



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

CERTIFIED PUBLIC ACCOUNTANTS  
TRADITIONAL YET PROGRESSIVE SERVICE SINCE 1962

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# **STATE OF NEW MEXICO**

## **TOWN OF CLAYTON**

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

**JUNE 30, 2019**

**TOWN OF CLAYTON**  
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**TOWN OF CLAYTON**  
**OFFICIAL ROSTER**  
**JUNE 30, 2019**

**BOARD OF TRUSTEES**

<b><u>Name</u></b>	<b><u>Title</u></b>
<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>
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## INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, 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 of the Town of Clayton (the Town), as of and for the year ended June 30, 2019, 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, 2019, 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. Brian S. Colón, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Clayton, as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general 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, 2019, 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. Brian S. Colón, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
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*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 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, 2019

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

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, 2019. 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 \$5,383,889 less than the \$11,659,784 generated in taxes, other revenues, and transfers for governmental programs.
- In the Town's business-type activities revenues and transfers increased 8% to \$1,882,094 while expenses increased 6%.
- The general fund reported revenues in excess of expenditures this year of \$430,522.

**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, 2019**

**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, 2019**

**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, 2019**

**Government-Wide Financial Analysis**

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated
	<b>Assets:</b>					
Current assets and other assets	\$3,688,383	\$2,852,986	\$1,603,026	\$1,442,529	\$5,291,409	\$4,295,515
Capital	15,442,037	9,721,741	17,051,826	17,480,155	32,493,863	27,201,896
<i>Total assets</i>	<i>19,130,420</i>	<i>12,574,727</i>	<i>18,654,852</i>	<i>18,922,684</i>	<i>37,785,272</i>	<i>31,497,411</i>
<b>Deferred outflows</b>	763,896	668,092	158,702	117,427	922,598	785,519
<b>Liabilities:</b>						
Current and other liabilities	216,098	205,971	223,162	82,816	439,260	288,787
Long-term liabilities	3,824,349	2,952,667	4,307,829	4,492,195	8,132,178	7,444,862
<i>Total liabilities</i>	<i>4,040,447</i>	<i>3,158,638</i>	<i>4,530,991</i>	<i>4,575,011</i>	<i>8,571,438</i>	<i>7,733,649</i>
<b>Deferred inflows</b>	364,189	620,818	29,078	48,769	393,267	669,587
<b>Net Position:</b>						
Net investment in capital assets	14,627,883	9,478,162	17,051,825	14,583,959	31,679,708	24,062,121
Restricted net position	1,650,589	2,563,294	214,270	183,533	1,864,859	2,746,827
Unrestricted net position	(788,792)	(2,578,093)	(3,012,610)	(351,161)	(3,801,402)	(2,929,254)
<b>Total net position</b>	<b>\$15,489,680</b>	<b>\$9,463,363</b>	<b>\$14,253,485</b>	<b>\$14,416,331</b>	<b>\$29,743,165</b>	<b>\$23,879,694</b>

Capital assets (net of accumulated depreciation) make up 81% 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 \$3,016,132.

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 18% for fiscal year ending June 30, 2019. This ratio aids management in gauging the effectiveness of its use of assets.

In the Governmental activities total liabilities have increased by 28% due to an increase in the net pension liability. Total assets have increased in 2019 due to an increased cash deposit and capital asset procured. Investment income decreased in fiscal year 2019 due to decreases in interest rates. These factors primarily affect the increase in current assets in 2019 compared to 2018.

Net position for business-type activities decreased by \$162,846, a decrease of 1%. Overall, assets decreased due predominantly to depreciation of capital assets.

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**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 2018 were \$2,589,037 and \$3,182,181 in 2019, an increase of \$593,144, 23% for comparative years. The majority of the difference is due to an increase in grant revenues.

Expenditures in the General Fund for fiscal year 2018 were \$2,526,468 and \$2,751,659 for fiscal year 2019, an increase of \$225,191. The increase was due to an increase in most functions. The General Fund fund balance increased in 2019 in the amount of \$399,225 with revenues plus transfers exceeding expenditures for an ending fund balance of \$933,664 as of June 30, 2019.

**GOVERNMENTAL ASSISTANCE FUND**

The Governmental Assistance Fund is used to account for the Town's federal, state and local sources, revenues and expenditures for capital projects throughout the Town. The fund included a major renovation at the airport funded by a federal and state airport improvement grant for approximately \$5,000,000.

**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 2018/2019 was \$18,070. 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 2017/2018 fiscal year was \$1,352,334 and \$1,484,082 for 2018/2019; an increase of \$131,748 or 10%. The increase is attributable to new meters capturing usage more accurately. Net loss (before capital and operating transfers) decreased in 2019 versus 2018 by \$1,505. Operating expenses increased in fiscal year 2018/2019 compared to 2017/2018 by \$130,243, which is 7%. The net loss decrease resulted from the increase in income.

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**General Fund Budgetary Highlights**

The Town of Clayton total actual expenditures for fiscal year 2018/2019 were 4% under the budgeted expenditure amounts for the year. Public safety is responsible for 51%, general government is responsible for 28% and public works is responsible for 11% of the General Fund expenditures, culture and recreation is responsible for 9%.

The Town's total state shared and municipal tax amount for fiscal year 2018/2019 increased by 9% over fiscal year 2017/2018. The Clayton economy improved.

General Fund budgeted revenues and expenditures were amended only slightly during the year by \$0 and \$20,205, respectively.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated
<b>Revenues:</b>						
<u>Program Revenues:</u>						
Charges for services	\$181,173	\$485,398	\$1,484,082	\$1,352,334	\$1,665,255	\$1,837,732
Operating grants and contributions	565,362	654,132	0	0	565,362	654,132
Capital grants and contributions	5,426,066	326,079	26,925	14,986	5,452,991	341,065
<u>General Revenue:</u>						
Taxes	2,573,209	2,316,188	225,290	199,397	2,798,499	2,515,585
Investment income	30,708	12,374	9,767	6,162	40,475	18,536
Miscellaneous	1,001,172	433,067	136,030	160,525	1,137,202	593,592
<i>Total revenue</i>	<i>9,777,690</i>	<i>4,227,238</i>	<i>1,882,094</i>	<i>1,733,404</i>	<i>11,659,784</i>	<i>5,960,642</i>
<b>Expenses:</b>						
General Government	856,570	837,652	0	0	856,570	837,652
Public Safety	2,078,089	1,869,936	0	0	2,078,089	1,869,936
Public Works	661,945	563,495	0	0	661,945	563,495
Health and Welfare	193,328	170,351	0	0	193,328	170,351
Culture and Recreation	446,504	418,580	0	0	446,504	418,580
Capital Outlay	12,879	307,725	0	0	12,879	307,725
Interest and fees on long-term debt	12,153	9,479	74,250	84,428	86,403	93,907
Water, sewer and refuse	0	0	1,940,177	1,809,934	1,940,177	1,809,934
<i>Total expenses</i>	<i>4,261,468</i>	<i>4,177,218</i>	<i>2,014,427</i>	<i>1,894,362</i>	<i>6,275,895</i>	<i>6,071,580</i>
<i>Increase in net position before transfers</i>	<i>5,516,222</i>	<i>50,020</i>	<i>(132,333)</i>	<i>(160,958)</i>	<i>5,383,889</i>	<i>(110,938)</i>
Transfers	510,095	87,624	(30,513)	(87,624)	479,582	0
<i>Change in net position</i>	<i>6,026,317</i>	<i>137,644</i>	<i>(162,846)</i>	<i>(248,582)</i>	<i>5,863,471</i>	<i>(110,938)</i>
Net position – July 1	9,463,363	9,325,719	14,416,331	14,664,913	23,879,694	23,990,632
<b><i>Net position - June 30</i></b>	<b><i>\$15,489,680</i></b>	<b><i>\$9,463,363</i></b>	<b><i>\$14,253,485</i></b>	<b><i>\$14,416,331</i></b>	<b><i>\$29,743,165</i></b>	<b><i>\$23,879,694</i></b>

**TOWN OF CLAYTON**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**Government Activities**

Revenue received from program and general activities was predominantly less than expenses for fiscal year 2019, 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 \$132,333. 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 \$15,489,680, 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, 2019 amounted to \$15,442,037. 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, 2019**

Long-term Debt

The Town's total debt (excluding compensated absences and landfill closure payable) as of June 30, 2019 is \$3,584,284, which increased by \$444,509, 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	
	2019	2018	2019	2018	2019	2018
Revenue Bonds (USDA)	\$0	\$0	\$1,061,000	\$1,081,000	\$1,061,000	\$1,081,000
Notes Payable: NMFA	814,154	243,579	1,560,845	1,666,911	2,374,999	1,910,490
Note Payable – Water Trust Board	0	0	148,285	148,285	148,285	148,285
<b>Total</b>	<b>\$814,154</b>	<b>\$243,579</b>	<b>\$2,770,130</b>	<b>\$2,896,196</b>	<b>\$3,584,284</b>	<b>\$3,139,775</b>

Economic Factors

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

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

**Requests for Information**

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

**TOWN OF CLAYTON**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-Type Activities		
<b>Assets</b>				
Cash and cash equivalents	\$2,408,380	\$756,452	\$3,164,832	\$160,255
Investments	215,106	401,308	616,414	0
Receivables:				
Accounts receivable, net	181,156	146,333	327,489	1,166
Taxes	341,124	36,376	377,500	0
Intergovernmental	12,310	0	12,310	0
Other	1,036	0	1,036	0
Due from others	116,666	48,287	164,953	0
Internal balances	0	0	0	0
Inventories	0	0	0	8,972
Restricted Assets:				
Cash - with trustee/debt service	412,605	146,475	559,080	0
Cash - reserved for debt service (USDA)	0	40,785	40,785	8,625
Cash - customer/tenant deposits	0	27,010	27,010	0
Capital Assets:				
Capital assets not depreciated	808,402	791,446	1,599,848	71,737
Capital assets, depreciated	21,799,590	26,999,890	48,799,480	3,636,654
Accumulated depreciation	(7,165,955)	(10,739,510)	(17,905,465)	(2,965,888)
<i>Total capital assets</i>	<i>15,442,037</i>	<i>17,051,826</i>	<i>32,493,863</i>	<i>742,503</i>
<i>Total assets</i>	<i>19,130,420</i>	<i>18,654,852</i>	<i>37,785,272</i>	<i>921,521</i>
<b>Deferred outflows of resources - Pension</b>	763,896	158,702	922,598	42,913
<b>Liabilities</b>				
Accounts payable	39,114	33,388	72,502	1,461
Accrued payroll liabilities	23,769	0	23,769	0
Accrued interest payable	2,723	12,400	15,123	0
Compensated absences	0	0	0	2,760
Customer/tenant deposits	0	27,010	27,010	8,625
Due to others	2,529	0	2,529	0
Tenant prepaid rents	0	0	0	154
Long-term liabilities:				
Current portion of long-term debt	147,963	150,364	298,327	0
Long-term debt	666,191	2,619,766	3,285,957	0
Compensated absences	142,026	36,794	178,820	83
Landfill post closure	0	1,060,826	1,060,826	0
Net pension liability	3,016,132	590,443	3,606,575	162,881
<i>Total liabilities</i>	<i>4,040,447</i>	<i>4,530,991</i>	<i>8,571,438</i>	<i>175,964</i>
<b>Deferred inflows of resources - Pension</b>	364,189	29,078	393,267	8,022
<b>Net Position</b>				
Net investment in capital assets	14,627,883	17,051,825	31,679,708	742,503
Restricted for:				
Debt service	61,705	187,260	248,965	0
Other purposes	350,900	27,010	377,910	0
Expendable endowment	1,237,984	0	1,237,984	0
Unrestricted (deficit)	(788,792)	(3,012,610)	(3,801,402)	37,945
<b>Total net position</b>	<b>\$15,489,680</b>	<b>\$14,253,485</b>	<b>\$29,743,165</b>	<b>\$780,448</b>

