

# Comprehensive Annual Financial Report



**Town of Clayton, North Carolina  
Fiscal Year Ended June 30, 2014**









**TOWN OF CLAYTON**  
**North Carolina**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2014**

**Prepared by:**

Finance Department

**Finance Director:**

Robert W. McKie, Jr.



**TOWN OF CLAYTON**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2014**

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# **INTRODUCTORY SECTION**



Jody L. McLeod  
MAYOR

Bruce Thompson  
TOWN ATTORNEY

Steve Biggs  
TOWN MANAGER



Bob Satterfield  
Art Holder  
Jason Thompson  
R.S. "Butch" Lawter, Jr.  
COUNCIL MEMBERS

Michael Grannis  
MAYOR PRO TEM

November 7, 2014

To the Honorable Mayor, Members of the Town Council, and the Citizens of the Town of Clayton, North Carolina:

North Carolina General Statutes require that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report, the Comprehensive Annual Financial Report, is published to fulfill that requirement for the fiscal year ended June 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements, whether due to fraud or error.

Anderson Smith & Wike PLLC has issued an unqualified ("clean") opinion on the Town of Clayton's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis ("MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### ***Profile of the Town***

The Town of Clayton was incorporated on April 12, 1869 and is located in the northwest portion of Johnston County, which is located in the western portion of the Coastal Plains. The Town, which is bisected by U.S. Highway 70 and located approximately 15 miles southeast of the capital city Raleigh, covers a 13.74 square mile area and has a population estimate of approximately 17,694. Clayton is the fastest growing municipality in Johnston County with an annual growth rate of approximately 7%. The Town has the statutory authority to extend its corporate limits through voluntary annexation under the direction of Town Council. The Town annexed approximately 1 acre by petition during the current fiscal year.

The Town of Clayton has a council/manager form of government. The Mayor and the five members of the Council are elected on a nonpartisan, at-large basis. The Mayor currently serves a four-year term and Council members serve four-year staggered terms. Council holds the policy-making and legislative authority for the Town. The Mayor can only cast the tiebreaking vote. The Town Manager is selected by the Town Council to manage and oversee daily operations.

The Council is required to adopt a fiscal year operating budget by no later than June 30<sup>th</sup> each year. The annual budget serves as the foundation for the Town of Clayton's financial planning and control. The budget is organized by fund, function (e.g., public safety), and department (e.g., police). The Town manager is authorized to transfer resources between departments up to \$1,000. Transfers exceeding \$1,000 require Town Council approval.

The Town of Clayton provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; solid waste handling; code enforcement; recreational and cultural activities; a library; water and sanitary sewer services; and electrical services to businesses, industries, and residential customers.

### ***Local Economy***

The Town is currently experiencing a substantial resurgence of economic growth in the wake of the national slowdown. The primary underlying factors are continued growth in the biopharmaceutical and medical services sectors with expansions of the Grifols and Johnston Health facilities including private medical offices featuring specialty practices and outpatient services. The housing sector has also recovered with particular demand for upscale multi-family housing consisting of both apartments and townhomes in conjunction with the welcome resurgence in single-family housing. This renewed growth trend is supporting strong tax base growth which has provided financial flexibility for capital spending; an overall strong financial position highlighted by the maintenance of a very favorable unassigned fund balance; and a manageable debt burden with rapid amortization.

All of the above factors play a significant role in the evaluation and decision-making processes utilized by bond rating agencies to determine the Town's bond rating. The Town received a bond rating upgrade to Aa2 from Aa3 by Moody's Investor Service on September 11, 2014 and maintained its AA bond rating from Standard & Poor's.

The Town continues to benefit from its proximity to the RTP and to regional employers in and around the City of Raleigh, which include private sector opportunities with Fortune 500 companies, federal and State government positions, and expanding medical service careers. The Town also benefits from its proximity to numerous institutions of higher education, which include North Carolina State University, the University of North Carolina, Duke University, North Carolina Central University, and East Carolina University. Many of the graduates of the above universities are trained to staff technically demanding positions requiring engineers, research and development personnel, and other professional disciplines.

