furniture, fixtures and equipment. The most significant impact on capital assets during the year resulted from the following:

Construction in progress for:

- Luna LEDA Project
- Event Center
- Airport Runway Rehab
- Town Hall – Civic Center Roof
- Library HVAC

TOWN OF CLAYTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Long-term Debt

The Town's total debt (excluding compensated absences and landfill closure payable) as of June 30, 2018 is \$3,139,775, which decreased by \$234,354, which represents principal payments on outstanding debt.

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	
	2018	2017	2018	2017	2018	2017
Revenue Bonds (USDA)	\$0	\$0	\$1,081,000	\$1,101,000	\$1,081,000	\$1,101,000
Notes Payable: NMFA	243,579	353,659	1,666,911	1,760,791	1,910,490	2,114,450
Note Payable – Water Trust Board	0	0	148,285	158,679	148,285	158,679
Total	\$243,579	\$353,659	\$2,896,196	\$3,020,470	\$3,139,775	\$3,374,129

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, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$1,812,277	\$602,614	\$2,414,891	\$97,392
Investments	279,849	400,000	679,849	63,445
Receivables:				
Accounts receivable, net	122,821	176,335	299,156	3,427
Taxes	348,597	29,593	378,190	0
Intergovernmental	126,333	0	126,333	0
Other	0	0	0	177
Due from others	125,066	30,236	155,302	0
Internal balances	(129,023)	129,023	0	0
Inventories	0	0	0	9,541
Restricted Assets:				
Cash - with trustee/debt service	24,579	143,123	167,702	0
Cash - reserved for debt service (USDA)	0	40,410	40,410	0
Cash - customer/tenant deposits	0	20,195	20,195	11,950
Capital Assets:				
Capital assets not depreciated	974,499	764,521	1,739,020	96,794
Capital assets, depreciated	15,336,764	26,845,886	42,182,650	3,591,154
Accumulated depreciation	(6,589,522)	(10,130,252)	(16,719,774)	(2,871,459)
<i>Total capital assets</i>	9,721,741	17,480,155	27,201,896	816,489
<i>Total assets</i>	12,432,240	19,051,684	31,483,924	1,002,421
Deferred outflows of resources - Pension	668,092	117,427	785,519	33,391
Liabilities				
Accounts payable	40,302	9,705	50,007	6,868
Accrued payroll liabilities	82,069	16,513	98,582	4,646
Accrued interest payable	1,757	16,490	18,247	0
Compensated absences	0	0	0	3,650
Customer/tenant deposits	0	20,195	20,195	11,950
Due to others	2,529	19,913	22,442	0
Tenant prepaid rents	0	0	0	587
Long-term liabilities:				
Current portion of long-term debt	79,314	126,707	206,021	0
Long-term debt	164,265	2,769,489	2,933,754	0
Compensated absences	162,519	36,794	199,313	0
Landfill post closure	0	1,070,196	1,070,196	0
Net pension liability	2,625,883	489,009	3,114,892	139,717
<i>Total liabilities</i>	3,158,638	4,575,011	7,733,649	167,418
Deferred inflows of resources - Pension	620,818	48,769	669,587	13,934
Net Position				
Net investment in capital assets	9,478,162	14,583,959	24,062,121	816,489
Restricted for:				
Debt service	24,579	183,533	208,112	0
Other purposes	1,318,801	0	1,318,801	0
Expendable endowment	1,219,914	0	1,219,914	0
Unrestricted (deficit)	(2,720,580)	(222,161)	(2,942,741)	37,971
<i>Total net position</i>	\$9,320,876	\$14,545,331	\$23,866,207	\$854,460

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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government								
Governmental Activities:								
General government	\$837,652	\$108,725	\$131,704	\$138,679	(\$458,544)	\$0	(\$458,544)	
Public safety	1,869,936	90,260	434,173	164,892	(1,180,611)	0	(1,180,611)	
Public works	563,495	0	0	0	(563,495)	0	(563,495)	
Health and welfare	170,351	0	68,267	22,508	(79,576)	0	(79,576)	
Cultural and recreation	418,580	6,413	19,988	0	(392,179)	0	(392,179)	
Capital Outlay	307,725	280,000	0	0	(27,725)	0	(27,725)	
Interest and fees on long-term debt	9,479	0	0	0	(9,479)	0	(9,479)	
<i>Total governmental activities</i>	<i>4,177,218</i>	<i>485,398</i>	<i>654,132</i>	<i>326,079</i>	<i>(2,711,609)</i>	<i>0</i>	<i>(2,711,609)</i>	
Business-Type Activities:								
Water	677,897	612,626	0	14,986	0	(50,285)	(50,285)	
Wastewater	549,609	361,025	0	0	0	(188,584)	(188,584)	
Solid waste	582,428	378,683	0	0	0	(203,745)	(203,745)	
Interest expense	84,428	0	0	0	0	(84,428)	(84,428)	
<i>Total business-type activities</i>	<i>1,894,362</i>	<i>1,352,334</i>	<i>0</i>	<i>14,986</i>	<i>0</i>	<i>(527,042)</i>	<i>(527,042)</i>	
Total primary government	\$6,071,580	\$1,837,732	\$654,132	\$341,065	(\$2,711,609)	(\$527,042)	(\$3,238,651)	

COMPONENT UNIT:

Public Housing Authority	\$353,597	\$151,897	\$73,571	\$24,717				(\$103,412)
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General Revenues

Taxes:

Property	\$146,962	\$0	\$146,962	\$0
Gross receipts and other state tax	1,733,673	199,397	1,933,070	0
Lodgers' tax	158,237	0	158,237	0
Franchise tax	111,308	0	111,308	0
Fines, licenses and permits	166,008	0	166,008	0
Investment income	12,374	6,162	18,536	635
Other	399,478	159,255	558,733	0
Gain/Loss on asset disposals	33,589	1,270	34,859	505
Operating transfers, net	87,624	(87,624)	0	0
Capital transfers, net	0	0	0	0
<i>Total general revenues and transfers</i>	<i>2,849,253</i>	<i>278,460</i>	<i>3,127,713</i>	<i>1,140</i>

Change in net position	137,644	(248,582)	(110,938)	(102,272)
Net position (deficit), beginning of year, as previously stated	9,168,731	14,793,913	23,962,644	956,732
Restatement	14,501	0	14,501	0
<i>Net position (deficit), beginning of year, as restated</i>	<i>9,183,232</i>	<i>14,793,913</i>	<i>23,977,145</i>	<i>956,732</i>
Net position (deficit), end of year	\$9,320,876	\$14,545,331	\$23,866,207	\$854,460

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

TOWN OF CLAYTON
GOVERNMENTAL FUNDS
BALANCE SHEETS
JUNE 30, 2018

	Major Funds				Total Governmental Funds
	General Fund	Municipal Street Fund	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
ASSETS					
Cash	\$5,747	\$102,983	\$1,219,914	\$483,633	\$1,812,277
Investments	0	0	0	279,849	279,849
Receivables:					
Accounts, net	122,821	0	0	0	122,821
Taxes	295,425	32,672	0	20,500	348,597
Intergovernmental	12,586	0	0	113,747	126,333
Due from other funds	80,332	12,531	0	221	93,084
Due from others	125,066	0	0	0	125,066
Restricted assets:					
Cash held with trustee	0	0	0	24,579	24,579
Total assets	\$641,977	\$148,186	\$1,219,914	\$922,529	\$2,932,606
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$9,561	\$745	\$0	\$29,996	\$40,302
Accrued payroll liabilities	71,239	5,381	0	5,449	82,069
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	113,643	29,000	0	79,464	222,107
Due to others	2,529	0	0	0	2,529
Total liabilities	196,972	35,126	0	114,909	347,007
Deferred inflows of resources:					
Property taxes	22,305	0	0	0	22,305
Fund Balances:					
Restricted	0	113,060	1,219,914	816,673	2,149,647
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	422,700	0	0	(9,053)	413,647
Total fund balance	422,700	113,060	1,219,914	807,620	2,563,294
Total liabilities, deferred inflows of resources, and fund balances	\$641,977	\$148,186	\$1,219,914	\$922,529	\$2,932,606

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, 2018

FUND BALANCE of Governmental Funds	\$2,563,294
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.	9,721,741
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.	(406,098)
The net pension liability is long-term and therefore not recognized in the funds	(2,625,883)
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.	47,274
Some revenues are not earned if not available in the funds but are recognized as income for governmental activities.	22,305
<u>Interest payable is not due and payable in the current period and therefore is not reported in the funds.</u>	<u>(1,757)</u>
<i>Net position of governmental activities</i>	<u><u>\$9,320,876</u></u>