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



**TOWN OF CLAYTON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General government	\$856,570	\$39,793	\$204,379	\$5,028,066	\$4,415,668	\$0	\$4,415,668	
Public safety	2,078,089	135,316	280,753	100,891	(1,561,129)	0	(1,561,129)	
Public works	661,945	0	0	26,925	(635,020)	0	(635,020)	
Health and welfare	193,328	0	64,020	270,184	140,876	0	140,876	
Cultural and recreation	446,504	6,064	16,210	0	(424,230)	0	(424,230)	
Capital Outlay	12,879	0	0	0	(12,879)	0	(12,879)	
Interest and fees on long-term debt	12,153	0	0	0	(12,153)	0	(12,153)	
<i>Total governmental activities</i>	<i>4,261,468</i>	<i>181,173</i>	<i>565,362</i>	<i>5,426,066</i>	<i>1,911,133</i>	<i>0</i>	<i>1,911,133</i>	
<b>Business-Type Activities:</b>								
Water	910,028	675,500	0	26,925	0	(207,603)	(207,603)	
Wastewater	572,119	427,576	0	0	0	(144,543)	(144,543)	
Solid waste	458,030	381,006	0	0	0	(77,024)	(77,024)	
Interest expense	74,250	0	0	0	0	(74,250)	(74,250)	
<i>Total business-type activities</i>	<i>2,014,427</i>	<i>1,484,082</i>	<i>0</i>	<i>26,925</i>	<i>0</i>	<i>(503,420)</i>	<i>(503,420)</i>	
<b>Total primary government</b>	<b>\$6,275,895</b>	<b>\$1,665,255</b>	<b>\$565,362</b>	<b>\$5,452,991</b>	<b>\$1,911,133</b>	<b>(\$503,420)</b>	<b>\$1,407,713</b>	

**COMPONENT UNIT:**

Public Housing Authority	\$314,428	\$123,892	\$92,773	\$20,443				(\$77,320)
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**General Revenues**

<b>Taxes:</b>								
Property	\$149,264	\$0	\$149,264					
Gross receipts and other state tax	1,944,141	225,290	2,169,431					
Lodgers' tax	176,255	0	176,255					
Franchise tax	90,949	0	90,949					
Fines, licenses and permits	212,600	0	212,600					
Investment income	30,708	9,767	40,475					1,414
Other	925,062	136,030	1,061,092					1,894
Gain/Loss on asset disposals	76,110	0	76,110					
Operating transfers, net	30,513	(30,513)	0					0
Capital transfers, net	479,582	0	479,582					0
<i>Total general revenues and transfers</i>	<i>4,115,184</i>	<i>340,574</i>	<i>4,455,758</i>					<i>3,308</i>
Change in net position	6,026,317	(162,846)	5,863,471					(74,012)
Net position (deficit), beginning of year, as previously stated	9,320,876	14,545,331	23,866,207					854,460
Restatement	142,487	(129,000)	13,487					0
<i>Net position (deficit), beginning of year, as restated</i>	<i>9,463,363</i>	<i>14,416,331</i>	<i>23,879,694</i>					<i>854,460</i>
Net position (deficit), end of year	\$15,489,680	\$14,253,485	\$29,743,165					\$780,448

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

**TOWN OF CLAYTON**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEETS**  
**JUNE 30, 2019**

	Major Funds				Total Governmental Funds
	General Fund	Governmental Assistance Fund	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
<b>ASSETS</b>					
Cash	\$309,807	\$126,613	\$1,237,944	\$734,016	\$2,408,380
Investments	0	0	0	215,106	215,106
Receivables:					
Accounts, net	181,156	0	0	0	181,156
Taxes	285,130	0	0	55,994	341,124
Intergovernmental	0	3,398	0	8,912	12,310
Other	436		0	600	1,036
Due from other funds	86,794	0	40	0	86,834
Due from others	116,666	0	0	0	116,666
Restricted assets:					
Cash held with trustee	31,492	350,978	0	30,135	412,605
<b>Total assets</b>	<b>\$1,011,481</b>	<b>\$480,989</b>	<b>\$1,237,984</b>	<b>\$1,044,763</b>	<b>\$3,775,217</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$27,465	\$0	\$0	\$11,649	\$39,114
Accrued payroll liabilities	23,769	0	0	0	23,769
Accrued compensated absences - ST	0	0	0	0	0
Due to other funds	1,189	40	0	85,605	86,834
Due to others	2,529	0	0	0	2,529
<b>Total liabilities</b>	<b>54,952</b>	<b>40</b>	<b>0</b>	<b>97,254</b>	<b>152,246</b>
<b>Deferred inflows of resources:</b>					
Property taxes	22,865	0	0	0	22,865
<b>Fund Balances:</b>					
Restricted	0	480,949	1,237,984	989,775	2,708,708
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	933,664	0	0	(42,266)	891,398
<b>Total fund balance</b>	<b>933,664</b>	<b>480,949</b>	<b>1,237,984</b>	<b>947,509</b>	<b>3,600,106</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$1,011,481</b>	<b>\$480,989</b>	<b>\$1,237,984</b>	<b>\$1,044,763</b>	<b>\$3,775,217</b>

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

**TOWN OF CLAYTON**  
**RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO GOVERNMENTAL ACTIVITIES NET POSITION**  
**JUNE 30, 2019**

<b>FUND BALANCE of Governmental Funds</b>	<b>\$3,600,106</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,442,037
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.	(956,180)
The net pension liability is long-term and therefore not recognized in the funds	(3,016,132)
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.	399,707
Some revenues are not earned if not available in the funds but are recognized as income for governmental activities.	22,865
Interest payable is not due and payable in the current period and therefore is not reported in the funds.	(2,723)
<b><i>Net position of governmental activities</i></b>	<b>\$15,489,680</b>

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

**TOWN OF CLAYTON**  
**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Major Funds				Total Governmental Funds
	General Fund	Governmental Assistance Fund	Municipal Income Permanent Fund	Nonmajor Governmental Funds	
<b>REVENUES</b>					
Property tax	\$149,264	\$0	\$0	\$0	\$149,264
Charges for services	121,651	0	0	6,064	127,715
Federal operating grants	0	0	0	28,221	28,221
Federal capital grants	0	4,537,623	0	270,184	4,807,807
State operating grants	4,893	0	0	327,869	332,762
State capital grants	0	490,442	0	100,891	591,333
Local government operating grants	377,253	0	0	8,689	385,942
Gross receipts and other state taxes	1,614,120	0	0	330,022	1,944,142
Lodgers' tax	0	0	0	176,255	176,255
Franchise fees	90,949	0	0	0	90,949
Fines, licenses, permits	197,523	0	0	32,630	230,153
Interest income	670	2,245	18,070	9,723	30,708
Sale of property/assets	82,403	0	0	4,540	86,943
Prison fund surplus/impact fees	0	0	0	180,000	180,000
Miscellaneous/donations	543,455	0	0	82,314	625,769
<i>Total revenues</i>	<i>3,182,181</i>	<i>5,030,310</i>	<i>18,070</i>	<i>1,557,402</i>	<i>9,787,963</i>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	782,565	0	0	0	782,565
Public safety	1,409,059	0	0	295,643	1,704,702
Public works	290,973	0	0	284,344	575,317
Health and welfare	0	0	0	142,695	142,695
Culture and recreation	236,493	0	0	186,741	423,234
Debt Service:					
Principal	0	0	0	97,826	97,826
Interest	0	0	0	11,187	11,187
Capital outlay	32,569	5,226,324	0	596,133	5,855,026
<i>Total expenditures</i>	<i>2,751,659</i>	<i>5,226,324</i>	<i>0</i>	<i>1,614,569</i>	<i>9,592,552</i>
<i>Revenues over (under) expenditures</i>	<i>430,522</i>	<i>(196,014)</i>	<i>18,070</i>	<i>(57,167)</i>	<i>195,411</i>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	0	21,000	0	83,500	104,500
Operating transfers (out)	(65,611)	0	0	(8,376)	(73,987)
Loan proceeds	34,314	603,547	0	30,540	668,401
<i>Total other financing sources (uses)</i>	<i>(31,297)</i>	<i>624,547</i>	<i>0</i>	<i>105,664</i>	<i>698,914</i>
<i>Net changes in fund balances</i>	<i>399,225</i>	<i>428,533</i>	<i>18,070</i>	<i>48,497</i>	<i>894,325</i>
Fund balance, beginning of year, as previously stated	422,700	50,668	1,219,914	870,012	2,563,294
Restatements	111,739	1,748	0	29,000	142,487
<i>Fund balance, beginning of year, as restated</i>	<i>534,439</i>	<i>52,416</i>	<i>1,219,914</i>	<i>899,012</i>	<i>2,705,781</i>
<b>Fund balance, end of year</b>	<b>\$933,664</b>	<b>\$480,949</b>	<b>\$1,237,984</b>	<b>\$947,509</b>	<b>\$3,600,106</b>

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

**TOWN OF CLAYTON**  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Net change in fund balances - Governmental Funds</b>	<b>\$894,325</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$590,600) exceeded capital outlay, net of disposals (\$10,833).	5,720,296
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.	(570,575)
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 \$20,493 and accrued interest payable (\$966).	19,527
Pension expense after the measurement date deferred to next period but was expensed in the funds.	(37,816)
Some revenues reported in the statement of activities are not available for expenditure in the governmental funds - property tax.	560
<b><i>Change in net position of governmental activities</i></b>	<b>\$6,026,317</b>

**TOWN OF CLAYTON**  
**GENERAL FUND**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Property tax	\$145,000	\$145,000	\$154,157	\$9,157
Charges for services	127,600	127,600	89,006	(38,594)
Federal operating grants	0	0	0	0
Federal capital grants	0	0	0	0
State operating grants	141,000	141,000	(46,270)	(187,270)
State capital grants	0	0	0	0
Local government operating grants	245,371	245,371	373,547	128,176
Gross receipts and other state taxes	1,598,692	1,598,692	1,594,133	(4,559)
Lodgers' tax	0	0	0	0
Franchise fees	110,700	110,700	94,033	(16,667)
Fines, licenses, permits	95,425	95,425	194,560	99,135
Interest income	0	0	610	610
Sale of property/assets	0	0	82,403	82,403
Prison fund surplus	0	0	0	0
Miscellaneous/donations	551,992	551,992	556,193	4,201
<i>Total revenues</i>	<u>3,015,780</u>	<u>3,015,780</u>	<u>3,092,372</u>	<u>76,592</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	660,458	675,058	735,983	(60,925)
Public safety	1,581,331	1,591,031	1,455,184	135,847
Public works	324,593	324,593	294,457	30,136
Health and welfare	0	0	0	0
Culture and recreation	247,984	247,984	244,831	3,153
Debt service	0	0	0	0
Capital outlay	27,095	23,000	32,569	(9,569)
<i>Total expenditures</i>	<u>2,841,461</u>	<u>2,861,666</u>	<u>2,763,024</u>	<u>98,642</u>
<i>Excess (deficiency) of revenues over expenditures</i>	174,319	154,114	329,348	175,234
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	0	60,000	0	(60,000)
Operating transfers (out)	(108,418)	(125,618)	(9,718)	115,900
<i>Total other financing sources (uses)</i>	<u>(108,418)</u>	<u>(65,618)</u>	<u>(9,718)</u>	<u>55,900</u>
<i>Excess (deficiency) of revenues over expenditures and other financing sources (uses)</i>	<u>\$65,901</u>	<u>\$88,496</u>	<u>\$319,630</u>	<u>\$231,134</u>

Budgetary - GAAP Reporting Reconciliation:

Excess (deficiency) of revenues and other financial sources over expenditures and other financing uses (budgetary)	\$319,630
Adjustments for revenue accruals, transfers, earnings on investments	68,230
Adjustments for expenditures for payables, other expenditure accruals	11,365
<u>Net changes in fund balance (GAAP basis)</u>	<u>\$399,225</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, 2019**