The Clayton economy is diversified with a balance of manufacturing and non-manufacturing industries. The Town is home to three large international pharmaceutical companies as well as a special purpose Research and Training Zone (“RTZ”), which is an economic development and training district created through special legislation that supports the special needs of the local pharmaceutical industries. The Town’s employment base includes approximately 10 percent of all biopharmaceutical jobs in the State.

The RTZ includes a 30,000 square-foot Workforce Development Center (“WDC”), which operates a partnership between Johnston Community College and North Carolina State University. The WDC is an educational and technical skills training center that concentrates on life sciences programming, business training, and workforce development in biotechnology and other sciences. The WDC offers Associate curriculum programs for Bioprocess Technology and Biology and Biology Education, in addition to a BioWork curriculum and continuing education courses that include several customized training programs.

The largest manufacturing employer is Grifols, S.A. (“Grifols”), formerly Talecris Biotherapeutics, Inc. (“Talecris”), an international manufacturer of blood plasma related products for a variety of applications. The blood plasma facility has been in operation since 1981 and is now the primary Grifols manufacturing facility with approximately 1,200 employees. Grifols has expanded the scope of the initial new facility development announced by Talecris in November of 2009, which included 259 new jobs. The current estimated \$425 million expansion includes a state-of-the-art fractionation facility with a newly opened 30,000 square feet two-story addition containing two additional filling lanes, a recently completed 83,000 square feet plasma warehouse that contains 17,700 square feet of refrigerated storage, and a 64,000 square feet warehouse addition. The Town executed a 30-year development agreement with Grifols. The Clayton Plant places Grifols in a position to maximize its operational efficiencies by utilizing expanded fractionation and purification capacity.

Novo Nordisk Pharmaceutical Industries (“Novo Nordisk”), the world’s largest supplier of insulin products, has maintained a presence in the RTZ since 1991, and currently employs approximately 560. The 92,782 square feet, \$102 million expansion has been completed and is expected to create 110 new jobs by 2017 with an average annual salary of \$58,700. The products manufactured at the Clayton plant are marketed in North America, Europe, New Zealand and Australia.

Hospira, Inc. (“Hospira”) is a pharmaceutical bio-processing company also located in the RTZ. After purchasing the facility from Fresenius Kabi, Hospira invested approximately \$15 million in machinery and equipment and added approximately 150 new jobs bringing total employment to 200.

Caterpillar, Inc., a Fortune 100 company, is another large manufacturing employer. The Building and Construction Products Division of Caterpillar (“CAT”) operates an assembly facility located near the Town that assembles and distributes all CAT rubber tire front-end loaders for North America and the export market. An \$18.5 million expansion to the assembly facility that will add 199 jobs over a five year

period is operational. The assembly plant has approximately 450 employees. The Clayton location was chosen as one of the Best Places to Work in 2012 by the Triangle Business Journal: <http://www.bizjournals.com/triangle/news/2012/08/20/tbj-unveils-2012-best-places-to-work.html>.

In addition, the CAT Clayton Machine Development Center (“Center”), a \$14.5 million, 55,000 square feet free-standing fully LEED certified two-story office building with testing laboratories, is fully operational. The Center is located on a 252-acre site where prototype machines are designed, tested, and subjected to customers’ hands-on operation and critique at a state-of-the-art heavy equipment test track co-located with the Center. The prototype machines meet new market demands and stringent EPA air quality emission standards. According to CAT, a total of 240 designers, engineers, and managers were added to the site or relocated from its offices in Cary, NC.