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, 2018

	Major Funds				Total Governmental Funds
	General Fund	Municipal Street Fund	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
REVENUES					
Property tax	\$145,363	\$0	\$0	\$0	\$145,363
Charges for services	479,504	0	0	5,894	485,398
Federal operating grants	0	0	0	21,374	21,374
Federal capital grants	0	0	0	106,885	106,885
State operating grants	139,941	0	0	385,896	525,837
State capital grants	0	0	0	219,194	219,194
Local government operating grants	100,205	0	0	6,716	106,921
Gross receipts and other state taxes	1,426,158	307,515	0	0	1,733,673
Lodgers' tax	0	0	0	158,237	158,237
Franchise fees	111,308	0	0	0	111,308
Fines, licenses, permits	140,585	0	0	25,423	166,008
Interest income	278	745	7,045	4,306	12,374
Sale of property/assets	0	32,319	0	1,270	33,589
Prison fund surplus/impact fees	37,775	277,825	0	0	315,600
Miscellaneous/donations	7,920	936	0	75,022	83,878
<i>Total revenues</i>	<i>2,589,037</i>	<i>619,340</i>	<i>7,045</i>	<i>1,010,217</i>	<i>4,225,639</i>
EXPENDITURES					
Current:					
General government	710,598	0	0	0	710,598
Public safety	1,416,373	0	0	159,004	1,575,377
Public works	159,789	315,389	0	0	475,178
Health and welfare	0	0	0	148,729	148,729
Culture and recreation	218,256	0	0	143,700	361,956
Debt Service:					
Principal	0	0	0	110,080	110,080
Interest	0	0	0	9,200	9,200
Capital outlay	21,452	291,722	0	384,936	698,110
<i>Total expenditures</i>	<i>2,526,468</i>	<i>607,111</i>	<i>0</i>	<i>955,649</i>	<i>4,089,228</i>
<i>Revenues over (under) expenditures</i>	<i>62,569</i>	<i>12,229</i>	<i>7,045</i>	<i>54,568</i>	<i>136,411</i>
Other Financing Sources (Uses):					
Operating transfers in	100,000	12,000	0	86,854	198,854
Operating transfers (out)	(97,736)	(8,376)	0	(5,118)	(111,230)
<i>Total other financing sources (uses)</i>	<i>2,264</i>	<i>3,624</i>	<i>0</i>	<i>81,736</i>	<i>87,624</i>
<i>Net changes in fund balances</i>	<i>64,833</i>	<i>15,853</i>	<i>7,045</i>	<i>136,304</i>	<i>224,035</i>
Fund balance, beginning of year, as previously stated	332,367	53,098	1,244,575	694,718	2,324,758
Restatements	25,500	44,109	(31,706)	(23,402)	14,501
<i>Fund balance, beginning of year, as restated</i>	<i>357,867</i>	<i>97,207</i>	<i>1,212,869</i>	<i>671,316</i>	<i>2,339,259</i>
Fund balance, end of year	\$422,700	\$113,060	\$1,219,914	\$807,620	\$2,563,294

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, 2018

Net change in fund balances - Governmental Funds	\$224,035
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 (\$528,563) exceeded capital outlay, net of disposals (\$390,385).	(138,178)
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.	110,080
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 (\$17,935) and accrued interest payable (\$279).	(18,214)
Pension expense after the measurement date deferred to next period but was expensed in the funds.	(41,678)
Some revenues reported in the statement of activities are not available for expenditure in the governmental funds - property tax.	1,599
<i>Change in net position of governmental activities</i>	\$137,644

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, 2018

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Property tax	\$145,000	\$145,000	\$144,583	(\$417)
Charges for services	461,000	461,000	489,165	28,165
Federal operating grants	0	0	0	0
Federal capital grants	0	0	0	0
State operating grants	154,500	154,500	142,496	(12,004)
State capital grants	0	0	0	0
Local government operating grants	108,000	108,000	106,924	(1,076)
Gross receipts and other state taxes	1,442,854	1,455,854	1,422,872	(32,982)
Lodgers' tax	0	0	0	0
Franchise fees	110,700	110,700	111,595	895
Fines, licenses, permits	64,841	64,841	140,585	75,744
Interest income	125	125	278	153
Sale of property/assets	272,000	272,000	0	(272,000)
Prison fund surplus	37,100	37,100	37,775	675
Miscellaneous/donations	59,350	59,350	7,478	(51,872)
<i>Total revenues</i>	<u>2,855,470</u>	<u>2,868,470</u>	<u>2,603,751</u>	<u>(264,719)</u>
EXPENDITURES				
Current:				
General government	716,064	717,971	713,283	4,688
Public safety	1,569,405	1,595,347	1,435,192	160,155
Public works	162,289	173,382	162,289	11,093
Health and welfare	0	0	0	0
Culture and recreation	254,905	254,905	219,215	35,690
Debt service	0	0	0	0
Capital outlay	22,295	22,295	21,452	843
<i>Total expenditures</i>	<u>2,724,958</u>	<u>2,763,900</u>	<u>2,551,431</u>	<u>212,469</u>
<i>Excess (deficiency) of revenues over expenditures</i>	130,512	104,570	52,320	(52,250)
Other Financing Sources (Uses):				
Operating transfers in	86,000	86,000	100,000	14,000
Operating transfers (out)	(139,332)	(139,332)	(97,736)	41,596
<i>Total other financing sources (uses)</i>	<u>(53,332)</u>	<u>(53,332)</u>	<u>2,264</u>	<u>55,596</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>77,180</u>	<u>51,238</u>	<u>54,584</u>	<u>3,346</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	\$54,584
Adjustments for revenue accruals, transfers, earnings on investments	(14,714)
Adjustments for expenditures for payables, other expenditure accruals	24,963
Net changes in fund balance (GAAP basis)	\$64,833

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, 2018

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable) Variance
REVENUES				
Municipal tax	\$208,124	\$208,124	\$184,056	(\$24,068)
State shared taxes	86,000	86,000	106,409	20,409
Interest on investments	300	300	738	438
Jail project surplus account	270,000	270,000	277,825	7,825
Miscellaneous revenue	0	0	33,255	33,255
<i>Total revenues</i>	<u>564,424</u>	<u>564,424</u>	<u>602,283</u>	<u>37,859</u>
EXPENDITURES				
Public works	348,072	348,072	314,863	33,209
Debt service	8,376	8,376	8,376	0
Capital outlay	270,000	270,000	291,722	(21,722)
<i>Total expenditures</i>	<u>626,448</u>	<u>626,448</u>	<u>614,961</u>	<u>11,487</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(62,024)	(62,024)	(12,678)	49,346
Other Financing Sources (Uses):				
Operating transfers in	69,628	69,628	12,000	(57,628)
Operating transfers (out)	0	0	0	0
<i>Total other financing sources (uses)</i>	<u>69,628</u>	<u>69,628</u>	<u>12,000</u>	<u>(57,628)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$7,604</u>	<u>\$7,604</u>	<u>(\$678)</u>	<u>(\$8,282)</u>
Budgetary - GAAP Reporting Reconciliation:				
Excess (deficiency) of revenues over expenditures and other financing sources (uses)			(\$678)	
Adjustments for revenue accruals			17,057	
Adjustments for expenditures accruals			7,850	
Adjustments for transfers			(8,376)	
Net changes in fund balance (GAAP basis)			<u>\$15,853</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, 2018

	Joint Utilities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$602,614
Investments	400,000
Grants receivable	0
State shared and municipal taxes receivable	29,593
Accounts receivable, water and sewer (net of allowance)	176,335
Due from other funds	129,023
Due from other sources	30,236
<i>Total current assets</i>	1,367,801
Non-Current Assets	
Restricted Assets:	
Cash held with trustee	143,123
Cash - reserved for USDA	40,410
Cash - customer deposits	20,195
<i>Total restricted assets</i>	203,728
Capital Assets:	
Capital assets - not depreciated	764,521
Capital assets - depreciated	26,845,886
Less accumulated depreciation	(10,130,252)
<i>Net capital assets</i>	17,480,155
<i>Total assets</i>	19,051,684
Deferred outflows of resources - Pension	117,427
LIABILITIES	
Current Liabilities:	
Accounts payable	9,705
Accrued payroll liabilities	16,513
Accrued interest payable	16,490
Utility deposits	20,195
Due to others	19,913
Current portion of long-term debt/lease payable	126,707
<i>Total current liabilities</i>	209,523
Non-Current Liabilities:	
Long-term debt	2,769,489
Compensated absences	36,794
Landfill post closure	1,070,196
Net pension liability	489,009
<i>Total noncurrent liabilities</i>	4,365,488
<i>Total liabilities</i>	4,575,011
Deferred inflows of resources - Pension	48,769
Net Position:	
Net investment in capital assets	14,583,959
Restricted for debt service	183,533
Unrestricted	(222,161)
<i>Total net position</i>	\$14,545,331