	Joint Utilities
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$756,452
Investments	401,308
Grants receivable	0
State shared and municipal taxes receivable	36,376
Accounts receivable, water and sewer (net of allowance)	146,333
Due from other funds	0
Due from other sources	48,287
<i>Total current assets</i>	1,388,756
<b>Non-Current Assets</b>	
<b>Restricted Assets:</b>	
Cash held with trustee	146,475
Cash - reserved for USDA	40,785
Cash - customer deposits	27,010
<i>Total restricted assets</i>	214,270
<b>Capital Assets:</b>	
Capital assets - not depreciated	791,446
Capital assets - depreciated	26,999,890
Less accumulated depreciation	(10,739,510)
<i>Net capital assets</i>	17,051,826
<i>Total assets</i>	18,654,852
<b>Deferred outflows of resources - Pension</b>	158,702
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	33,388
Accrued payroll liabilities	0
Accrued interest payable	12,400
Utility deposits	27,010
Due to others	0
Current portion of long-term debt/lease payable	150,364
<i>Total current liabilities</i>	223,162
<b>Non-Current Liabilities:</b>	
Long-term debt	2,619,766
Compensated absences	36,794
Landfill post closure	1,060,826
Net pension liability	590,443
<i>Total noncurrent liabilities</i>	4,307,829
<i>Total liabilities</i>	4,530,991
<b>Deferred inflows of resources - Pension</b>	29,078
<b>Net Position:</b>	
Net investment in capital assets	17,051,825
Restricted for debt service	0
Unrestricted	(2,798,340)
<i>Total net position</i>	\$14,253,485

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, 2019**

	Joint Utilities
<b>OPERATING REVENUES</b>	
Water	\$675,500
Wastewater	427,576
Solid waste	381,006
<i>Total operating revenues</i>	1,484,082
<b>OPERATING EXPENSES</b>	
Operating expenses:	
Water	574,185
Wastewater	319,945
Solid waste	436,789
Depreciation	609,258
<i>Total operating expenses</i>	1,940,177
<i>Net income (loss) from operations</i>	(456,095)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal operating grants	0
Federal capital grants	0
State operating grants	0
State capital grants	26,925
Gross receipts and other state taxes	225,290
Interest earnings	9,767
Interest expense	(74,250)
Sale of property/assets	0
Prison fund surplus	136,030
<i>Total non-operating revenues (expenses)</i>	323,762
<i>Net income (loss) before contributions and transfers</i>	(132,333)
<b>OTHER FINANCING SOURCES (USES):</b>	
Operating transfers in	35,301
Operating transfers (out)	(65,814)
<i>Total other financing sources (uses)</i>	(30,513)
<i>Change in net position</i>	(162,846)
Total fund net position, at beginning of year, as previously stated	14,545,331
Restatements	(129,000)
<i>Total fund net position, at beginning of year, as restated</i>	14,416,331
<b><i>Total fund net position, at end of year</i></b>	<b>\$14,253,485</b>

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



**TOWN OF CLAYTON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Joint Utilities
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers (including other funds)	\$1,502,848
Cash paid to suppliers	(816,610)
Cash paid to employees	(466,671)
<i>Net cash provided (used) by operating activities</i>	219,567
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Landfill post closure	(9,370)
State tax	(6,783)
Due from other funds	23
Prison fund surplus	116,117
Transfers in (out) + other funds	(30,513)
<i>Net cash provided (used) by noncapital financing activities</i>	69,474
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Purchase of property and equipment	(180,929)
Sale of miscellaneous assets	0
Capital grants	252,215
Long-term debt proceeds	0
Principal paid: revenue bonds/lease purchase/advances	(126,066)
Interest paid: revenue bonds/lease purchase/advances	(4,090)
<i>Net cash provided (used) by capital and related financing activities</i>	(58,870)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	9,767
Interest expense	(75,558)
<i>Net cash provided (used) by investing activities</i>	(65,791)
<i>Net increase (decrease) in cash</i>	164,380
Cash, beginning of year	806,342
<b><i>Cash, end of year</i></b>	<b>\$970,722</b>
Cash and cash equivalents	\$756,452
Cash held with trustee	146,475
Cash reserved for USDA	40,785
Customer deposits	27,010
<i>Total cash</i>	<b>\$970,722</b>

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

**TOWN OF CLAYTON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Joint Utilities
<b>Reconciliation of operating income to net cash provided (used) by operating activities</b>	
Operating income (loss)	(\$456,095)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	609,258
<b>Change in assets and liabilities:</b>	
(Increase) Decrease in assets:	
Accounts receivable	11,951
Increase (Decrease) in liabilities:	
Accounts and contracts payable	23,683
Wages payable	(16,513)
Compensated absences	0
Tenant deposits/utility deposits	6,815
Net pension contribution/liability	40,468
<i>Total adjustments</i>	675,662
<b><i>Net cash provided (used) by operating activities</i></b>	<b>\$219,567</b>

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

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019. 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, 2019**

**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, 2019**

**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, 2019**

**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 *governmental assistance fund* is used to account for the Town's federal, state and local sources, revenues and expenditures for capital projects throughout the Town.

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

The Town reports the following major business-type fund:

The *joint utility fund* is used to account for the provision of water, sewer, and solid waste services to the residents of the Town, and is considered an enterprise fund. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019**

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

**Budgets**

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

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

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

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

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



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019**

**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, 2019**

**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, 2019, 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, 2019**

**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, 2019**

**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, 2019**

**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, 2019, 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	Statements Statements	Per Financial Statements
Cash on hand	\$0	\$0	\$552	\$772
First National Bank of New Mexico	1,824,761	(108,271)	1,716,490	64,447
Farmer’s & Stockmen’s Bank	2,295,510	(163,511)	2,131,999	103,661
Cash held w ith Trustee	559,080	0	559,080	0
<i>Total cash deposits</i>	4,679,351	(271,782)	4,408,121	168,880
Less CD’s report as investments	616,414	0	616,414	0
	<b>\$4,062,937</b>	<b>(\$271,782)</b>	<b>\$3,791,707</b>	<b>\$168,880</b>

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

	Primary Government	Component Unit
Statement of Net Position:		
Cash	\$3,164,832	\$160,255
Restricted cash	626,875	8,625
<b><i>Total cash reported on financial statements</i></b>	<b>\$3,791,707</b>	<b>\$168,880</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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	\$1,824,761	\$2,295,510
Less: FDIC insurance – demand deposits	250,000	250,000
FDIC insurance – Time deposits	250,000	250,000
<i>Uninsured public funds</i>	1,324,761	1,795,510
Pledged collateral held by pledging bank's agent, but not in the Town's name	742,531	1,985,000
<b><i>Uninsured and uncollateralized public funds</i></b>	<b>\$582,230</b>	<b>(\$189,490)</b>
Total pledged collateral	\$742,531	\$1,985,000
50% pledged collateral requirement per state statute	662,380	897,755
<b><i>Pledged collateral (under) over the requirement</i></b>	<b>\$80,151</b>	<b>\$1,087,245</b>

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

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

*Custodial Credit Risk-Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$3,120,271 of the Town's bank balance of \$4,120,271 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	\$1,324,761	\$1,795,510	\$3,120,271

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3. RESTRICTED CASH**

At June 30, 2019, the Town had cash reserved for USDA of \$40,785. 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	\$120,563
Debt Service	479,302
Customer Deposits - Utilities	27,010
	<hr/>
	<b>\$626,875</b>

**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, 2019**

**NOTE 4. RECEIVABLES, NET**

Receivables net of allowance for doubtful accounts at June 30, 2019 consisted of the following:

	Governmental Activities	Business-Type Activities
<b>Accounts receivable:</b>		
Charges for services	\$320,192	\$217,384
Allowance for doubtful accounts	(139,036)	(71,051)
<i>Total</i>	181,156	146,333
<b>Taxes receivable:</b>		
Gross receipts tax	293,059	36,376
Franchise taxes	0	0
Property taxes	48,065	0
Lodgers' taxes	0	0
<i>Total</i>	341,124	36,376
<b>Intergovernmental receivables:</b>		
Capital grants - federal	0	0
Capital grants - state	3,398	0
Senior programs	8,912	0
Other – County	0	0
<i>Total</i>	12,310	0
<b>Other receivables:</b>		
Prison Fund	116,666	48,287
Reimbursements	1,036	0
<b>Receivables, net</b>	<b>\$652,292</b>	<b>\$230,996</b>

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

Governmental Activities – During the current fiscal year, the Town recorded bad debt expense of (\$16,322) resulting in an allowance for doubtful accounts balance of \$139,036 at June 30, 2019. 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 \$40,409 resulting in an allowance for doubtful accounts balance of \$71,051 at June 30, 2019.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5. PROPERTY TAX**

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

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

The Town is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the Town is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the Town.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6. CAPITAL ASSETS**

Governmental activities capital assets for the fiscal year ended June 30, 2019, are as follows:

	Balance June 30, 2018	Increases	Decreases	Transfers	Balance June 30, 2019
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$280,256	\$0	\$0	\$0	\$280,256
Construction in progress	694,243	5,456,730	0	(5,622,827)	528,146
<i>Total capital assets, not being depreciated</i>	<i>974,499</i>	<i>5,456,730</i>	<i>0</i>	<i>(5,622,827)</i>	<i>808,402</i>
Depreciable capital assets:					
Buildings and improvements	4,527,739	0	0	52,022	4,579,761
Airport runway	3,241,288	0	0	5,570,805	8,812,093
Airport improvements	304,358	14,563	0	0	318,921
Infrastructure	3,059,141	20,335	0	0	3,079,476
Furniture, fixtures and equipment	4,204,238	350,519	(25,000)	479,582	5,009,339
<i>Total depreciable capital assets</i>	<i>15,336,764</i>	<i>385,417</i>	<i>(25,000)</i>	<i>6,102,409</i>	<i>21,799,590</i>
Less accumulated depreciation:					
Buildings and improvements	(2,182,318)	(135,057)	0	0	(2,317,375)
Airport runway	(1,065,646)	(165,281)	0	0	(1,230,927)
Airport improvements	(40,313)	(13,224)	0	0	(53,537)
Infrastructure	(478,408)	(59,564)	0	0	(537,972)
Furniture, fixtures and equipment	(2,822,837)	(217,474)	14,167	0	(3,026,144)
<i>Total accumulated depreciation</i>	<i>(6,589,522)</i>	<i>(590,600)</i>	<i>14,167</i>	<i>0</i>	<i>(7,165,955)</i>
<i>Depreciable capital assets, net</i>	<i>8,747,242</i>	<i>(205,183)</i>	<i>(10,833)</i>	<i>6,102,409</i>	<i>14,633,635</i>
<b>Total capital assets, net</b>	<b>\$9,721,741</b>	<b>\$5,251,547</b>	<b>(\$10,833)</b>	<b>\$479,582</b>	<b>\$15,442,037</b>

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

General government	(\$56,682)
Public safety	(373,387)
Public works	(86,628)
Culture and recreation	(50,633)
Health and welfare	(23,270)
	<b>(\$590,600)</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Business-type activities capital assets for the fiscal year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Increases	Decreases	Transfers	Balance June 30, 2019
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$745,966	\$0	\$0	\$0	\$745,966
Construction in progress	18,555	26,925	0	0	45,480
<i>Total capital assets, not being depreciated</i>	<i>764,521</i>	<i>26,925</i>	<i>0</i>	<i>0</i>	<i>791,446</i>
Depreciable capital assets:					
Water utility system	13,233,772	0	0	0	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	790,268	154,004	0	0	944,272
<i>Total depreciable capital assets</i>	<i>26,845,886</i>	<i>154,004</i>	<i>0</i>	<i>0</i>	<i>26,999,890</i>
Less accumulated depreciation:					
Water utility system	(5,148,190)	(305,723)	0	0	(5,453,913)
Sewer utility system	(4,451,177)	(240,412)	0	0	(4,691,589)
Solid waste system	(16,910)	(2,334)	0	0	(19,244)
Furniture, fixtures and equipment	(513,975)	(60,789)	0	0	(574,764)
<i>Total accumulated depreciation</i>	<i>(10,130,252)</i>	<i>(609,258)</i>	<i>0</i>	<i>0</i>	<i>(10,739,510)</i>
<i>Depreciable capital assets, net</i>	<i>16,715,634</i>	<i>(455,254)</i>	<i>0</i>	<i>0</i>	<i>16,260,380</i>
<b><i>Total capital assets, net</i></b>	<b><i>\$17,480,155</i></b>	<b><i>(\$428,329)</i></b>	<b><i>\$0</i></b>	<b><i>\$0</i></b>	<b><i>\$17,051,826</i></b>