Northeast Foods Inc., a national contract baker for the commercial and fast-food industries and the largest supplier of baked goods to McDonalds in the United States, operates a bakery operation in a \$25.4 million, 90,000 square feet facility that created 84 new jobs. The Town was awarded a \$700,000 Community Development Block Grant, which will provide primary funding of the infrastructure costs for an access road and water and sewer lines, in conjunction with a \$233,333 commitment of local funds. Additional assistance was received from the NC Department of Transportation.

As evidence of the substantial growth in Clayton, the Town is rapidly becoming a hub for the medical services industry and related employment. The Town is currently home to facilities operated by WakeMed, Johnston Health Services, and Duke University Medical Center. The Johnston Medical Center-Clayton, which opened in 2009, includes a full service emergency room plus outpatient services and medical offices. The 92,000 square feet three-story 50-bed inpatient facility is expected to open in January of 2015. New investment in the facility is valued at \$50 million and employment at the site is expected to increase to 250.

The Town is attracting significant new retail, office, and high-density residential development on the south side, primarily due to the completion of the Highway 70 Bypass and related interchange on Highway 42 west. The opportunities created by this major interchange are furthered by its proximity to JMC-Clayton. Spring Branch was the initial approved project and is intended to provide support services for the new medical center. The complex will include retail stores, restaurants, a bank, medical offices, and townhouses on a 50-acre parcel adjacent to JMC-Clayton. The first 36,000 square-foot building is anchored by Duke Medicine. Additional development includes: Britthaven, a 100-bed nursing facility; Gabriel Manor, a 77-bed assisted living and memory care community; and Carolina Dermatology and Endocrinology PA. As evidence of the potential in this area, please refer to the following summary table of new development activity:

**Town of Clayton  
New Development July 2013 – June 2014**

<b>Approved Project Name</b>	<b>Project Type</b>	<b>Intensity/Density</b>	<b>Completion Status</b>
Johnston Memorial Hospital	Institutional/Public	50 Inpatient Bed Addition	Fall 2014
Char-Grill	Restaurant	3,082 SF	Fall 2013
Cleveland Draft House	Restaurant	11,022 SF	Fall 2014
42 West Medical Office	Medical / Office	5 Buildings 70,000 SF	2015
Sheetz @ Amelia Station	Retail	6,558 SF + 12 Fueling Positions	Opened Summer 2014
Apartments @ Amelia Station	Residential (MF)	216 Apartments	Opened Fall 2014
Clayton Community Center Pedestrian Connector	Public	1.1 miles	2015
Sam's Branch Greenway Ph. 2 Design	Public	1.2 miles	Spring 2015
Sam's Branch Greenway Ph. 2 Const.	Public	1.2 miles	Fall 2016
Front Street Extension	Public	Connector Road	Opened Summer 2014
The Arbors at East Village	Residential (MF)	192 Apartments	Opened 2014
Britthaven @ Spring Branch	Institutional/Private	100 Bed Nursing Home	Fall 2014
East Village Residential	Residential	151 Single Family / 51 Townhomes	2015
Riverwood Haven	Residential (MF)	60 Apartments (Age 55+)	2015
Grifols Plasma Warehouse	Industrial / Pharma	77,000 SF Addition	Opened Fall 2014
Bristol @ Cobblestone Ph. 1	Residential	50 Single Family + Clubhouse	2015
Pizza Hut Remodel	Restaurant	3,012 SF	Completed Summer 2014
Stallings Mill Apartments	Residential	288 Apartments	2015
Sheetz @ 70 BUS & Rose Street	Retail	6,558 SF + 12 Fueling Positions	2015
Carolina Dermatology and Endocrinology	Medical / Office	6,000 SF	Opened Fall 2014
Grifols West Warehouse	Industrial / Pharma	59,000 SF Addition	2015
Grifols NFF (\$400 M Expansion)	Industrial / Pharma	30,000 SF Addition to 152,034 SF Building	Opened Spring 2014
Ashcroft Ph. 1	Residential	20 Single Family / 26 Townhomes	2015
Dupree / RWAC Addition	Residential	156 Single Family	2015
Manning's Restaurant	Restaurant	5,000 SF	Opened Fall 2014
The Meadows at Summerlyn	Residential	46 Single Family	Fall 2014
Stone Ridge Ph. 1	Residential	25 Single Family	2015
Creekside Commons Ph. 1	Residential	50 Single Family	Fall 2014
Creekside Commons Ph. 2	Residential	51 Single Family	2015
Chandler's Ridge Ph. 1	Residential	79 Single Family	Complete Fall 2014
Chandler's Ridge Ph. 2	Residential	80 Single Family	2015
Riff's	Restaurant	4,000 SF	Opened Fall 2014
Novo Expansion	Industrial / Pharma	90,000 SF	Fall 2014
Cobblestone Ph. 11	Residential	46 Single Family	Spring 2015