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, 2018

	Joint Utilities
OPERATING REVENUES	
Water	\$612,626
Wastewater	361,025
Solid waste	378,683
<i>Total operating revenues</i>	1,352,334
OPERATING EXPENSES	
Operating expenses:	
Water	480,192
Wastewater	351,904
Solid waste	384,724
Depreciation	593,114
<i>Total operating expenses</i>	1,809,934
<i>Net income (loss) from operations</i>	(457,600)
NON-OPERATING REVENUES (EXPENSES)	
Federal operating grants	0
Federal capital grants	14,986
State operating grants	0
State capital grants	0
Gross receipts and other state taxes	199,397
Interest earnings	6,162
Interest expense	(84,428)
Sale of property/assets	1,270
Prison fund surplus	159,255
<i>Total non-operating revenues (expenses)</i>	296,642
<i>Net income (loss) before contributions and transfers</i>	(160,958)
OTHER FINANCING SOURCES (USES):	
Operating transfers in	8,376
Operating transfers (out)	(96,000)
<i>Total other financing sources (uses)</i>	(87,624)
<i>Change in net position</i>	(248,582)
Total fund net position, at beginning of year, as previously stated	14,793,913
Restatements	0
<i>Total fund net position, at beginning of year, as restated</i>	14,793,913
<i>Total fund net position, at end of year</i>	\$14,545,331

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, 2018

	Joint Utilities
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers (including other funds)	\$1,355,006
Cash paid to suppliers	(842,977)
Cash paid to employees	(403,645)
<i>Net cash provided (used) by operating activities</i>	108,384
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Landfill post closure	(12,525)
State tax	196,931
Prison fund surplus	159,255
Transfers in (out) + other funds	(87,624)
<i>Net cash provided (used) by noncapital financing activities</i>	256,037
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of property and equipment	(83,331)
Sale of miscellaneous assets	1,270
Capital grants	14,986
Long-term debt proceeds	0
Principal paid: revenue bonds/lease purchase/advances	(124,274)
Interest paid: revenue bonds/lease purchase/advances	(80,347)
<i>Net cash provided (used) by capital and related financing activities</i>	(271,696)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	6,162
<i>Net cash provided (used) by investing activities</i>	6,162
<i>Net increase (decrease) in cash</i>	98,887
Cash, beginning of year	707,455
<i>Cash, end of year</i>	\$806,342
Cash and cash equivalents	\$602,614
Cash held with trustee	143,123
Cash reserved for USDA	40,410
Customer deposits	20,195
<i>Total cash</i>	\$806,342

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
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	(\$457,600)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	593,114
Change in assets and liabilities:	
(Increase) Decrease in assets:	
Accounts receivable	(2,448)
Increase (Decrease) in liabilities:	
Accounts and contracts payable	(54,015)
Wages payable	770
Compensated absences	(1,777)
Tenant deposits/utility deposits	5,120
Net pension contribution/liability	25,220
<i>Total adjustments</i>	565,984
<i>Net cash provided (used) by operating activities</i>	\$108,384

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

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018. 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, 2018

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, 2018

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, 2018

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 *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, 2018

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, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

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

These budgets are prepared on the non-GAAP cash basis, and secure appropriation of funds for only one year. Carryover funds from the previous final year are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local board approval. If a transfer between “funds” or a budget increase is required, approval must be obtained from the Department of Finance and Administration.

The budgetary information presented in these financial statements has been prepared in accordance with the above procedures.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018

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, 2018

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, 2018, 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, 2018

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, 2018

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, 2018

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, 2018, 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	\$0	\$552	\$1,497
First National Bank of New Mexico	1,388,623	(23,243)	1,365,380	31,639
Farmer’s & Stockmen’s Bank	1,863,105	(73,692)	1,789,413	139,651
Cash held with Trustee	167,702	0	167,702	0
<i>Total cash deposits</i>	3,419,430	(96,935)	3,322,495	171,290
Less CD’s report as investments	679,849	0	679,849	63,445
	\$2,739,581	(\$96,935)	\$2,642,646	\$109,342

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

	Primary Government	Component Unit
Statement of Net Position:		
Cash	\$2,414,891	\$97,392
Restricted cash	228,307	11,950
Total cash reported on financial statements	\$2,643,198	\$109,342

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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	\$1,388,623	\$1,863,105
Less: FDIC insurance – demand deposits	250,000	250,000
FDIC insurance – Time deposits	100,000	250,000
<i>Uninsured public funds</i>	1,038,623	1,363,105
Pledged collateral held by pledging bank's agent, but not in the Town's name	651,844	860,000
<i>Uninsured and uncollateralized public funds</i>	\$386,779	\$503,105
Total pledged collateral	\$651,844	\$860,000
50% pledged collateral requirement per state statute	519,312	681,553
<i>Pledged collateral (under) over the requirement</i>	\$132,532	\$178,447

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, 2018, \$2,401,728 of the Town's bank balance of \$3,251,728 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	\$1,038,623	\$1,363,105	\$2,401,728

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3. RESTRICTED CASH

At June 30, 2018, the Town had cash reserved for USDA of \$40,410. In addition, cash was held and invested by the New Mexico Finance Authority (NMFA) as part of the loan agreements. Cash is held for:

Debt Reserve	\$118,921
Debt Service	\$89,191
Customer Deposits - Utilities	20,195
	<hr/>
	\$228,307
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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, 2018

NOTE 4. RECEIVABLES, NET

Receivables net of allowance for doubtful accounts at June 30, 2018 consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$245,534	\$206,976
Allowance for doubtful accounts	(122,713)	(30,641)
<i>Total</i>	122,821	176,335
Taxes receivable:		
Gross receipts tax	269,055	29,593
Franchise taxes	25,949	0
Property taxes	33,093	0
Lodgers' taxes	20,500	0
<i>Total</i>	348,597	29,593
Intergovernmental receivables:		
Capital grants - federal	65,343	0
Capital grants - state	40,040	0
Senior programs	8,412	0
Other – County	12,538	0
<i>Total</i>	126,333	0
Other receivables:		
Prison Fund	125,066	30,236
<i>Receivables, net</i>	\$722,817	\$236,164

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 (\$4,981) resulting in an allowance for doubtful accounts balance of \$122,713 at June 30, 2018. 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 \$580 resulting in an allowance for doubtful accounts balance of \$30,641 at June 30, 2018.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5. PROPERTY TAX

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

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

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Town. The Town's total tax rate to finance general government services for the year 2018, was \$4.938 per \$1,000 for non-residential and \$4.938 for residential property. In the year 2018, there was no tax rate established for payment of bonds principal and interest.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6. CAPITAL ASSETS

Governmental activities capital assets for the fiscal year ended June 30, 2018, are as follows:

	Balance June 30, 2017	Increases	Transfers/ Decreases	Balance June 30, 2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$280,256	\$0	\$0	\$280,256
Construction in progress	534,638	159,605	0	694,243
<i>Total capital assets, not being depreciated</i>	<i>814,894</i>	<i>159,605</i>	<i>0</i>	<i>974,499</i>
Depreciable capital assets:				
Buildings and improvements	4,514,794	12,945	0	4,527,739
Airport runw ay	3,241,288	0	0	3,241,288
Airport improvements	304,358	0	0	304,358
Infrastructure	3,059,141	0	0	3,059,141
Furniture, fixtures and equipment	3,986,403	217,835	0	4,204,238
<i>Total depreciable capital assets</i>	<i>15,105,984</i>	<i>230,780</i>	<i>0</i>	<i>15,336,764</i>
Less accumulated depreciation:				
Buildings and improvements	(2,051,328)	(130,990)	0	(2,182,318)
Airport runw ay	(966,015)	(99,631)	0	(1,065,646)
Airport improvements	(27,150)	(13,163)	0	(40,313)
Infrastructure	(417,685)	(60,723)	0	(478,408)
Furniture, fixtures and equipment	(2,598,781)	(224,056)	0	(2,822,837)
<i>Total accumulated depreciation</i>	<i>(6,060,959)</i>	<i>(528,563)</i>	<i>0</i>	<i>(6,589,522)</i>
<i>Depreciable capital assets, net</i>	<i>9,045,025</i>	<i>(297,783)</i>	<i>0</i>	<i>8,747,242</i>
<i>Total capital assets, net</i>	<i>\$9,859,919</i>	<i>(\$138,178)</i>	<i>\$0</i>	<i>\$9,721,741</i>

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

General government	\$67,441
Public safety	294,559
Public works	88,317
Culture and recreation	56,624
Health and welfare	21,622
	<u>\$528,563</u>

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6. CAPITAL ASSETS (CONTINUED)