Depreciation expense for business-type activities for the year ended June 30, 2019 was \$609,258.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

The housing authority of the Town of Clayton reclassified capital assets reported at June 30, 2018. The following reflects the reclassifications and activity for the fiscal year ended June 30, 2019:

	Balance June 30, 2018	Reclassifications	Increases	Decreases	Balance June 30, 2019
<b>Business-Type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$51,294	\$0	\$0	\$0	\$51,294
Construction in progress	45,500	0	20,443	(45,500)	20,443
<i>Total capital assets, not being depreciated</i>	<i>96,794</i>	<i>0</i>	<i>20,443</i>	<i>(45,500)</i>	<i>71,737</i>
Depreciable capital assets:					
Buildings	2,374,911	0	38,784	0	2,413,695
Building improvements	642,848	0	6,716	0	649,564
Equipment and furniture- dwellings	512,027	(90,848)	0	0	421,179
Equipment and furniture - admin	61,368	90,848	0	0	152,216
<i>Total depreciable capital assets</i>	<i>3,591,154</i>	<i>0</i>	<i>45,500</i>	<i>0</i>	<i>3,636,654</i>
Less accumulated depreciation:					
Buildings	(1,740,860)	0	(70,244)	0	(1,811,104)
Building improvements	(592,737)	0	(14,755)	0	(607,492)
Equipment and furniture- dwellings	(494,013)	85,533	(2,608)	0	(411,088)
Equipment and furniture - admin	(43,849)	(85,533)	(6,822)	0	(136,204)
<i>Total accumulated depreciation</i>	<i>(2,871,459)</i>	<i>0</i>	<i>(94,429)</i>	<i>0</i>	<i>(2,965,888)</i>
<i>Depreciable capital assets, net</i>	<i>719,695</i>	<i>0</i>	<i>(48,929)</i>	<i>0</i>	<i>670,766</i>
<b><i>Business-type capital assets, net</i></b>	<b><i>\$816,489</i></b>	<b><i>\$0</i></b>	<b><i>(\$28,486)</i></b>	<b><i>(\$45,500)</i></b>	<b><i>\$742,503</i></b>

Depreciation expense for the component unit for the year ended June 30, 2019 was \$94,429.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8. LONG-TERM OBLIGATIONS**

Changes in governmental activities obligations during the year ended June 30, 2019, were as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Amounts Due Within One Year
Notes payable:					
NMFA (#2965) Fire pumper loan	\$243,579	\$0	\$79,314	\$164,265	\$81,082
NMFA (#4777) Runway improvement	0	284,087	18,512	265,575	41,998
NMFA (#4897) Infrastructure improvement	0	384,314	0	384,314	24,883
Compensated absences	162,519	85,975	106,465	142,026	0
	<b>\$406,098</b>	<b>\$754,376</b>	<b>\$204,291</b>	<b>\$956,180</b>	<b>\$147,963</b>

**NMFA (#2265) Note - Golf Course Irrigation**

On March 20, 2009, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$248,526 in order to purchase and install materials for improvements to the irrigation system at the municipal golf course. The note matures on May 1, 2018, and accrues interest at a blended rate of 4.057%.

The payment of principal and interest are paid from lodgers' tax revenues. The loan was paid in full as of June 30, 2019.

**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, 2019, including interest payments, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2020	\$81,082	\$4,336	\$85,418
2021	83,183	2,412	85,595
2022	0	0	0
2023	0	0	0
2024	0	0	0
	<b>\$164,265</b>	<b>\$6,748</b>	<b>\$171,013</b>

The future revenue pledged is \$171,103 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$255,818 in pledged revenue and retired \$85,595 in principal and interest.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**NMFA (#4777) Note – Runway Improvement**

On November 21, 2018, the Town entered into an agreement with the New Mexico Finance Authority to borrow \$284,087 for infrastructure and improvements at the Clayton Municipal Airport. The note matures on May 1, 2025, and accrues interest at a varying rate from 0.187% to .0247%.

These payments of principal and interest are paid from pledged lodger’s tax fund. The future revenue pledged is \$287,387 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$176,255 in pledged revenue and retired \$21,288 in principal and interest.

Due in year ending June 30:	Principal	Interest	Total
2020	\$41,998	\$5,900	\$47,898
2021	42,821	5,076	47,897
2022	43,704	4,194	47,898
2023	44,648	3,250	47,898
2024	45,661	2,237	47,898
2025 - 2029	46,743	1,155	47,898
2030 - 2034	0	0	0
2035 - 2039	0	0	0
2040 - 2044	0	0	0
	\$265,575	\$21,812	\$287,387

**NMFA (#4897) Note – Infrastructure Improvement**

On May 24, 2019, the Town entered into an agreement with New Mexico Finance Authority to borrow \$384,314 for infrastructure and improvements to the Town Hall, Dispatch Center and the Civic Center for the Governmental unit. The note matures on may 1, 2034, and accrues interest at a varying rate from .0155% to .0229%.

The payments of principal and interest are paid from pledged Infrastructure gross receipts tax. The future revenue pledged is \$442,341 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$81,787 in pledged revenue and retired \$0 in principal and interest.

Due in year ending June 30:	Principal	Interest	Total
2020	\$24,883	\$6,547	\$31,430
2021	22,742	6,608	29,350
2022	23,104	6,247	29,351
2023	23,481	5,870	29,351
2024	23,878	5,473	29,351
2025 - 2029	126,051	20,702	146,753
2030 - 2034	140,175	6,580	146,755
2035 - 2039	0	0	0
2040 - 2044	0	0	0
	\$384,314	\$58,027	\$442,341

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019, are as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Amounts Due Within One Year
<b>Notes Payable:</b>					
Joint Utility System Revenue Bonds (USDA)	\$1,081,000	\$0	\$20,000	\$1,061,000	\$20,000
Land Acquisition & Water Wells Imp #1	53,227	0	26,050	27,177	27,177
Land Acquisition & Water Wells Imp #2	10,227	0	5,107	5,120	5,120
Wastewater System Improvement	924,482	0	45,182	879,300	46,269
Water Reuse Discharge System	148,285	0	0	148,285	20,867
Drinking Water	678,975	0	29,727	649,248	30,931
Compensated Absences	36,794	30,095	30,226	36,663	0
Landfill Closure & Post-Closure Liability	1,070,196	0	9,370	1,060,826	0
	<b>\$4,003,186</b>	<b>\$30,095</b>	<b>\$165,662</b>	<b>\$3,867,619</b>	<b>\$150,364</b>



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 future revenue pledged is \$1,648,100 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$450,000 in pledged revenue and retired \$49,700 in principal and interest. The annual requirement to amortize the outstanding bonds as of June 30, 2019, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2020	\$20,000	\$29,100	\$49,100
2021	20,000	28,600	48,600
2022	20,000	28,000	48,000
2023	20,000	27,800	47,800
2024	20,000	26,900	46,900
2025 - 2029	100,000	126,400	226,400
2030 - 2034	150,000	109,900	259,900
2035 - 2039	150,000	89,300	239,300
2040 - 2044	180,000	67,800	247,800
2045 - 2049	200,000	41,000	241,000
2050 - 2054	181,000	12,300	193,300
	<u>\$1,061,000</u>	<u>\$587,100</u>	<u>\$1,648,100</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 future revenue pledged is \$28,293 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$62,736 in pledged revenue and retired \$28,360 in principal and interest.

The annual requirement to amortize the loan outstanding as of June 30, 2019, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2020	\$27,177	\$1,116	\$28,293
	<u>\$27,177</u>	<u>\$1,116</u>	<u>\$28,293</u>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 future revenue pledged is \$5,120 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$62,736 in pledged revenue and retired \$5,133 in principal and interest.

The annual requirement to amortize the loan outstanding as of June 30, 2019, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2020	\$5,120	\$0	\$5,120
	\$5,120	\$0	\$5,120

**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 future revenue pledged is \$1,158,012 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$450,000 in pledged revenue and retired \$78,070 in principal and interest.

The annual requirement to amortize the loan outstanding as of June 30, 2019, including interest payments, is as follows:

Due in year ending June 30:	Principal	Interest	Total
2020	\$46,269	\$31,800	\$78,069
2021	47,496	30,574	78,070
2022	48,855	29,214	78,069
2023	50,366	27,734	78,100
2024	51,933	13,069	65,002
2025 - 2029	287,715	102,636	390,351
2030 - 2034	346,696	43,655	390,351
	\$879,330	\$278,682	\$1,158,012

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 future revenue pledged is \$148,285 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$450,000 in pledged revenue and retired \$0 in principal and interest.

The annual requirements to amortize the loan outstanding as of June 30, 2019, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2020	\$20,867	\$0	\$20,867
2021	10,472	0	10,472
2022	10,500	0	10,500
2023	10,525	0	10,525
2024	10,552	0	10,552
2025 - 2029	53,155	0	53,155
2030 - 2034	32,214	0	32,214
	\$148,285	\$0	\$148,285

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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 future revenue pledged is \$766,539 at June 30, 2019. During the year ended June 30, 2019 the Town recognized \$450,000 in pledged revenue and retired \$43,310 in principal and interest.

The annual requirements to amortize the loan outstanding as of June 30, 2019, are as follows:

Due in year ending June 30:	Principal	Interest	Total
2020	\$30,931	\$12,380	\$43,311
2021	31,549	11,761	43,310
2022	32,180	11,130	43,310
2023	32,824	10,487	43,311
2024	33,480	9,830	43,310
2025 - 2029	177,718	38,835	216,553
2030 - 2034	196,214	20,337	216,551
2035 - 2039	114,352	2,531	116,883
	\$649,248	\$117,291	\$766,539

**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, 2019**

**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, 2019 was \$48,070,000.

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, 2019**

**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, 2018 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2018.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.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 FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA FY18 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2018.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2018.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 \$204,999 for the year ended June 30, 2019.

**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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

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 performed 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, 2018.

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 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, 2019, the Town of Clayton reported a liability of \$2,036,011 for its proportionate share of the net pension liability. At June 30, 2018, the Town of Clayton’s proportion was .1277 percent, which was changed from its proportion measured as of June 30, 2017 of .1271 percent.