The Town of Clayton's downtown area experienced a net gain of 7 businesses and 12 jobs. Approximately \$0.7 million and \$0.2 million of private investment and public improvements, respectively, were completed. During the course of the past eight years, approximately \$9.7 million of private investment has occurred, including a net gain of 54 new businesses, 36 façade improvements, including 26 assisted by the Town's grant program, 11 building expansions, 4 renovations, and a net gain of 185 jobs.

The Town is an accredited member of the Main Street program and continues to meet the commercial district revitalization performance standards established by the National Trust for Historic Preservation. The N.C. Main Street program focuses on assisting selected communities across the State in restoring economic vitality to their historic downtowns in compliance with the established revitalization process.

### ***Financial Planning***

The Town places a high value on fiscal responsibility and is taking prudent actions to safeguard its financial position. Revenues are being driven by an improved local economy at an accelerated rate and growth is facilitating the implementation of previous deferred repairs and maintenance projects in conjunction with moderate service expansions. The Town continues to improve its financial position and realize benefits generated by leaner and more efficient operations. Detailed information is contained in the MD&A.

The Mayor and Town Council of Clayton are committed to making Clayton the best town in North Carolina in which to live, visit, and work. The Mayor and Council adopted long-range goals for the Town and its various departments that are designed to promote and support this goal. These long-range goals include:

- Grow the local economy
- Financially responsible town government providing quality service
- Managing growth producing quality developments
- Expanding leisure opportunities and arts community
- Beautify the Town of Clayton and create an arts community
- Think Downtown

In an effort to achieve many of these long-range goals, the Town utilized its general obligation bond program for streets and recreation improvements. During the first and second phase of this undertaking, the Town contracted with Davenport & Company LLC ("Davenport") to provide financial advising services and bond planning. Davenport is a national financial advising firm that has a sterling reputation in North Carolina and nation-wide.

The Town engaged Davenport to perform a debt capacity analysis, which resulted in the Town's implementation of a cash funding strategy for rolling stock purchases, a financial plan to achieve a debt service to expenditure ratio of 13% for the General Fund by FY 2019, and the adoption of an amended comprehensive financial policy

that contains updated performance expectations and standards, including separate benchmarks for the two enterprise funds.

Priorities that were established by the Mayor and Town Council during a planning session in March of 2014 are as follows:

- Services to Taxpayers
  - Fulfill financial stewardship responsibility
  - Demonstrate value residents receive from taxes and fees
- Public Safety – create a medical responder program utilizing firefighters
- Economic Development
  - Create strategic plan to compete with other high growth areas
  - Facilitate parking and overall movement in the downtown area
  - Maximize redevelopment opportunities in the downtown area
- Utilities, Infrastructure, and Roads
  - Develop a public education program focusing on the impact of lifestyle choices
  - Improve reliability of the electric system to facilitate growth
  - Utilize reclaimed water to irrigate public areas and reduce nutrient discharge into the Neuse River
- Technology – respond to public demand for more sophisticated electronic services (online applications, permits, e-books, etc.)
- Library Services
  - Expand history room collection and create a local history museum
  - Evaluate and pursue recognition from the State Library System as an independent, municipal library operation
- Staff Enhancement
  - Provide education program for personal financial management
  - Improve hiring process to attract high quality employees