Business-type activities capital assets for the fiscal year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$745,966	\$0	\$0	\$0	\$745,966
Construction in progress	849,571	14,986	0	(846,002)	18,555
<i>Total capital assets, not being depreciated</i>	<i>1,595,537</i>	<i>14,986</i>	<i>0</i>	<i>(846,002)</i>	<i>764,521</i>
Depreciable capital assets:					
Water utility system	12,387,770	0	0	846,002	13,233,772
Sewer utility system	12,747,391	0	0	0	12,747,391
Solid waste system	74,455	0	0	0	74,455
Furniture, fixtures and equipment	721,923	68,345	0	0	790,268
<i>Total depreciable capital assets</i>	<i>25,931,539</i>	<i>68,345</i>	<i>0</i>	<i>846,002</i>	<i>26,845,886</i>
Less accumulated depreciation:					
Water utility system	(4,811,670)	(336,520)	0	0	(5,148,190)
Sewer utility system	(4,244,241)	(206,936)	0	0	(4,451,177)
Solid waste system	(14,608)	(2,302)	0	0	(16,910)
Furniture, fixtures and equipment	(466,619)	(47,356)	0	0	(513,975)
<i>Total accumulated depreciation</i>	<i>(9,537,138)</i>	<i>(593,114)</i>	<i>0</i>	<i>0</i>	<i>(10,130,252)</i>
<i>Depreciable capital assets, net</i>	<i>16,394,401</i>	<i>(524,769)</i>	<i>0</i>	<i>846,002</i>	<i>16,715,634</i>
<i>Total capital assets, net</i>	<i>\$17,989,938</i>	<i>(\$509,783)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$17,480,155</i>

Depreciation expense for business-type activities for the year ended June 30, 2018 was \$593,114.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7. CAPITAL ASSETS - COMPONENT UNIT

The housing authority of the Town of Clayton reclassified capital assets reported at June 30, 2017. The following reflects the reclassifications and activity for the fiscal year ended June 30, 2018:

	Balance June 30, 2017	Reclassifications	Increases	Decreases	Balance June 30, 2018
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$51,294	\$0	\$0	\$0	\$51,294
Construction in progress	2,601	36,182	6,717	0	45,500
<i>Total capital assets, not being depreciated</i>	<i>53,895</i>	<i>36,182</i>	<i>6,717</i>	<i>0</i>	<i>96,794</i>
Depreciable capital assets:					
Buildings	2,411,093	(36,182)	0	0	2,374,911
Building improvements	642,848	0	0	0	642,848
Equipment and furniture	512,027	0	0	0	512,027
Vehicles	61,368	0	0	0	61,368
<i>Total depreciable capital assets</i>	<i>3,627,336</i>	<i>(36,182)</i>	<i>0</i>	<i>0</i>	<i>3,591,154</i>
Less accumulated depreciation:					
Buildings	(1,667,417)	0	(73,443)	0	(1,740,860)
Building improvements	(575,993)	0	(16,744)	0	(592,737)
Equipment and furniture	(484,881)	0	(9,132)	0	(494,013)
Vehicles	(36,730)	0	(7,119)	0	(43,849)
<i>Total accumulated depreciation</i>	<i>(2,765,021)</i>	<i>0</i>	<i>(106,438)</i>	<i>0</i>	<i>(2,871,459)</i>
<i>Depreciable capital assets, net</i>	<i>862,315</i>	<i>(36,182)</i>	<i>(106,438)</i>	<i>0</i>	<i>719,695</i>
<i>Business-type capital assets, net</i>	<i>\$916,210</i>	<i>\$0</i>	<i>(\$99,721)</i>	<i>\$0</i>	<i>\$816,489</i>

Depreciation expense for the component unit for the year ended June 30, 2018 was \$106,438.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2018, were as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Notes payable:					
NMFA (#2265) Golf course irrigation loan	\$32,199	\$0	\$32,199	\$0	\$0
NMFA (#2965) Fire pumper loan	321,460	0	77,881	243,579	79,314
Compensated absences	144,584	79,879	61,944	162,519	0
	\$498,243	\$79,879	\$172,024	\$406,098	\$79,314

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 loan was paid in full as of June 30, 2018.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8. LONG-TERM OBLIGATIONS (CONTINUED)

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, 2018, including interest payments, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2019	\$79,314	\$6,281	\$85,595
2020	81,082	4,513	85,595
2021	83,183	2,412	85,595
	<u>\$243,579</u>	<u>\$13,206</u>	<u>\$256,785</u>

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, are as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Amounts Due Within One Year
Notes Payable:					
Joint Utility System Revenue Bonds (USDA)	\$1,101,000	\$0	\$20,000	\$1,081,000	\$20,000
Land Acquisition & Water Wells Imp #1	78,205	0	24,978	53,227	26,050
Land Acquisition & Water Wells Imp #2	15,321	0	5,094	10,227	5,107
Wastewater System Improvement	968,653	0	44,171	924,482	45,182
Water Reuse Discharge System	158,679	0	10,394	148,285	10,420
Drinking Water	698,612	0	19,637	678,975	19,948
Compensated Absences	38,571	29,062	30,839	36,794	0
Landfill Closure & Post-Closure Liability	1,082,721	0	12,525	1,070,196	0
	\$4,141,762	\$29,062	\$167,638	\$4,003,186	\$126,707

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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	20,000	27,500	47,500
2024 – 2028	100,000	129,100	229,100
2029 – 2033	140,000	113,800	253,800
2034 – 2038	150,000	93,400	243,400
2039 – 2043	170,000	72,500	242,500
2044 – 2048	200,000	46,500	246,500
2049 – 2053	221,000	18,300	239,300
	<u>\$1,081,000</u>	<u>\$616,500</u>	<u>\$1,697,500</u>

Land Acquisition and Water Well Improvement #1

On December 21, 2000, the Town borrowed \$375,096 from the New Mexico Finance Authority. The loan proceeds were used to assist in the purchase of land and water wells for the municipal water system. The note bears interest at a blended rate of 4.115%, and matures on May 1, 2020. The payment of principal and interest is paid from pledged gross receipts tax revenues.

The annual requirement to amortize the loan outstanding as of June 30, 2018, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2019	\$26,050	\$2,178	\$28,228
2020	27,177	1,116	28,293
	<u>\$53,227</u>	<u>\$3,294</u>	<u>\$56,521</u>

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2019	\$5,107	\$0	\$5,107
2020	5,120	0	5,120
	<u>\$10,227</u>	<u>\$0</u>	<u>\$10,227</u>

Wastewater System Improvement Note

On November 13, 2009, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$1,274,166 in order to install water and wastewater infrastructure from an existing well within the Town limits to the wastewater treatment facility and Highway 87.

The note matures on May 1, 2034, and accrues interest at a blended rate of 3.451%. The payment of principal and interest are paid from the net revenues of the Joint Utility Fund.

The annual requirement to amortize the loan outstanding as of June 30, 2018, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
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	50,336	27,734	78,070
2024 – 2028	277,956	112,396	390,352
2029 – 2033	333,442	56,910	390,352
2034	74,946	3,124	78,070
	<u>\$924,482</u>	<u>\$324,640</u>	<u>\$1,249,122</u>

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$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, 2018, are as follows:

Due in year ending June 30:	Principal	Interest	Total
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	10,525	0	10,525
2024 – 2028	53,023	0	53,023
2029 – 2032	42,898	0	42,898
	\$148,285	\$0	\$148,285

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 \$698,612 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.

The loan included a subsidy which was applied proportionally at the time of each cash disbursement. The Town received \$145,075 in debt forgiveness in prior years. 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, 2018, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2019	\$30,324	\$12,986	\$43,310
2020	30,931	12,379	43,310
2021	31,549	11,761	43,310
2022	32,180	11,130	43,310
2023	32,824	10,486	43,310
2024 – 2028	174,233	42,317	216,550
2029 – 2033	192,367	24,183	216,550
2034 – 2038	154,567	5,030	159,597
	\$678,975	\$130,272	\$809,247

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 \$30,000 on post-closure monitoring during the upcoming fiscal year.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018 was \$51,340,000.

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, 2018

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, 2017 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.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 of the PERA FY17 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2017.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 \$102,865 for the year ended June 30, 2018.

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, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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, 2017.

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 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, 2018, the Town of Clayton reported a liability of \$1,746,462 for its proportionate share of the net pension liability. At June 30, 2017, the Town of Clayton's proportion was .1271 percent, which was changed from its proportion measured as of June 30, 2016 of .1274 percent.