For the year ended June 30, 2019, the Town of Clayton recognized PERA Fund Division Municipal General pension expense of \$228,418. At June 30, 2019, the Town of Clayton reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$58,845	\$53,455
Changes of assumptions	184,593	11,706
Net difference between projected and actual earnings on pension plan investments	151,001	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	9,550	35,108
Town of Clayton contributions subsequent to the measurement date	112,348	0
<b>Total</b>	<b>\$516,337</b>	<b>\$100,269</b>

\$112,348 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:	
2020	\$190,629
2021	83,792
2022	21,702
2023	7,597
2024	0
	<b>\$303,720</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**For PERA Fund Division Municipal Police**, at June 30, 2019, the Town of Clayton reported a liability of \$974,330 for its proportionate share of the net pension liability. At June 30, 2018, the Town of Clayton’s proportion was .1428 percent, which was a decrease from .1451 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town of Clayton recognized PERA Fund Division Municipal Police pension expense of \$76,505. At June 30, 2019, the Town of Clayton reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$47,699	\$96,582
Changes of assumptions	111,172	5,956
Net difference between projected and actual earnings on pension plan investments	67,048	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	2,825	20,489
Town of Clayton contributions subsequent to the measurement date	57,558	0
<b>Total</b>	<b>\$286,302</b>	<b>\$123,027</b>

\$57,558 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:	
2020	\$67,328
2021	15,408
2022	19,510
2023	3,471
2024	0
	<b>\$105,717</b>



**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**For PERA Fund Division Municipal Fire**, at June 30, 2019, the Town of Clayton reported a liability of \$759,115 for its proportionate share of the net pension liability. At June 30, 2018, the Town of Clayton’s proportion was .1186 percent, which was an increase from .1227 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town of Clayton recognized PERA Fund Division Municipal Fire pension expense of (\$13,974). At June 30, 2019, the Town of Clayton reported PERA Fund Division Municipal Fire deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$12,200	\$55,362
Changes of assumptions	43,841	2,772
Net difference between projected and actual earnings on pension plan investments	26,620	0
Changes in proportion and differences between Town of Clayton contributions and proportionate share of contributions	44,118	119,859
Town of Clayton contributions subsequent to the measurement date	35,093	0
Total	\$161,872	\$177,993

\$35,093 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date June 30, 2018 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:	
2020	(\$53,963)
2021	2,688
2022	(217)
2023	1,278
2024	0
	(\$50,214)

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2017 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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases*	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Mortality Assumption	
Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic)

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, 2019**

**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%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Client Oriented Fixed Income	15.00%	5.47%
Real Assets	20.00%	6.48%
Total	100.0%	

**Discount rate:** The discount rate used to measure the total pension liability was 7.25 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 7.25% 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 (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<b>PERA Fund Division Municipal General</b>			
Town of Clayton’s proportionate share of the net pension liability	\$3,137,356	\$2,036,011	\$1,125,573
<b>PERA Fund Division Municipal Police</b>			
Town of Clayton’s proportionate share of the net pension liability	\$1,498,120	\$974,330	\$547,317
<b>PERA Fund Division Municipal Fire</b>			
Town of Clayton’s proportionate share of the net pension liability	\$1,013,360	\$759,115	\$550,835

**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, 2019, 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, 2019**

**NOTE 11. INTERFUND BALANCES AND TRANSFERS**

	<b>Due To:</b>			
	General	Governmental	Nonmajor	Total
	Fund	Assistance Fund	Governmental Funds	
<b>Due From:</b>				
General Fund	\$1,189	\$0	\$85,605	\$86,794
Municipal Income Permanent Fund	0	40	0	40
Nonmajor Governmental Funds	0	0	0	0
	\$1,189	\$40	\$85,605	\$86,834
	\$1,189	\$40	\$85,605	\$86,834

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

	<b>Transfers In:</b>				Total
	General Fund	Governmental Assistance Fund	Joint Utilities Fund	Nonmajor Governmental Funds	
<b>Transfers (Out):</b>					
General Fund	\$0	\$21,000	\$0	\$44,611	\$65,611
Joint Utility Fund	0	0	26,925	38,889	65,814
Nonmajor Governmental Funds	0	0	8,376	0	8,376
	\$0	\$21,000	\$35,301	\$83,500	\$139,801
	\$0	\$21,000	\$35,301	\$83,500	\$139,801

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, 2019**

**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	Governmental Assistance Fund	Municipal Income Permanent Fund	Other Funds	
Fund Balances:					
Restricted for:					
Cemetery care	\$0	\$0	\$0	\$131,736	\$131,736
Health and social services	0	0	0	59,161	59,161
Streets and parks	0	0	0	234,166	234,166
Fire protection	0	0	0	144,721	144,721
Library	0	0	0	178,114	178,114
Law enforcement and corrections	0	0	0	241,877	241,877
Recreation and promotion	0	0	0	0	0
Debt service	0	0	0	0	0
Capital projects	0	480,949	0	0	480,949
Expendable endow ment	0	0	1,237,984	0	1,237,984
Unassigned	933,664	0	0	(42,266)	891,398
<b>Total fund balances</b>	<b>\$933,664</b>	<b>\$480,949</b>	<b>\$1,237,984</b>	<b>\$947,509</b>	<b>\$3,600,106</b>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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, 2019, the Town has \$2,727 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:

Joint Utilities	(\$129,000)
General Fund	111,379
Governmental Assistance Fund	1,748
Municipal Income Permanent Fund	0
Nonmajor Governmental Funds	<u>29,000</u>
	<u>\$13,487</u>

**TOWN OF CLAYTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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	(\$5,437)
Law Enforcement Protection	(\$30)
Recreation	(\$25,349)
Local Government Correction	(\$11,450)

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, 2018 <b>2019</b>	June 30, 2017 <b>2018</b>	June 30, 2016 <b>2017</b>	June 30, 2015 <b>2016</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1277%	0.1271%	0.1274%	0.1394%
Town of Clayton's proportionate share of the net pension liability (asset)	\$2,036,011	\$1,746,462	\$2,035,423	\$1,421,304
Town of Clayton's covered-employee payroll	\$1,078,133	\$1,116,141	\$1,091,034	\$1,157,502
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	188.85%	156.47%	186.56%	122.79%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%

\*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, 2018 <b>2019</b>	June 30, 2017 <b>2018</b>	June 30, 2016 <b>2017</b>	June 30, 2015 <b>2016</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1428%	0.1451%	0.1440%	0.1482%
Town of Clayton's proportionate share of the net pension liability (asset)	\$974,330	\$806,125	\$1,062,475	\$712,629
Town of Clayton's covered-employee payroll	\$301,775	\$299,124	\$286,449	\$289,443
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	322.87%	269.50%	370.91%	245.21%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%

\*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, 2018 <b>2019</b>	June 30, 2017 <b>2018</b>	June 30, 2016 <b>2017</b>	June 30, 2015 <b>2016</b>
Town of Clayton's proportion of the net pension liability (asset)	0.1186%	0.1227%	0.1056%	0.1815%
Town of Clayton's proportionate share of the net pension liability (asset)	\$759,115	\$702,022	\$704,459	\$936,755
Town of Clayton's covered-employee payroll	\$162,092	\$148,714	\$164,675	\$206,885
Town of Clayton's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	468.32%	472.06%	427.79%	452.79%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%

\*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\*

	2019	2018	2017	2016
Contractually required contribution	\$112,348	\$102,865	\$106,591	\$104,289
Contributions in relation to the contractually required contribution	\$112,348	\$102,865	\$106,591	\$104,289
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$1,176,429	\$1,078,133	\$1,116,141	\$1,091,034
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\*

	2019	2018	2017	2016
Contractually required contribution	\$57,558	\$57,035	\$56,534	\$54,139
Contributions in relation to the contractually required contribution	\$57,558	\$57,035	\$56,534	\$54,139
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$304,542	\$301,775	\$299,124	\$286,449
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\*

	2019	2018	2017	2016
Contractually required contribution	\$35,093	\$32,637	\$32,196	\$35,652
Contributions in relation to the contractually required contribution	\$35,093	\$32,637	\$32,196	\$35,652
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Town of Clayton's covered-employee payroll	\$162,092	\$150,749	\$148,714	\$164,675
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, 2019

**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 FY18 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2018.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2018.pdf).

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2017%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, 2019

**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, 2019

**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, 2019**

	Cemetery	Emergency Medical Services	Fire Protection Fund	Law Enforcement Protection	Library	Local Government Corrections
<b>ASSETS</b>						
Cash	\$31,907	\$0	\$144,451	\$0	\$115,661	\$0
Investments	100,000	0	0	0	62,453	52,653
Receivables:						
Accounts, net	0	0	0	0	0	0
Taxes	0	0	0	0	0	0
Intergovernmental	0	0	0	0	0	0
Other	0	0	0	0	0	600
Due from other funds	0	0	0	0	0	0
Due from others	0	0	0	0	0	0
Restricted assets:						
Cash held with trustee	0	0	1,427	0	0	0
<b>Total assets</b>	<b>\$131,907</b>	<b>\$0</b>	<b>\$145,878</b>	<b>\$0</b>	<b>\$178,114</b>	<b>\$53,253</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Cash	\$0	\$3,701	\$0	\$30	\$0	\$56,525
Accounts payable	171	1,736	1,157	0	0	8,178
Accrued payroll liabilities	0	0	0	0	0	0
Accrued compensated absences - ST	0	0	0	0	0	0
Due to other funds	0	0	0	0	0	0
<b>Total liabilities</b>	<b>171</b>	<b>5,437</b>	<b>1,157</b>	<b>30</b>	<b>0</b>	<b>64,703</b>
<b>Fund Balance:</b>						
Restricted	131,736	0	144,721	0	178,114	0
Assigned	0	0	0	0	0	0
Unrestricted	0	(5,437)	0	(30)	0	(11,450)
<b>Total fund balance</b>	<b>131,736</b>	<b>(5,437)</b>	<b>144,721</b>	<b>(30)</b>	<b>178,114</b>	<b>(11,450)</b>
<b>Total liabilities and fund balance</b>	<b>\$131,907</b>	<b>\$0</b>	<b>\$145,878</b>	<b>\$0</b>	<b>\$178,114</b>	<b>\$53,253</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**  
June 30, 2019