For the year ended June 30, 2018, the Town of Clayton recognized PERA Fund Division Municipal General pension expense of \$197,378. At June 30, 2018, the Town of Clayton reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$68,624	\$89,449
Changes of assumptions	80,538	18,047
Net difference between projected and actual earnings on pension plan investments	143,287	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	21,471	66,679
Town of Clayton contributions subsequent to the measurement date	102,865	0
Total	\$416,785	\$174,175

\$102,865 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:	
2019	\$35,584
2020	126,129
2021	19,906
2022	(41,874)
2023	0
	\$139,745

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

For PERA Fund Division Municipal Police, at June 30, 2018, the Town of Clayton reported a liability of \$806,125 for its proportionate share of the net pension liability. At June 30, 2017, the Town of Clayton’s proportion was .1451 percent, which was an increase of .0011 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town of Clayton recognized PERA Fund Division Municipal Police pension expense of \$71,610. At June 30, 2018, the Town of Clayton reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$48,960	\$150,617
Changes of assumptions	47,962	18,745
Net difference between projected and actual earnings on pension plan investments	64,922	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	4,335	39,807
Town of Clayton contributions subsequent to the measurement date	57,035	0
Total	\$223,214	\$209,169

\$57,035 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:	
2019	(\$30,591)
2020	29,748
2021	(23,165)
2022	(18,982)
2023	0
	(\$42,990)

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

For PERA Fund Division Municipal Fire, at June 30, 2018, the Town of Clayton reported a liability of \$702,022 for its proportionate share of the net pension liability. At June 30, 2017, the Town of Clayton's proportion was .1227 percent, which was an increase of .0171 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town of Clayton recognized PERA Fund Division Municipal Fire pension expense of (\$2,376). At June 30, 2018, the Town of Clayton reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$22,922	\$87,905
Changes of assumptions	27,754	4,401
Net difference between projected and actual earnings on pension plan investments	26,353	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	69,245	207,871
Town of Clayton contributions subsequent to the measurement date	32,637	0
Total	\$178,911	\$300,177

\$32,637 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:	
2019	(\$80,488)
2020	(60,789)
2021	(5,033)
2022	(7,593)
2023	0
	(\$153,903)

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2016 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Open
Amortization period	Solved for based on statutory rates
Payroll growth rate	3.50%
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25% annual rate
Projected salary increases*	2.75% to 14.00% annual rate
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

* 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:

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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%	

Discount rate: The discount rate used to measure the total pension liability was 7.51 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 7.51% 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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
PERA Fund Division Municipal General			
Town of Clayton’s proportionate share of the net pension liability	\$2,737,282	\$1,746,462	\$922,457
PERA Fund Division Municipal Police			
Town of Clayton’s proportionate share of the net pension liability	\$1,285,546	\$806,125	\$412,689
PERA Fund Division Municipal Fire			
Town of Clayton’s proportionate share of the net pension liability	\$940,891	\$702,022	\$505,172

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY17 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, 2018, 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, 2018

NOTE 11. INTERFUND BALANCES AND TRANSFERS

	Due To:			Total
	General Fund	Municipal Street Fund	Nonmajor Governmental Funds	
Due From:				
General Fund	\$1,112	\$0	\$79,220	\$80,332
Municipal Street Fund	12,531	0	0	12,531
Joint Utilities	100,000	29,000	23	129,023
Nonmajor Governmental Funds	0	0	221	221
	\$113,643	\$29,000	\$79,464	\$222,107

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

	Transfers In:				Total
	General Fund	Municipal Street Fund	Joint Utilities Fund	Nonmajor Governmental Funds	
Transfers (Out):					
General Fund	\$16,000	\$0	\$0	\$81,736	\$97,736
Municipal Street Fund	0	0	8,376	0	8,376
Joint Utility Fund	84,000	12,000	0	0	96,000
Nonmajor Governmental Funds	0	0	0	5,118	5,118
	\$100,000	\$12,000	\$8,376	\$86,854	\$207,230

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, 2018

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	Municipal Income Permanent Fund	Other Funds	
Fund Balances:					
Restricted for:					
Cemetery care	\$0	\$0	\$0	\$127,612	\$127,612
Health and social services	0	0	0	53,800	53,800
Streets and parks	0	113,060	0	0	113,060
Fire protection	0	0	0	148,990	148,990
Library	0	0	0	182,516	182,516
Law enforcement and corrections	0	0	0	75,550	75,550
Recreation and promotion	0	0	0	150,472	150,472
Debt service	0	0	0	24,579	24,579
Capital projects	0	0	0	53,154	53,154
Expendable endowment	0	0	1,219,914	0	1,219,914
Unassigned	422,700	0	0	(9,053)	413,647
Total fund balances	\$422,700	\$113,060	\$1,219,914	\$807,620	\$2,563,294

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the Town has \$4,845,945 of construction contracts in progress.

NOTE 17. RESTATEMENTS

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

To correct prior year due to/from balances as follows:

General fund	\$25,500
Municipal Street fund	44,109
Municipal Income Permanent Fund	(31,706)
Nonmajor Governmental Funds	<u>(23,402)</u>
	<u>\$14,501</u>

TOWN OF CLAYTON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

None.

- B. Deficit Fund Balances

<u>Fund</u>	<u>Fund Balance</u>
Emergency Medical Services	\$4,305
Recreation	\$4,748

Deficit balances will be recovered through future funding and/or transfers from general fund.

NOTE 19. TAX ABATEMENTS

The Town of Clayton has not entered into any tax abatement agreements that are required to be disclosed under GASB 77.

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, 2017 2018	June 30, 2016 2017	June 30, 2015 2016	June 30, 2014 2015
Town of Clayton's proportion of the net pension liability (asset)	0.1271%	0.1274%	0.1394%	0.1326%
Town of Clayton's proportionate share of the net pension liability (asset)	\$1,746,462	\$2,035,423	\$1,421,304	\$1,034,422
Town of Clayton's covered-employee payroll	\$1,116,141	\$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	156.47%	186.56%	122.79%	100.28%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	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, 2017 2018	June 30, 2016 2017	June 30, 2015 2016	June 30, 2014 2015
Town of Clayton's proportion of the net pension liability (asset)	0.1451%	0.1440%	0.1482%	0.1698%
Town of Clayton's proportionate share of the net pension liability (asset)	\$806,125	\$1,062,475	\$712,629	\$553,530
Town of Clayton's covered-employee payroll	\$299,124	\$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	269.50%	370.91%	245.21%	172.90%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	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, 2017 2018	June 30, 2016 2017	June 30, 2015 2016	June 30, 2014 2015
Town of Clayton's proportion of the net pension liability (asset)	0.1227%	0.1056%	0.1815%	0.1961%
Town of Clayton's proportionate share of the net pension liability (asset)	\$702,022	\$704,459	\$936,755	\$818,520
Town of Clayton's covered-employee payroll	\$148,714	\$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	472.06%	427.79%	452.79%	381.80%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	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*

	2018	2017	2016	2015
Contractually required contribution	\$102,865	\$106,591	\$104,289	\$110,541
Contributions in relation to the contractually required contribution	\$102,865	\$106,591	\$104,289	\$110,541
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$1,078,133	\$1,116,141	\$1,091,034	\$1,157,502
Contributions as a percentage of covered-employee payroll	9.55%	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*

	2018	2017	2016	2015
Contractually required contribution	\$57,035	\$56,534	\$54,139	\$54,705
Contributions in relation to the contractually required contribution	\$57,035	\$56,534	\$54,139	\$54,705
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$301,775	\$299,124	\$286,449	\$289,443
Contributions as a percentage of covered-employee payroll	18.90%	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*

	2018	2017	2016	2015
Contractually required contribution	\$32,637	\$32,196	\$35,652	\$44,791
Contributions in relation to the contractually required contribution	\$32,637	\$32,196	\$35,652	\$44,791
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$150,749	\$148,714	\$164,675	\$206,885
Contributions as a percentage of covered-employee payroll	21.65%	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, 2018

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 FY17 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund provides summary information for each division.

SUPPLEMENTARY INFORMATION

TOWN OF CLAYTON
SPECIAL REVENUE FUNDS
JUNE 30, 2018

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
CAPITAL PROJECT FUNDS
JUNE 30, 2018

Capital Project Funds

Community Development Block Grant (CDBG) – To account for capital projects funded through the U.S. Department of Housing and Urban Development.

Government Assistance – To account for federal, state and local sources, revenues and expenditures for capital projects throughout the Town.