	Lodgers'	Lyle Bert	Municipal		Senior	Totals
	Tax	Estate	Street	Recreation	Citizens	
			Fund			
<b>ASSETS</b>						
Cash	\$179,257	\$14,607	\$197,783	\$0	\$50,350	\$734,016
Investments	0	0	0	0	0	215,106
Receivables:						
Accounts, net	0	0	0	0	0	0
Taxes	19,305	0	36,689	0	0	55,994
Intergovernmental	0	0	0	0	8,912	8,912
Other	0	0	0	0	0	600
Due from other funds	0	0	0	0	0	0
Due from others	0	0	0	0	0	0
Restricted assets:						
Cash held with trustee	28,708	0	0	0	0	30,135
<b>Total assets</b>	<b>\$227,270</b>	<b>\$14,607</b>	<b>\$234,472</b>	<b>\$0</b>	<b>\$59,262</b>	<b>\$1,044,763</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities:</b>						
Cash	\$0	\$0	\$0	\$25,349	\$0	\$85,605
Accounts payable	0	0	306	0	101	11,649
Accrued payroll liabilities	0	0	0	0	0	0
Accrued compensated absences - ST	0	0	0	0	0	0
Due to other funds	0	0	0	0	0	0
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>306</b>	<b>25,349</b>	<b>101</b>	<b>97,254</b>
<b>Fund Balance:</b>						
Restricted	227,270	14,607	234,166	0	59,161	989,775
Assigned	0	0	0	0	0	0
Unrestricted	0	0	0	(25,349)	0	(42,266)
<b>Total fund balance</b>	<b>227,270</b>	<b>14,607</b>	<b>234,166</b>	<b>(25,349)</b>	<b>59,161</b>	<b>947,509</b>
<b>Total liabilities and fund balance</b>	<b>\$227,270</b>	<b>\$14,607</b>	<b>\$234,472</b>	<b>\$0</b>	<b>\$59,262</b>	<b>\$1,044,763</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Cemetery	Emergency Medical Services	Fire Protection Fund	Law Enforcement Protection	Library	Local Government Corrections
<b>REVENUES</b>						
Property tax	\$0	\$0	\$0	\$0	\$0	\$0
Charges for services	0	0	0	0	1,368	0
Federal operating grants	0	0	0	0	0	0
Federal capital grants	0	0	0	0	0	0
State operating grants	0	0	255,818	23,600	12,651	0
State capital grants	0	16,021	84,870	0	0	0
Local government operating grants	0	0	0	0	0	0
Gross receipts and other state taxes	0	0	0	0	0	0
Lodgers' tax	0	0	0	0	0	0
Franchise fees	0	0	0	0	0	0
Fines, licenses, permits	0	0	0	0	0	32,630
Interest income	1,458	0	1,424	0	1,988	990
Sale of property/assets	4,540	0	0	0	0	0
Prison fund surplus	0	0	0	0	0	0
Miscellaneous/donations	450	7,500	0	0	2,672	0
<i>Total revenues</i>	6,448	23,521	342,112	23,600	18,679	33,620
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	0	0	0	0	0	0
Public safety	0	24,653	150,340	4,112	0	116,538
Public works	0	0	0	0	0	0
Health and welfare	2,324	0	0	0	0	0
Culture and recreation	0	0	0	0	27,581	0
Debt Service:						0
Principal	0	0	79,314	0	0	0
Interest	0	0	6,281	0	0	0
Capital outlay	0	0	111,174	23,600	0	0
<i>Total expenditures</i>	2,324	24,653	347,109	27,712	27,581	116,538
<i>Excess (deficiency) of revenues over expenditures</i>	4,124	(1,132)	(4,997)	(4,112)	(8,902)	(82,918)
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	0	0	0	0	4,500	0
Operating transfers (out)	0	0	0	0	0	0
Loan proceeds	0	0	0	0	0	0
<i>Total other financing sources (uses)</i>	0	0	0	0	4,500	0
<i>Net changes in fund balances</i>	4,124	(1,132)	(4,997)	(4,112)	(4,402)	(82,918)
Fund balance, beginning of year, as previously stated	127,612	(4,305)	149,718	4,082	182,516	71,468
Restatements	0	0	0	0	0	0
<i>Fund balance, beginning of year, as restated</i>	127,612	(4,305)	149,718	4,082	182,516	71,468
<b><i>Fund balance (deficit), end of year</i></b>	<b>\$131,736</b>	<b>(\$5,437)</b>	<b>\$144,721</b>	<b>(\$30)</b>	<b>\$178,114</b>	<b>(\$11,450)</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Lodgers'	Lyle Bert	Municipal		Senior	Totals
	Tax	Estate	Street	Recreation	Citizens	
<b>REVENUES</b>						
Property tax	\$0	\$0	\$0	\$0	\$0	\$0
Charges for services	0	0	0	4,696	0	6,064
Federal operating grants	0	0	0	0	28,221	28,221
Federal capital grants	0	0	0	0	0	0
State operating grants	0	0	0	0	35,800	327,869
State capital grants	0	0	0	0	0	100,891
Local government operating grants	0	0	0	0	0	0
Gross receipts and other state taxes	0	0	330,022	0	0	330,022
Lodgers' tax	176,255	0	0	0	0	176,255
Franchise fees	0	0	0	0	0	0
Fines, licenses, permits	0	0	0	0	0	32,630
Interest income	1,138	0	2,725	0	0	9,723
Sale of property/assets	0	0	0	0	0	4,540
Prison fund surplus	0	0	180,000	0	0	180,000
Miscellaneous/donations	363	14,607	13,190	1,932	41,600	82,314
<i>Total revenues</i>	<i>177,756</i>	<i>14,607</i>	<i>525,937</i>	<i>6,628</i>	<i>105,621</i>	<i>1,278,529</i>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	0	0	0	0	0	0
Public safety	0	0	0	0	0	295,643
Public works	0	0	284,344	0	0	284,344
Health and welfare	0	0	0	0	140,371	142,695
Culture and recreation	131,931	0	0	27,229	0	186,741
<b>Debt Service:</b>						
Principal	18,512	0	0	0	0	97,826
Interest	4,906	0	0	0	0	11,187
Capital outlay	0	0	180,000	0	0	314,774
<i>Total expenditures</i>	<i>155,349</i>	<i>0</i>	<i>464,344</i>	<i>27,229</i>	<i>140,371</i>	<i>1,333,210</i>
<i>Excess (deficiency) of revenues over expenditures</i>	<i>22,407</i>	<i>14,607</i>	<i>61,593</i>	<i>(20,601)</i>	<i>(34,750)</i>	<i>(54,681)</i>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	0	0	38,889	0	40,111	83,500
Operating transfers (out)	0	0	(8,376)	0	0	(8,376)
Loan proceeds	30,540	0	0	0	0	30,540
<i>Total other financing sources (uses)</i>	<i>30,540</i>	<i>0</i>	<i>30,513</i>	<i>0</i>	<i>40,111</i>	<i>105,664</i>
<i>Net changes in fund balances</i>	<i>52,947</i>	<i>14,607</i>	<i>92,106</i>	<i>(20,601)</i>	<i>5,361</i>	<i>50,983</i>
Fund balance, beginning of year, as previously stated	174,323	0	113,060	(4,748)	53,800	867,526
Restatements	0	0	29,000	0	0	29,000
<i>Fund balance, beginning of year, as restated</i>	<i>174,323</i>	<i>0</i>	<i>142,060</i>	<i>(4,748)</i>	<i>53,800</i>	<i>896,526</i>
<b>Fund balance (deficit), end of year</b>	<b>\$227,270</b>	<b>\$14,607</b>	<b>\$234,166</b>	<b>(\$25,349)</b>	<b>\$59,161</b>	<b>\$947,509</b>

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

**TOWN OF CLAYTON**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2019**

	CDBG
<b>ASSETS</b>	
Cash	\$0
Investments	0
Receivables:	
Accounts, net	0
Taxes	0
Intergovernmental	0
Other	0
Due from other funds	0
Due from others	0
Restricted assets:	
Cash held with trustee	0
<b>Total assets</b>	<b>\$0</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$0
Accrued payroll liabilities	0
Accrued compensated absences - ST	0
Due to other funds	0
Due to others	0
<i>Total liabilities</i>	0
<b>Deferred inflows of resources:</b>	
Property taxes	0
<b>Fund Balances:</b>	
Restricted	0
Committed	0
Assigned	0
Unassigned	0
<i>Total fund balance</i>	0
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$0</b>

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, 2019**

	CDBG
<b>REVENUES</b>	
Property tax	\$0
Charges for services	0
Federal operating grants	0
Federal capital grants	270,184
State operating grants	0
State capital grants	0
Local government operating grants	8,689
Gross receipts and other state taxes	0
Lodgers' tax	0
Franchise fees	0
Fines, licenses, permits	0
Interest income	0
Sale of property/assets	0
Prison fund surplus/impact fees	0
Miscellaneous/donations	0
<i>Total revenues</i>	<b>278,873</b>
<b>EXPENDITURES</b>	
<b>Current:</b>	
General government	0
Public safety	0
Public works	0
Health and welfare	0
Culture and recreation	0
Debt Service:	
Principal	0
Interest	0
Capital outlay	281,359
<i>Total expenditures</i>	<b>281,359</b>
<i>Revenues over (under) expenditures</i>	<b>(2,486)</b>
<b>Other Financing Sources (Uses):</b>	
Operating transfers in	0
Operating transfers (out)	0
<i>Total other financing sources (uses)</i>	<b>0</b>
<i>Net changes in fund balances</i>	<b>(2,486)</b>
Fund balance, beginning of year, as previously stated	2,486
Restatements	0
<i>Fund balance, beginning of year, as restated</i>	<b>2,486</b>
<b><i>Fund balance, end of year</i></b>	<b>\$0</b>

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, 2019**

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash	\$734,016	\$0	\$734,016
Investments	215,106	0	215,106
Receivables:			
Accounts, net	0	0	0
Taxes	55,994	0	55,994
Intergovernmental	8,912	0	8,912
Other	600	0	600
Due from other funds	0	0	0
Due from others	0	0	0
Restricted assets:			
Cash held with trustee	30,135	0	30,135
<b>Total assets</b>	<b>\$1,044,763</b>	<b>\$0</b>	<b>\$1,044,763</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities:</b>			
Cash	\$85,605	\$0	\$85,605
Accounts payable	11,649	0	11,649
Accrued payroll liabilities	0	0	0
Due to other funds	0	0	0
Due to others	0	0	0
<b>Total liabilities</b>	<b>97,254</b>	<b>0</b>	<b>97,254</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue:			
Property taxes	0	0	0
<b>Total deferred inflows of resources</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balance:</b>			
Restricted	989,775	0	989,775
Committed	0	0	0
Assigned	0	0	0
Unassigned	(42,266)	0	(42,266)
<b>Total fund balance</b>	<b>947,509</b>	<b>0</b>	<b>947,509</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$1,044,763</b>	<b>\$0</b>	<b>\$1,044,763</b>

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, 2019**

	Special Revenue	Capital Projects	Total
<b>REVENUES</b>			
Property tax	\$0	\$0	\$0
Charges for services	6,064	0	6,064
Federal operating grants	28,221	0	28,221
Federal capital grants	0	270,184	270,184
State operating grants	327,869	0	327,869
State capital grants	100,891	0	100,891
Local government operating grants	0	8,689	8,689
Gross receipts and other state taxes	330,022	0	330,022
Lodgers' tax	176,255	0	176,255
Franchise fees	0	0	0
Fines, licenses, permits	32,630	0	32,630
Interest income	9,723	0	9,723
Sale of property/assets	4,540	0	4,540
Prison fund surplus/impact fees	180,000	0	180,000
Miscellaneous/donations	82,314	0	82,314
<i>Total revenues</i>	<b>1,278,529</b>	<b>278,873</b>	<b>1,557,402</b>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	0	0	0
Public safety	295,643	0	295,643
Public works	284,344	0	284,344
Health and welfare	142,695	0	142,695
Culture and recreation	186,741	0	186,741
Debt Service:			
Principal	97,826	0	97,826
Interest	11,187	0	11,187
Capital outlay	314,774	281,359	596,133
<i>Total expenditures</i>	<b>1,333,210</b>	<b>281,359</b>	<b>1,614,569</b>
<i>Excess (deficiency) of revenues over expenditures</i>	<b>(54,681)</b>	<b>(2,486)</b>	<b>(57,167)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	83,500	0	83,500
Transfers (out)	(8,376)	0	(8,376)
Proceeds from loans	30,540	0	30,540
<i>Total other financing sources (uses)</i>	<b>105,664</b>	<b>0</b>	<b>105,664</b>
<i>Net changes in fund balances</i>	<b>50,983</b>	<b>(2,486)</b>	<b>48,497</b>
Fund balance - beginning of year, as previously stated	867,526	2,486	870,012
Restatements	29,000	0	29,000
Fund balance - beginning of year, as restated	896,526	2,486	899,012
<b><i>Fund balance - end of year</i></b>	<b>\$947,509</b>	<b>\$0</b>	<b>\$947,509</b>

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

## OTHER SUPPLEMENTARY INFORMATION

**TOWN OF CLAYTON**  
**SCHEDULE OF LEGISLATIVE GRANTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Project	Agency	Grant #	Effective Date	Reversion Date	Original Amount	Arts in Public Places	Net Amount	Expenditures to Date	Reverted	Remaining
State		AVA-1224	3/12/2019	6/30/2019	\$7,340	-	\$7,340	\$0	\$0	\$7,340
STEP/DNOS	NMDOT	14-STRF-021	12/11/2019		\$6,438	-	6,438	3,132	0	3,306
Civic Center Repairs	DFA	18-C4141	9/24/2018	6/30/2020	23,503	-	23,503	6,172	0	17,331
NMSHID CO-OP 2018-2019		SP-4-19-C961	7/31/2011	12/31/2019	105,308	-	105,308	105,308	0	0
Airport Maintenance		AVA1152		8/23/2020	19,800	-	19,800	11,666	0	8,134
City Hall Repairs	DFA	18-C4143	9/24/2018	6/30/2020	108,641	-	108,641	14,403	0	94,238
Library Air Conditioning	DFA	15-0883	12/19/2016	6/30/2019	50,000	-	50,000	44,633	5,367	0
Pool Repairs	DFA	15-0884	12/19/2016	6/30/2019	70,000	-	70,000	67,643	2,057	0
Lagoons & Well 19AW Improvement	NMED	18-C4142-STBR	8/30/2018	6/30/2020	81,455	-	81,455	26,935	0	54,520
Monitoring Well	NMED	16-A2321-STB	11/7/2016	6/30/2020	100,000	-	100,000	18,555	81,455	0
Well Improvement	NMED	18-C2310-STB	8/22/2018	6/30/2022	50,000	-	50,000	0	0	50,000
Senior Fire Code	ALTD	A16A5106	12/7/2017	6/30/2021	100,000	-	100,000	67,915	0	32,085
Senior Walk In	ALTD	A18C2016	9/5/2018	6/30/2020	18,400	-	18,400	0	0	18,400
<b>Grand totals</b>					<b>\$740,885</b>	<b>-</b>	<b>\$740,885</b>	<b>\$366,362</b>	<b>\$88,879</b>	<b>\$285,354</b>