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	Cemetery	Emergency Medical Services	Fire Protection Fund	Law Enforcement Protection	Library
ASSETS					
Cash	\$27,760	\$0	\$150,934	\$4,082	\$120,447
Investments	100,000	0	0	0	62,069
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 others	0	0	0	0	0
Restricted assets:					
Cash held with trustee	0	0	728	0	0
Total assets	\$127,760	\$0	\$151,662	\$4,082	\$182,516
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$148	\$0	\$1,333	\$0	\$0
Accrued payroll liabilities	0	0	0	0	0
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	0	4,305	611	0	0
Total liabilities	148	4,305	1,944	0	0
Fund Balance:					
Restricted	127,612	0	149,718	4,082	182,516
Assigned	0	0	0	0	0
Unrestricted	0	(4,305)	0	0	0
Total fund balance	127,612	(4,305)	149,718	4,082	182,516
Total liabilities and fund balance	\$127,760	\$0	\$151,662	\$4,082	\$182,516

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

TOWN OF CLAYTON
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
June 30, 2018

	Local Government Corrections	Lodgers' Tax	Recreation	Senior Citizens	Totals
ASSETS					
Cash	\$0	\$129,972	\$0	\$48,692	\$481,887
Investments	117,780	0	0	0	279,849
Receivables:					
Accounts, net	0	0	0	0	0
Taxes	0	20,500	0	0	20,500
Intergovernmental	0	0	0	8,364	8,364
Other	0	0	0	0	0
Due from other funds	0	0	221	0	221
Due from others	0	0	0	0	0
Restricted assets:					
Cash held with trustee	0	23,851	0	0	24,579
Total assets	\$117,780	\$174,323	\$221	\$57,056	\$815,400
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$1,431	\$0	\$0	\$116	\$3,028
Accrued payroll liabilities	0	0	2,309	3,140	5,449
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	44,881	0	2,660	0	52,457
Total liabilities	46,312	0	4,969	3,256	60,934
Fund Balance:					
Restricted	71,468	174,323	0	53,800	763,519
Assigned	0	0	0	0	0
Unrestricted	0	0	(4,748)	0	(9,053)
Total fund balance	71,468	174,323	(4,748)	53,800	754,466
Total liabilities and fund balance	\$117,780	\$174,323	\$221	\$57,056	\$815,400

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, 2018

	Cemetery	Emergency Medical Services	Fire Protection Fund	Law Enforcement Protection	Library
REVENUES					
Property tax	\$0	\$0	\$0	\$0	\$0
Charges for services	0	0	0	0	0
Federal operating grants	0	0	0	0	0
Federal capital grants	0	0	0	0	0
State operating grants	0	0	333,731	0	11,988
State capital grants	0	140,692	0	24,200	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	838	0	352	0	1,052
Sale of property/assets	1,270	0	0	0	0
Prison fund surplus	0	0	0	0	0
Miscellaneous/donations	1,005	26,000	0	0	1,252
<i>Total revenues</i>	3,113	166,692	334,083	24,200	14,292
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	0	13,847	111,218	0	0
Public works	0	0	0	0	0
Health and welfare	1,277	0	0	0	0
Culture and recreation	0	0	0	0	16,860
Debt Service:					
Principal	0	0	77,881	0	0
Interest	0	0	7,714	0	0
Capital outlay	0	151,663	41,551	21,500	0
<i>Total expenditures</i>	1,277	165,510	238,364	21,500	16,860
<i>Excess (deficiency) of revenues over expenditures</i>	1,836	1,182	95,719	2,700	(2,568)
Other Financing Sources (Uses):					
Operating transfers in	0	0	0	0	3,000
Operating transfers (out)	0	0	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0	0	3,000
<i>Net changes in fund balances</i>	1,836	1,182	95,719	2,700	432
Fund balance, beginning of year, as previously stated	125,776	(5,487)	53,999	1,382	182,084
Restatements	0	0	0	0	0
<i>Fund balance, beginning of year, as restated</i>	125,776	(5,487)	53,999	1,382	182,084
<i>Fund balance (deficit), end of year</i>	\$127,612	(\$4,305)	\$149,718	\$4,082	\$182,516

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, 2018

	Local Government Corrections	Lodgers' Tax	Recreation	Senior Citizens	Totals
REVENUES					
Property tax	\$0	\$0	\$0	\$0	\$0
Charges for services	0	0	5,894	0	5,894
Federal operating grants	0	0	0	21,374	21,374
Federal capital grants	0	0	0	0	0
State operating grants	0	0	0	40,177	385,896
State capital grants	0	0	0	0	164,892
Local government operating grants	0	0	0	0	0
Gross receipts and other state taxes	0	0	0	0	0
Lodgers' tax	0	158,237	0	0	158,237
Franchise fees	0	0	0	0	0
Fines, licenses, permits	25,423	0	0	0	25,423
Interest income	1,348	716	0	0	4,306
Sale of property/assets	0	0	0	0	1,270
Prison fund surplus	0	0	0	0	0
Miscellaneous/donations	0	361	2,355	44,049	75,022
<i>Total revenues</i>	26,771	159,314	8,249	105,600	842,314
EXPENDITURES					
Current:					
General government	0	0	0	0	0
Public safety	33,939	0	0	0	159,004
Public works	0	0	0	0	0
Health and welfare	0	0	0	147,452	148,729
Culture and recreation	0	100,875	25,965	0	143,700
Debt Service:					
Principal	0	32,199	0	0	110,080
Interest	0	1,486	0	0	9,200
Capital outlay	0	0	0	0	214,714
<i>Total expenditures</i>	33,939	134,560	25,965	147,452	785,427
<i>Excess (deficiency) of revenues over expenditures</i>	(7,168)	24,754	(17,716)	(41,852)	56,887
Other Financing Sources (Uses):					
Operating transfers in	10,000	0	19,636	49,100	81,736
Operating transfers (out)	0	(5,118)	0	0	(5,118)
<i>Total other financing sources (uses)</i>	10,000	(5,118)	19,636	49,100	76,618
<i>Net changes in fund balances</i>	2,832	19,636	1,920	7,248	133,505
Fund balance, beginning of year, as previously stated	68,636	154,687	(6,668)	46,552	620,961
Restatements	0	0	0	0	0
<i>Fund balance, beginning of year, as restated</i>	68,636	154,687	(6,668)	46,552	620,961
<i>Fund balance (deficit), end of year</i>	\$71,468	\$174,323	(\$4,748)	\$53,800	\$754,466

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

TOWN OF CLAYTON
NONMAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2018

	CDBG	Governmental Assistance Fund	Totals
ASSETS			
Cash	\$1,746	\$0	\$1,746
Investments	0	0	0
Receivables:			
Accounts, net	0	0	0
Taxes	0	0	0
Intergovernmental	740	104,643	105,383
Other	0	0	0
Due from other funds	0	0	0
Due from others	0	0	0
Restricted assets:			
Cash held with trustee	0	0	0
Total assets	\$2,486	\$104,643	\$107,129
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$0	\$26,968	\$26,968
Accrued payroll liabilities	0	0	0
Accrued compensated absences - ST	0	0	0
Due to other funds	0	27,007	27,007
Due to others	0	0	0
Total liabilities	0	53,975	53,975
Deferred inflows of resources:			
Property taxes		0	
Fund Balances:			
Restricted	2,486	50,668	53,154
Committed	0	0	0
Assigned	0	0	0
Unassigned	0	0	0
Total fund balance	2,486	50,668	53,154
Total liabilities, deferred inflows of resources, and fund balances	\$2,486	\$104,643	\$107,129

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

TOWN OF CLAYTON
NONMAJOR CAPITAL PROJECT FUNDS
COMBINING STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	CDBG	Governmental Assistance Fund	Totals
REVENUES			
Property tax	\$0	\$0	\$0
Charges for services	0	0	0
Federal operating grants	0	0	0
Federal capital grants	22,508	84,377	106,885
State operating grants	0	0	0
State capital grants	0	54,302	54,302
Local government operating grants	6,716	0	6,716
Gross receipts and other state taxes	0	0	0
Lodgers' tax	0	0	0
Franchise fees	0	0	0
Fines, licenses, permits	0	0	0
Interest income	0	0	0
Sale of property/assets	0	0	0
Prison fund surplus/impact fees	0	0	0
Miscellaneous/donations	0	0	0
<i>Total revenues</i>	29,224	138,679	167,903
EXPENDITURES			
Current:			
General government	0	0	0
Public safety	0	0	0
Public works	0	0	0
Health and welfare	0	0	0
Culture and recreation	0	0	0
Debt Service:			
Principal	0	0	0
Interest	0	0	0
Capital outlay	26,738	143,484	170,222
<i>Total expenditures</i>	26,738	143,484	170,222
<i>Revenues over (under) expenditures</i>	2,486	(4,805)	(2,319)
Other Financing Sources (Uses):			
Operating transfers in	0	5,118	5,118
Operating transfers (out)	0	0	0
<i>Total other financing sources (uses)</i>	0	5,118	5,118
<i>Net changes in fund balances</i>	2,486	313	2,799
Fund balance, beginning of year, as previously stated	0	73,757	73,757
Restatements	0	(23,402)	(23,402)
<i>Fund balance, beginning of year, as restated</i>	0	50,355	50,355
<i>Fund balance, end of year</i>	\$2,486	\$50,668	\$53,154

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

TOWN OF CLAYTON
TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING BALANCE SHEET
JUNE 30, 2018