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

**TOWN OF CLAYTON**  
**SCHEDULE OF CASH ACCOUNTS**  
**JUNE 30, 2019**

Financial Institution: Account Name	Type of Account	Bank Balance	(Checks) Deposits	Book Balance
<b>CASH</b>				
First National Bank of New Mexico 201 Main Street Clayton, New Mexico 88415				
Special Revenues Pool	Checking	\$427,000	(\$33,161)	\$393,839
Payroll Account	Checking	88,261	(75,110)	13,151
MMDA Account	MMA	1,008,192	0	1,008,192
Certificate of Deposit	CD	100,000	0	100,000
Certificate of Deposit	CD	201,308	0	201,308
		<b>\$1,824,761</b>	<b>(\$108,271)</b>	<b>\$1,716,490</b>
Farmer's & Stockmen's Bank P.O. Box 488 Clayton, New Mexico 88415-0488				
General Fund	Checking	\$412,693	(\$93,124)	\$319,569
Utility Pool	Checking	656,923	(70,197)	586,726
USDA Reserve Account	Checking	40,784	0	40,784
A W Thompson Library Fund	Checking	1,530	(148)	1,382
Capital Projects Fund	Checking	175,723	(42)	175,681
Vendor Account	Checking	322,100	0	322,100
Severance Account	Checking	14,607	0	14,607
Lyle Bert Estate	Checking	57,668	0	57,668
TOC Pooled Money Market	MMA	298,376	0	298,376
Certificate of Deposit	CD	200,000	0	200,000
Certificate of Deposit	CD	52,653	0	52,653
Certificate of Deposit	CD	11,000	0	11,000
Certificate of Deposit	CD	51,453	0	51,453
		<b>\$2,295,510</b>	<b>(\$163,511)</b>	<b>\$2,131,999</b>

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

# TOWN OF CLAYTON

## SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY OF PUBLIC FUNDS

JUNE 30, 2019

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

Security	CUSIP	Maturity	Market Value
FNMA #MA2176	31418BM29	2/1/2035	\$398,683
FHLMC Pool #AL7581	3138EQM74	9/1/2033	343,848
			<u>\$742,531</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	3615000072	8/28/2019	\$825,000
FHLB LOC	3615000055	8/29/2019	160,000
FHLB LOC	3615000078	9/27/2019	1,000,000
			<u>\$1,985,000</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, 2019**

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending dates	Total Estimated Amount of Project	Contribution 6/30/2019	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	\$106,291	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	\$6,895	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	\$18,202	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, 2019

Line Item #	Account Description	Total
111	Cash - Unrestricted	\$95,808
114	Cash - Tenant Security Deposits	8,625
100	Total Cash	<u>104,433</u>
122	Accounts Receivable - HUD Other Projects	0
126	Accounts Receivable - Tenants	1,042
126.1	Allowance for Doubtful Accts - Tenants	0
129	Accrued Interest Receivable	124
120	Total Receivables, Net of Allowance for Doubtfull Accts	<u>1,166</u>
131	Investments - Unrestricted	64,447
132	Investments - Restricted	0
142	Prepaid Expenses and Other Assets	0
143	Inventories	9,969
143.1	Allowance for Obsolete Inventories	(997)
150	Total Current Assets	<u>179,018</u>
161	Land	51,294
162	Buildings	2,413,695
163	Furniture, Equipment & Machinery - Dwellings	421,179
164	Furniture, Equipment & Machinery - Administration	152,216
165	Leasehold Improvements	649,564
166	Accumulated Depreciation	(2,965,888)
167	Construction in Progress	20,443
160	Total Capital Assets, Net of Accumulated Depreciation	<u>742,503</u>
180	Total Non-Current Assets	<u>742,503</u>
190	Total Assets	921,521
200	Deferred Outflow of Resources	<u>42,913</u>
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b><u><u>\$964,434</u></u></b>
312	Accounts Payable <= 90 Days	\$1,461
321	Accrued Wage/Payroll Taxes Payable	0
322	Accrued Compensated Absences - Current Portion	2,760
341	Tenant Security Deposits	8,625
342	Deferred Revenue	154
310	Total Current Liabilities	<u>13,000</u>
354	Accrued Compensated Absences - Non-Current	83
357	Accrued Pension and OPEB Liabilities	162,881
350	Total Noncurrent Liabilities	<u>162,964</u>
300	Total Liabilities	175,964
400	Deferred Inflow of Resources	<u>8,022</u>
508.1	Net Investment of Capital Assets	742,503
511.4	Restricted Net Position	0
512.4	Unrestricted Net Position	37,945
513	Total Equity - Net Position	<u>780,448</u>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity - Net Assets/Position</b>	<b><u><u>\$964,434</u></u></b>



# HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

## Financial Data Schedule

June 30, 2019

Line Item #	Account Description	Public Housing Low Rent 15	Public Housing Capital Fund Program 15	Total
\$70,300	Net Tenant Rental Revenue	\$115,954	\$0	\$115,954
70400	Tenant Revenue - Other	7,938	0	7,938
70500	Total Tenant Revenue	<u>123,892</u>	<u>0</u>	<u>123,892</u>
70600	HUD PHA Operating Grants	77,773	15,000	92,773
70610	Capital Grants	0	20,443	20,443
70700	Total Fee Revenue	<u>77,773</u>	<u>35,443</u>	<u>113,216</u>
71100	Investment Income - Unrestricted	1,414	0	1,414
71500	Other Revenue	1,894	0	1,894
70000	Total Revenue	<u>3,308</u>	<u>0</u>	<u>3,308</u>
91100	Administrative Salaries	43,660	0	43,660
91200	Auditing Fees	6,921	0	6,921
91310	Bookkeeping Fees	4,487	0	4,487
91500	Employee Benefit Contributions - Administrative	23,602	0	23,602
91600	Office Expenses	7,217	0	7,217
91700	Legal Expenses	0	0	0
91800	Travel	312	0	312
91900	Other	261	0	261
91000	Total Operating - Administrative	<u>86,460</u>	<u>0</u>	<u>86,460</u>
93100	Water	10,738	0	10,738
93200	Electricity	5,693	0	5,693
93300	Gas	2,170	0	2,170
93600	Sewer	5,600	0	5,600
93800	Other Utilities	0	0	0
93000	Total Utilities	<u>24,201</u>	<u>0</u>	<u>24,201</u>
94100	Ordinary Maintenance and Operations - Labor	46,223	0	46,223
94200	Ordinary Maintenance and Operations - Materials & Other	10,704	0	10,704
94300	Ordinary Maintenance and Operations Contracts	13,186	0	13,186
94500	Employee Benefit Contributions - Ordinary Maintenance	16,471	0	16,471
94000	Total Maintenance	<u>86,584</u>	<u>0</u>	<u>86,584</u>
96110	Property Insurance	1,190	0	1,190
96120	Liability Insurance	8,608	0	8,608
96130	Workmen's Compensation	3,056	0	3,056
96140	All Other Insurance	9,564	0	9,564
96100	Total Insurance Premiums	<u>22,418</u>	<u>0</u>	<u>22,418</u>
96200	Other General Expenses	336	0	336
96210	Compensated Absences	0	0	0
96000	Total Other General Expenses	<u>336</u>	<u>0</u>	<u>336</u>
96900	Total Operating Expenses	<u>219,999</u>	<u>0</u>	<u>219,999</u>

# HOUSING AUTHORITY OF THE TOWN OF CLAYTON

(A Component Unit of the Town of Clayton)

Financial Data Schedule

June 30, 2019

Line Item #	Account Description	Public Housing Low Rent 15	Public Housing Capital Fund Program 15	Total
97000	Excess Revenue over Operating Expenses	(15,026)	35,443	20,417
97400	Depreciation Expense	94,429	0	94,429
90000	Total Expenses	314,428	0	314,428
10010	Operating Transfers In	15,000	0	15,000
10020	Operating Transfers Out	0	(15,000)	(15,000)
10100	Total Other Financing Sources (Uses)	15,000	(15,000)	0
<b>10000</b>	<b><i>Excess (Deficiency) of Total Rev Over (Under) Total Exp</i></b>	<b>(\$94,455)</b>	<b>\$20,443</b>	<b>(\$74,012)</b>
11030	Beginning Equity	\$808,959	\$45,501	\$854,460
11040	Prior Period Adj, Equity Transfers, Correction of Errors	45,500	(45,500)	0
11190	Unit Months Available	600	0	600
11210	Number of Unit Months Leased	566	0	566

**ADDITIONAL FEDERAL INFORMATION**

**TOWN OF CLAYTON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program Title	Federal CFDA Number	Passed through Entity Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
<b><u>U.S. Department of Transportation</u></b>				
<b>Direct:</b>				
Airport Improvement Program	20.106	N/A	\$0	\$4,537,624
<i>Total U.S. Department of Transportation</i>			\$0	\$4,537,624
<b><u>U.S. Department of Housing and Urban Development:</u></b>				
<b>Passed through NM Dept. of Housing and Urban Development:</b>				
Community Development Block Grant	14.228	16-C-R-I-02-G-11	\$0	\$270,184
<b>Direct:</b>				
Low Rent Public Housing	14.850	N/A	0	77,773
Public Housing Capital Fund	14.872	N/A	0	35,443
<i>Total U.S. Department of Housing and Urban Development</i>			\$0	\$383,400
<b><u>U.S. Department of Health and Human Services</u></b>				
<b>Passed through North Central NM Economic Development District:</b>				
Title III	93.045	2018-19-68013	\$0	\$19,815
Nutrition Service Incentive Program	93.053	2019-19-68013	0	11,101
<i>Total U.S. Department of Health and Human Services</i>			\$0	\$30,916
<i>Total Expenditures of Federal Awards</i>			\$0	\$4,951,940

**TOWN OF CLAYTON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2019**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Town of Clayton, under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Clayton, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Town of Clayton.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3**

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

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

Mr. Brian S. Colón, 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 of Town of Clayton, as of and for the year ended June 30, 2019, 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, 2019.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

Mr. Brian S. Colón, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
Page Two

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2019-003 and CU 2018-001 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Clayton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2013-005, 2019-002, and CU 2019-001.

### **Town of Clayton's Response to Findings**

Town of Clayton's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Clayton's responses were 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, 2019

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

Mr. Brian S. Colón, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico

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

We have audited the Town of Clayton's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Clayton's major federal programs for the year ended June 30, 2019. Town of Clayton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

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

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

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

In our opinion, the Town of Clayton, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



Mr. Brian S. Colón, State Auditor and  
The Mayor and Board of Trustees  
Town of Clayton  
Clayton, New Mexico  
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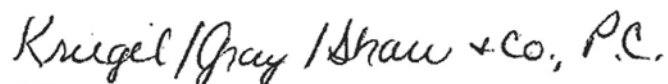
### **Report on Internal Control over Compliance**

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

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

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

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



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

December 10, 2019

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**FINANCIAL STATEMENTS**

Type of Auditor’s Report issued:

**Unmodified**

**Internal Control Over Financial Reporting:**

Material weakness(es) identified?

  X   Yes        No

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

  X   Yes        No

Noncompliance material to financial statements noted?

       Yes   X   No

**FEDERAL AWARDS**

**Internal Control Over Major Programs:**

Material weakness(es) identified?

       Yes   X   No

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

       Yes   X   No

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

**Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance?

       Yes   X   No

**Identification of Major Programs:**

CFDA Number(s)

20.106

Name of Federal Program or Cluster

Airport Improvement Program

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

\$750,000

Auditee qualified as low-risk auditee?

       Yes   X   No

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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SECTION II – FINANCIAL STATEMENT FINDINGS

---

**CURRENT YEAR FINDINGS:**

**2019-001 Cash Not Reconciled – Material Weakness**

**Statement of Condition** – The Town maintains twelve bank accounts. Of the twelve bank accounts, five required material adjustments ranging from \$14,607 to \$143,962.

**Criteria** – Good internal controls require monthly bank reconciliations to include necessary correcting adjustments.

**Cause** – Lack of accounting skills to understand the reconciliation process and the necessary journal entries required by the system for transfers and ACH transactions.

**Effect** – The fund cash balances were materially misstated due to improper journal entries and the potential to make bad financial decisions based on incorrect information.

**Recommendation** – The Town should require the individual reconciling the bank accounts to have the accounting skills necessary to handle the task.

**Management Response** – This occurrence was due to a staffing concern, management identified this condition and has taken the necessary steps to remedy the situation. The Town has contacted a certified public accountant who has agreed to assist the town with correcting adjustments and bank reconciliations.

Responsible Position: Town Manager

Time Line: January 2020

**2019-002 Form I-9's Incomplete – Other Non-Compliance**

**Statement of Condition** – During our payroll system testwork we noted 3 of 40 transactions tested to have I-9's that were incomplete. The employer section of the form was blank.

**Criteria** – The Federal Immigration service requires a properly completed I-9 for all employees hired in the United States.

**Cause** – Lack of attention to detail.

**Effect** – The incomplete forms leave the Town open to possible penalties from US Citizenship and Immigration Services.

**Recommendation** – The Town should review and complete all I-9 forms for current employees and consider a personnel file documentation review on a periodic basis.

**Management Response** – The Town agrees with recommendation and will conduct periodic personnel file documentation review.

Responsible Position: Human Resources

Time Line: March 2020

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

---

**CURRENT YEAR FINDINGS (CONTINUED):**

**2019-003 Debt Payments Not Made Timely – Significant Deficiency**

**Statement of Condition** – Annual principal and interest payments of one debt obligation was late.

- Debt to the Water Trust Board with an annual payment of \$10,420 was not made by its May 1, 2019 due date.

**Criteria** – Debt payments are contractual and incur additional interest charges when not paid timely.

**Cause** – Traditionally, invoices were received by the Town from the debt holder. In fiscal year 2019, invoices for these obligations were not received.

**Effect** – Additional interest due.

**Recommendation** – Set up a calendared tickler system to schedule and make payments timely.

**Management’s Response** – This is a result of the staffing concern addressed in finding 2019-001. Management agrees that a tickler system should be established.

Responsible Position: Town Manager

Time Line: January 2020

**COMPONENT UNIT:**

**CURRENT YEAR FINDINGS:**

**2019-001 Per Diem and Mileage Act – Other Non-Compliance**

**Statement of Condition** – During our testing of the Housing Authority’s compliance with the Per Diem and Mileage Act, we noted deviations. Our sample size was five transactions, which were randomly selected throughout the fiscal year, and contained the following deviations:

- There were four instances where a Housing Authority employee was reimbursed for meals without submitting receipts for the actual expenses occurred during the business trip. The employee was paid \$330 for these meals. We were unable to determine if the Housing Authority or the employee were over/under paid on these trips due to a lack of receipts.

**Criteria** – The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, Travel and Per Diem Regulations Governing the Per Diem and Mileage Act of the New Mexico Administrative Code (NMAC). The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Section 2.42.2.8(A) of the Travel and Per Diem regulations states, “Where lodging and/or meals are provided or paid for by the agency, the governing body, or another entity, the public officer or employee is entitled to reimbursement only for actual expenses under 2.42.2.9 NMAC.”

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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**COMPONENT UNIT:**

**CURRENT YEAR FINDINGS (CONTINUED):**

**2019-001 Per Diem and Mileage Act – Other Non-Compliance (Continued)**

Section 2.42.2.9(2) of the Travel and Per Diem regulations states, “Actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 to a maximum of \$30.00 for in-state travel and \$45.00 for out-of-state travel for a 24-hour period.”

Section 2.42.2.9(3) of the Travel and Per Diem regulations states, “The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.

**Cause** – The Housing Authority staff believed they were following the Per Diem and Mileage Act correctly. The Housing Authority staff failed to follow the requirements concerning providing receipts for actual reimbursement for meals.

**Effect** – Non-compliance with the state of New Mexico Per Diem and Mileage Act subjects officials and employees to penalties as required by state statutes.

**Recommendation** – We recommend the Housing Authority staff continue to review the Per Diem and Mileage Act. Further, we recommend the Housing Authority make any necessary changes to their policies and procedures concerning the Per Diem and Mileage Act to ensure compliance with the Act.

**Management’s Response** – There seems to be a difference in interpretation of the code between administration and the auditing firm regarding NMAC 2.42.2.8, paragraph B, part 1. Expense for overnight lodging was not required in the instances mentioned in the finding. The employee was paid per diem for more than a 12 hour day because the employee was away from the office on business that extended 12 hours or more beyond the normal work day. It was understood that when an employee is paid per diem, receipts are not required. It is believed that NMAC was being followed. The administration is willing to recommend to its board, the adoption of a local travel and per diem policy, which would provide added clarification.

Responsible Position: Executive Director (HA)

Time Line: June 30, 2020

**PRIOR YEAR FINDINGS:**

**2018-001 Procurement Violation – Other Non-Compliance**

Resolved and not repeated.

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

Resolved and not repeated.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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SECTION II – FINANCIAL STATEMENT FINDINGS

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**PRIOR 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 exception out of 40 transactions tested:

- Once instance where an invoice was dated prior to the purchase order.

The Town has made significant improvement from prior year on disbursement documentation.

**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.

**Cause** – Oversight.

**Recommendation** – All purchase orders should be completed prior to purchase of goods and services.

**Management’s Response** – The Town will continue to conduct training with department managers and review purchasing policies and procedures.

Responsible Position: Town Manager

Time Line: January 2020

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

Resolved and not repeated.

**TOWN OF CLAYTON**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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SECTION II – FINANCIAL STATEMENT FINDINGS

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**COMPONENT UNIT:**

**PRIOR 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 fifty-five payments received that were tested, fourteen were not deposited within five business days. The total amount of these fourteen receipts was \$2,292.00. Six of the fourteen receipts that were not deposited timely, were receipted greater than two weeks prior to deposit. Five of the fourteen receipts that were not deposited timely, were receipted greater than one week prior to deposit.

This finding is a repeat of a prior year audit finding. During the current year, the Housing authority failed to correct the deviations in respect to cash receipts.

**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. Deposits should be made more if large amounts are receipted by the Housing authority.

**Cause** – The Executive Director is only paid full-time administration employee of the Housing Authority.

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

**Recommendation** – We recommend the Housing Authority review and update their policies and procedures concerning cash deposits. This will help ensure that deposits are made timely.

**Management's Response** – CHA agrees with the recommendation; however, CHA would like to note that the fourteen receipts were actually only one deposit. As noted in the finding, CHA only has one fulltime person in the office. The timeliness of the deposit was a deviation of policy; however, there was no mismanagement of funds.

Responsible Position: Executive Director (HA)

Time Line: June 30, 2020

**TOWN OF CLAYTON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

None.

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

None.



**TOWN OF CLAYTON**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**CURRENT STATUS**

2018-001 Procurement Violation	Resolved
2018-002 Non-Compliance with Town's Purchasing Policy	Resolved
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	Resolved

**FINDINGS RELATED TO THE COMPONENT UNIT**

2018-001 Lack of Internal Control Over Receipts	Repeated
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**FINDINGS AND QUESTIONED COSTS - Major Federal Award Programs**

None.



Ernest Sanchez Mayor

Ferron Lucero Manager

Clerk/Treasurer

Coby Beckner Mayor Pro-Tem

Leroy Montoya Trustee

Deano Arellano Trustee

Judy Steen Trustee

## Town of Clayton

1 Chestnut

Clayton, NM 88415

Phone: 575-374-8331 Fax: 575-374-8497

### CORECTIVE ACTION PLAN

#### **2019-001 Cash Not Reconciled – Material Weakness**

**Statement of Condition** – The Town maintains twelve bank accounts. Of the twelve bank accounts, five required material adjustments ranging from \$14,607 to \$143,962.

#### **Corrective Action Plan**

This occurrence was due to a staffing concern, management identified this condition and has taken the necessary steps to remedy the situation. The Town has contacted a certified public accountant who has agreed to assist the town with correcting adjustments and bank reconciliations.

Responsible Position: Town Manager

Time Line: January 2020

#### **2019-002 Form I-9's Incomplete – Other Non-Compliance**

**Statement of Condition** – During our payroll system testwork we noted 3 of 40 transactions tested to have I-9's that were incomplete. The employer section of the form was blank.

#### **Corrective Action Plan**

The Town agrees with recommendation and will conduct periodic personnel file documentation review.

Responsible Position: Human Resources

Time Line: March 2020

#### **2019-003 Debt Payments Not Made Timely – Significant Deficiency**

**Statement of Condition** – Annual principal and interest payments of one debt obligation was late.

- Debt to the Water Trust Board with an annual payment of \$10,420 was not made by its May 1, 2019 due date.

**Corrective Action Plan**

This is a result of the staffing concern addressed in finding 2019-001. Management agrees that a tickler system should be established.

Responsible Position: Town Manager

Time Line: January 2020

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

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

- Once instance where an invoice was dated prior to the purchase order.

The Town has made significant improvement from prior year on disbursement documentation.

**Corrective Action Plan**

The Town will continue to conduct training with department managers and review purchasing policies and procedures.

Responsible Position: Town Manager

Time Line: January 2020

**COMPONENT UNIT:**

**2019-001 Per Diem and Mileage Act – Other Non-Compliance**

**Statement of Condition** – During our testing of the Housing Authority’s compliance with the Per Diem and Mileage Act, we noted deviations. Our sample size was five transactions, which were randomly selected throughout the fiscal year, and contained the following deviations:

- There were four instances where a Housing Authority employee was reimbursed for meals without submitting receipts for the actual expenses occurred during the business trip. The employee was paid \$330 for these meals. We were unable to determine if the Housing Authority or the employee were over/under paid on these trips due to a lack of receipts.

**Corrective Action Plan**

Management disagrees with this finding. As mentioned, CHA believed per diem was calculated correctly. No receipts were provided, because it was understood by CHA that when employees chose per diem, receipts are not required. In all these cases, if the employee would have been reimbursed for full overnight per diem, it would have cost CHA more money than the employee was only asking for reimbursement of meals.

Responsible Position: Executive Director (HA)

**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 fifty-five payments received that were tested, fourteen were not deposited within five business days. The total amount of these fourteen receipts was \$2,292.00. Six of the fourteen receipts that were not deposited timely, were receipted greater than two weeks prior to deposit. Five of the fourteen receipts that were not deposited timely, were receipted greater than one week prior to deposit.

**Corrective Action Plan**

CHA agrees with the recommendation; however, CHA would like to note that the fourteen receipts were actually only one deposit. As noted in the finding, CHA only has one full-time person in the office. The timeliness of the deposit was a deviation of policy; however, there was no mismanagement of funds.

Responsible Position: Executive Director (HA)

Time Line: January 2020

**TOWN OF CLAYTON**  
EXIT CONFERENCE  
JUNE 30, 2019

**EXIT CONFERENCE:**

The exit conference was held December 10, 2019 and was attended by the following:

**Representing Town of Clayton:**

Leroy Martinez, Trustee

Deano Arellano, Trustee

Ferron Lucero, Town Manager

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

Debbie Gray, CPA/Shareholder

**FINANCIAL STATEMENTS PREPARATION**

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