	Special Revenue	Capital Projects	Total
ASSETS			
Cash	\$481,887	\$1,746	\$483,633
Investments	279,849	0	279,849
Receivables:			
Accounts, net	0	0	0
Taxes	20,500	0	20,500
Intergovernmental	8,364	105,383	113,747
Other	0	0	0
Due from other funds	221	0	221
Due from others	0	0	0
Restricted assets:			
Cash held with trustee	24,579	0	24,579
Total assets	\$815,400	\$107,129	\$922,529
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$3,028	\$26,968	\$29,996
Accrued payroll liabilities	5,449	0	5,449
Due to other funds	52,457	27,007	79,464
Due to others	0	0	0
Total liabilities	60,934	53,975	114,909
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Property taxes	0	0	0
Total deferred inflows of resources	0	0	0
Fund Balance:			
Restricted	763,519	53,154	816,673
Committed	0	0	0
Assigned	0	0	0
Unassigned	(9,053)	0	(9,053)
Total fund balance	754,466	53,154	807,620
Total liabilities, deferred inflows of resources, and fund balances	\$815,400	\$107,129	\$922,529

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

TOWN OF CLAYTON
TOTAL ALL NONMAJOR GOVERNMENTAL FUND TYPES
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Special Revenue	Capital Projects	Total
REVENUES			
Property tax	\$0	\$0	\$0
Charges for services	5,894	0	5,894
Federal operating grants	21,374	0	21,374
Federal capital grants	0	106,885	106,885
State operating grants	385,896	0	385,896
State capital grants	164,892	54,302	219,194
Local government operating grants	0	6,716	6,716
Gross receipts and other state taxes	0	0	0
Lodgers' tax	158,237	0	158,237
Franchise fees	0	0	0
Fines, licenses, permits	25,423	0	25,423
Interest income	4,306	0	4,306
Sale of property/assets	1,270	0	1,270
Prison fund surplus/impact fees	0	0	0
Miscellaneous/donations	75,022	0	75,022
<i>Total revenues</i>	842,314	167,903	1,010,217
EXPENDITURES			
Current:			
General government	0	0	0
Public safety	159,004	0	159,004
Public works	0	0	0
Health and welfare	148,729	0	148,729
Culture and recreation	143,700	0	143,700
Debt Service:			
Principal	110,080	0	110,080
Interest	9,200	0	9,200
Capital outlay	214,714	170,222	384,936
<i>Total expenditures</i>	785,427	170,222	955,649
<i>Excess (deficiency) of revenues over expenditures</i>	56,887	(2,319)	54,568
Other Financing Sources (Uses):			
Transfers in	81,736	5,118	86,854
Transfers (out)	(5,118)	0	(5,118)
<i>Total other financing sources (uses)</i>	76,618	5,118	81,736
<i>Net changes in fund balances</i>	133,505	2,799	136,304
Fund balance - beginning of year, as previously stated	620,961	73,757	694,718
Restatements	0	(23,402)	(23,402)
Fund balance - beginning of year, as restated	620,961	50,355	671,316
<i>Fund balance - end of year</i>	\$754,466	\$53,154	\$807,620

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, 2018

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	\$33,497	\$23,503	\$0
Civic Center Repairs	DFA	18-C4141	9/24/2018	6/30/2020	23,503	-	23,503	6,173	-	17,330
Design Event Center	DFA	14-L-2018	12/10/2014	6/30/2018	55,000	-	55,000	55,000	-	0
City Hall Repairs	DFA	14-L-2019	12/10/2014	6/30/2018	115,000	-	115,000	6,359	108,641	0
City Hall Repairs	DFA	18-C4143	9/24/2018	6/30/2020	108,641	-	108,641	14,403	-	94,238
Library Air Conditioning	DFA	15-0883	12/19/2016	6/30/2019	50,000	-	50,000	17,502	-	32,498
Pool Repairs	DFA	15-0884	12/19/2016	6/30/2019	70,000	-	70,000	67,943	-	2,057
Lagoons & Well 19AW Improvement	NMED	18-C4142-STBR	8/30/2018	6/30/2020	81,455	-	81,455	-	-	81,455
Monitoring Well	NMED	16-A2321-STB	11/7/2016	6/30/2020	100,000	-	100,000	18,555	-	81,445
Well Improvement	NMED	18-C2310-STB	8/22/2018	6/30/2022	50,000	-	50,000	-	-	50,000
Senior Fire Code	ALTD	A16A5106	12/7/2017	6/30/2021	100,000	-	100,000	-	-	100,000
Senior Walk In	ALTD	A18C2016	9/5/2018	6/30/2020	18,400	-	18,400	-	-	18,400
Grand totals					\$828,999	-	\$828,999	\$219,432	\$132,144	\$477,423

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

TOWN OF CLAYTON
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2018

Financial Institution: Account Name	Type of Account	Bank Balance	(Checks) Deposits	Book Balance
CASH				
First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415				
Special Revenues Pool	Checking	\$298,400	(\$21,480)	\$276,920
Payroll Account	Checking	2,991	(1,763)	1,228
MMDA Account	MMA	987,232	0	987,232
Certificate of Deposit	CD	100,000	0	100,000
		\$1,388,623	(\$23,243)	\$1,365,380
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415-0488				
General Fund	Checking	\$77,131	(\$41,509)	\$35,622
Utility Pool	Checking	456,826	(29,125)	427,701
USDA Reserve Account	Checking	40,410	0	40,410
A W Thompson Library Fund	Checking	7,646	20	7,666
Capital Projects Fund	Checking	28,633	(3,078)	25,555
Vendor Account	Checking	320,627	0	320,627
Severance Account	Checking	57,201	0	57,201
TOC Pooled Money Market	MMA	294,782	0	294,782
Certificate of Deposit	CD	51,069	0	51,069
Certificate of Deposit	CD	11,000	0	11,000
Certificate of Deposit	CD	117,780	0	117,780
Certificate of Deposit	CD	200,000	0	200,000
Certificate of Deposit	CD	200,000	0	200,000
		\$1,863,105	(\$73,692)	\$1,789,413

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, 2018

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

Security	CUSIP	Maturity	Market Value
FNMA #MA2176	31418BM29	2/1/2035	\$455,997
FHLMC Pool #C91344	3128P7P56	11/1/2030	\$195,847
			<u>\$651,844</u>

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

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

Security	CUSIP	Maturity	Market Value
FHLB LOC	3615000048	8/28/2018	\$700,000
FHLB LOC	3615000055	8/29/2019	160,000
			<u>\$860,000</u>

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

TOWN OF CLAYTON
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending dates	Total Estimated Amount of Project	Contribution 6/30/2018	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	\$159,399	Town of Clayton	REV: Town of Clayton EXP: Town of Clayton
Town of Clayton County of Union	County of Union	Emergency Manager	July 1, 2017 to June 30, 2018	N/A	\$12,467	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, 2017 to June 30, 2018	N/A	\$12,500	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, 2018

Line Item #	Account Description	Public Housing Low Rent 15	Public Housing Capital Fund Program 15	Total
111	Cash - Unrestricted	\$97,391	\$1	\$97,392
114	Cash - Tenant Security Deposits	11,950	0	11,950
100	Total Cash	<u>109,341</u>	1	<u>109,342</u>
122	Accounts Receivable - HUD Other Projects	0	0	0
126	Accounts Receivable - Tenants	3,427	0	3,427
126.1	Allowance for Doubtful Accts - Tenants	0	0	0
129	Accrued Interest Receivable	177	0	177
120	Total Receivables, Net of Allowance for Doubtfull Accts	<u>3,604</u>	0	<u>3,604</u>
131	Investments - Unrestricted	63,445	0	63,445
132	Investments - Restricted	0	0	0
142	Prepaid Expenses and Other Assets	0	0	0
143	Inventories	10,601	0	10,601
143.1	Allowance for Obsolete Inventories	(1,060)	0	(1,060)
150	Total Current Assets	<u>185,931</u>	1	<u>185,932</u>
161	Land	51,294	0	51,294
162	Buildings	2,374,911	0	2,374,911
163	Furniture, Equipment & Machinery - Dwellings	421,179	0	421,179
164	Furniture, Equipment & Machinery - Administration	152,216	0	152,216
165	Leasehold Improvements	642,848	0	642,848
166	Accumulated Depreciation	(2,871,459)	0	(2,871,459)
167	Construction in Progress	0	45,500	45,500
160	Total Capital Assets, Net of Accumulated Depreciation	<u>770,989</u>	<u>45,500</u>	<u>816,489</u>
180	Total Non-Current Assets	<u>770,989</u>	<u>45,500</u>	<u>816,489</u>
190	Total Assets	956,920	45,501	1,002,421
200	Deferred Outflow of Resources	<u>33,391</u>	0	<u>33,391</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$990,311</u>	<u>\$45,501</u>	<u>\$1,035,812</u>
312	Accounts Payable <= 90 Days	\$6,868	\$0	\$6,868
321	Accrued Wage/Payroll Taxes Payable	4,646	0	4,646
322	Accrued Compensated Absences - Current Portion	0	0	0
341	Tenant Security Deposits	11,950	0	11,950
342	Deferred Revenue	587	0	587
310	Total Current Liabilities	<u>24,051</u>	0	<u>24,051</u>
354	Accrued Compensated Absences - Non-Current	3,650	0	3,650
357	Accrued Pension and OPEB Liabilities	139,717	0	139,717
350	Total Noncurrent Liabilities	<u>143,367</u>	0	<u>143,367</u>
300	Total Liabilities	<u>167,418</u>	0	<u>167,418</u>
400	Deferred Inflow of Resources	13,934	0	13,934

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

Financial Data Schedule

June 30, 2018

Line Item #	Account Description	Public Housing Low Rent 15	Public Housing Capital Fund Program 15	Total
508.1	Net Investment of Capital Assets	770,989	45,500	816,489
511.4	Restricted Net Position	0	0	0
512.4	Unrestricted Net Position	37,970	1	37,971
513	Total Equity - Net Position	<u>808,959</u>	<u>45,501</u>	<u>854,460</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position	<u>\$990,311</u>	<u>\$45,501</u>	<u>\$1,035,812</u>
70300	Net Tenant Rental Revenue	\$148,085	\$0	\$148,085
70400	Tenant Revenue - Other	3,812	0	3,812
70500	Total Tenant Revenue	<u>151,897</u>	0	<u>151,897</u>
70600	HUD PHA Operating Grants	73,571		73,571
70610	Capital Grants	0	24,717	24,717
70700	Total Fee Revenue	<u>73,571</u>	<u>24,717</u>	<u>98,288</u>
71100	Investment Income - Unrestricted	635		635
71500	Other Revenue	505		505
70000	Total Revenue	<u>226,608</u>	<u>24,717</u>	<u>251,325</u>
91100	Administrative Salaries	44,187	0	44,187
91200	Auditing Fees	6,901	3,000	9,901
91400	Advertising & Marketing	83	0	83
91500	Employee Benefit Contributions - Administrative	19,605	0	19,605
91600	Office Expenses	3,066	0	3,066
91700	Legal Expenses	0	0	0
91800	Travel	192	0	192
91900	Other	4,804	0	4,804
91000	Total Operating - Administrative	<u>78,838</u>	<u>3,000</u>	<u>81,838</u>
93100	Water	19,455	0	19,455
93200	Electricity	5,385	0	5,385
93300	Gas	1,589	0	1,589
93600	Sewer	12,903	0	12,903
93800	Other Utilities	4,322	0	4,322
93000	Total Utilities	<u>43,654</u>	<u>0</u>	<u>43,654</u>
94100	Ordinary Maintenance and Operations - Labor	46,287	0	46,287
94200	Ordinary Maintenance and Operations - Materials & Other	8,310	0	8,310
94300	Ordinary Maintenance and Operations Contracts	23,491	0	23,491
94500	Employee Benefit Contributions - Ordinary Maintenance	21,499	0	21,499
94000	Total Maintenance	<u>99,587</u>	<u>0</u>	<u>99,587</u>

HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

Financial Data Schedule

June 30, 2018

Line Item #	Account Description	Public Housing Low Rent 15	Public Housing Capital Fund Program 15	Total
96110	Property Insurance	10,198	0	10,198
96120	Liability Insurance	8,450	0	8,450
96130	Workmen's Compensation	3,025	0	3,025
96100	Total Insurance Premiums	<u>21,673</u>	0	<u>21,673</u>
96200	Other General Expenses	407	0	407
96210	Compensated Absences	0	0	0
96000	Total Other General Expenses	<u>407</u>	0	<u>407</u>
96900	Total Operating Expenses	<u>244,159</u>	3,000	<u>247,159</u>
97000	Excess Revenue over Operating Expenses	(17,551)	21,717	4,166
97400	Depreciation Expense	106,438	0	106,438
90000	Total Expenses	<u>350,597</u>	3,000	<u>353,597</u>
10010	Operating Transfers In	15,000	0	15,000
10020	Operating Transfers Out	0	(15,000)	(15,000)
10100	Total Other Financing Sources (Uses)	<u>15,000</u>	<u>(15,000)</u>	<u>0</u>
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	<u>(\$108,989)</u>	<u>\$6,717</u>	<u>(\$102,272)</u>
11030	Beginning Equity	\$835,359	\$121,373	\$956,732
11040	Prior Period Adj, Equity Transfers, Correction of Errors	0	0	0
11190	Unit Months Available	600	0	600
11210	Number of Unit Months Leased	585	0	585

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, 2018, 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, 2018.

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 and CU 2018-001

Mr. Wayne Johnson, State Auditor and
The Mayor and Board of Trustees
Town of Clayton
Clayton, New Mexico
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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 2018-001, 2018-002 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, 2018

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS:

2018-001 Procurement Violation – Other Non Compliance

Statement of Condition – During procurement test work we noted 2 of the 15 purchases tested lacked required quotations from three separate entities. No quotes were obtained except from the vendors utilized. The purchases were for a vehicle (\$21,500) and sewer equipment (\$20,332).

Criteria – The State purchasing act requires three separate quotes for purchases over \$20,000.

Cause – Lack of training and documentation.

Effect - May not have received best obtainable price.

Recommendation – The Town should review state procurement as well as town policy for purchasing and obtain and document quotes as required.

Management Response - Vehicle purchase: The Town of Clayton police department purchased a “salvaged” vehicle and it is agreed that two other quotes were not obtained. Quotes for this same type of purchase are complex as assessment and comparison vary. The Town will be more diligent in explaining or provide reasoning for a sole source purchase on this type of vehicle. Town policy will be updated to accommodate this type of purchase.

Sewer equipment: The Town of Clayton sewer department purchased a pump for a lift station – 3 quotes were solicited. Company #1 was selected, Company #2 purchases pumps from Company #1 and would have marked up the price by the standard mark up. Company #3 did not provide a quote. The Town will provide better documentation as to the outcome or reasoning for selection of vendor as required.

Responsible Position: Town Manager

Time Line: January 31, 2019

2018-002 Non-Compliance with Town’s purchasing policy – Other Non Compliance

Statement of Condition – During our procurement test work we noted 4 of 15 purchases tested lacked purchase requisitions and quotations for purchase over \$3,000 for single items.

Criteria – Town policy requires a requisition and 3 quotes for purchases greater than \$3,000. (town policy was revised to \$5,000 later in the year.)

Cause - Lack of training and documentation.

Effect – May not have received the bet obtainable price.

Recommendation – The Town should review their policy and utilize requisitions and quotes as required for all future purchases.

Management’s Response - The Town will review their policy with department personnel stressing the importance of documentation.

Responsible Position: Town Manager

Time Line: January 31, 2019

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS (CONTINUED):

2013-005 Required Accounting Documentation/ Disbursements – Other Matters (finding that does not rise to the level of a significant deficiency)

Repeated with modification.

Statement of Condition – During test work, we found the following exceptions out of 41 transactions tested:

- Five instances where an invoice was dated prior to the purchase order.
- Three 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 – The Town will conduct training with department managers and review Town purchasing policy and procedures.

Responsible Position: Town Manager

Time Line: January 31, 2019

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CURRENT YEAR FINDINGS (CONTINUED):

2009-008 Capital Assets Subsidiary Records – Significant Deficiency

Repeated with modification.

Statement of Condition – The Town continues to make progress on the asset inventory/depreciation. Additions and deletions are being maintained, but depreciation has not been reconciled.

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 – The Town will make the depreciation schedule a priority and will begin testing the depreciation schedule immediately so that a depreciation schedule can be completed by June 30, 2019.

Responsible Position: Town Manager

Time Line: June 30, 2019

TOWN OF CLAYTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COMPONENT UNIT:

CURRENT YEAR FINDINGS:

2018-001 Lack of Internal Controls over Receipts – Significant Deficiency

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

- Of the 40 payments received tested, 4 were not deposited within five business days. The average deposit lag of these 4 receipts was 8 days.

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

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

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

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

Management's Response – The Housing Authority (executive director) will make deposits within 24 hours of collections and a board member will do the same in her absence. The practice will begin immediately.

TOWN OF CLAYTON
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINDINGS - FINANCIAL STATEMENT AUDIT

CURRENT STATUS

2016-001 Asset Deletions - Notification	Resolved
2015-004 Legal Compliance with Budget	Resolved
2014-001 Procurement Violation	Resolved
2013-005 Required Accounting Documentation/Disbursement	Repeated
2009-008 Capital Assets Subsidiary Records	Repeated

FINDINGS RELATED TO THE COMPONENT UNIT

None.

FINDINGS AND QUESTIONED COSTS - Major Federal Award Programs

None.

TOWN OF CLAYTON
EXIT CONFERENCE
JUNE 30, 2018

EXIT CONFERENCE:

The exit conference was held December 7, 2018 and was attended by the following:

Representing Town of Clayton:

Leroy Martinez, Trustee
Ferron Lucero, Town Manager
Renee Valdez, Treasurer/Clerk

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

Debbie Gray, CPA/Shareholder
Jesus Cortez, Staff Auditor
Blair Baeza, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

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