### ***Major Initiatives***

The 1.25-mile Sam’s Branch Greenway (“Greenway”) along the Neuse River is a 10-foot wide multiuse paved trail that connects to Clayton River Walk on the Neuse, a recently completed section of the Mountains-to-Sea Trail (“MTS”). Plans are underway to extend the Greenway an additional 1.2 miles with construction expected to be completed in fall 2016. Clayton River Walk on the Neuse is a 4-mile, 10-foot wide multiuse paved trail that also connects at the common boundary with the Wake County section of the MTS. A 4.7-mile extension is planned for the Clayton River Walk on the Neuse. Approximately 120 acres have been purchased adjacent to the Neuse River for future park development. The site adjoins the MTS and is currently the subject of a master plan project (refer to Concept Plan Drawing on page x).

The Greenway and Clayton River Walk on the Neuse will become part of the East Coast Greenway, which is a developing trail system beginning at the Canadian border in Calais, ME that will link 15 states and numerous municipalities with Key West, FL at the southernmost point. The design phase is finished for a 1.1 mile pedestrian walkway connecting several area schools and residential neighborhoods to the Clayton Community Center with construction expected to be completed in 2015. The MTS, Greenway, and future pedestrian connector provide a great benefit to Town residents by linking communities together while serving as the backbone of the Town's expanding system of trails. Clayton is truly the "Premier Community for Active Families".

A public-private partnership between the Town and the Clayton Community Recreational Foundation, Inc. has consummated plans to construct a universal playground with three main areas: Create, Celebrate, and Contemplate at the East Clayton Community Park. A special committee is raising money to fund the project. Caterpillar has committed \$80,000 for site preparation. Go to <https://www.facebook.com/ClaytonUniversalPlayground> for additional information.

The Clayton Fire Department implemented a new medical responder program on October 1, 2014. Firefighters will respond to 911 calls classified as D, E, and possibly C. Generally, type E incidents are the most life threatening. Seconds are critical when it comes to saving lives and firefighters can often get to an incident scene quicker than an EMS unit and apply life saving measures at the scene before the ambulance and paramedics arrive. Currently, more than 40 Town firefighters have their EMT certification, which is a requirement for full-time employment. Staffing schedules are managed to ensure a minimum of one EMT for every medical call.

The Town is promoting re-urbanization, redevelopment, and adaptive reviews to revitalize its existing areas. A map will be utilized to define opportunities within each of the neighborhood areas and then evaluated to identify infrastructure improvements that will encourage infill and redevelopment. The Deep River Brewery located in Liberty Mill Village is an example of a successful revitalization (refer to the Neighborhood Planning Areas map on page xi).

Construction of the \$1.6 million extension of Front Street was recently completed. The roadway provides a new gateway to the downtown area and is expected to make travel more convenient for the surrounding area including The Arbors at East Village apartment complex, which was the primary impetus for this extension project.

Other noteworthy items include: 1) plans are underway to construct a \$5.0 million wastewater pipeline that will link with nearby Raleigh facilities and provide up to a million gallons per day of additional capacity; 2) complete update to the Town's website will rollout in December of 2014; 3) comprehensive street condition assessment and improvements plan.

*Awards and Acknowledgements*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Clayton for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the thirteenth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report would not have been possible without the dedicated service and cooperation of the entire staff of the Finance Department and Anderson Smith & Wike PLLC. Credit must also be given to the Mayor and the Town Council for their ongoing support for maintaining the highest standards of professionalism in the management of the Town of Clayton's finances.

Respectfully submitted,



R. Steven Biggs  
Town Manager



Nancy T. Medlin  
Deputy Town Manager

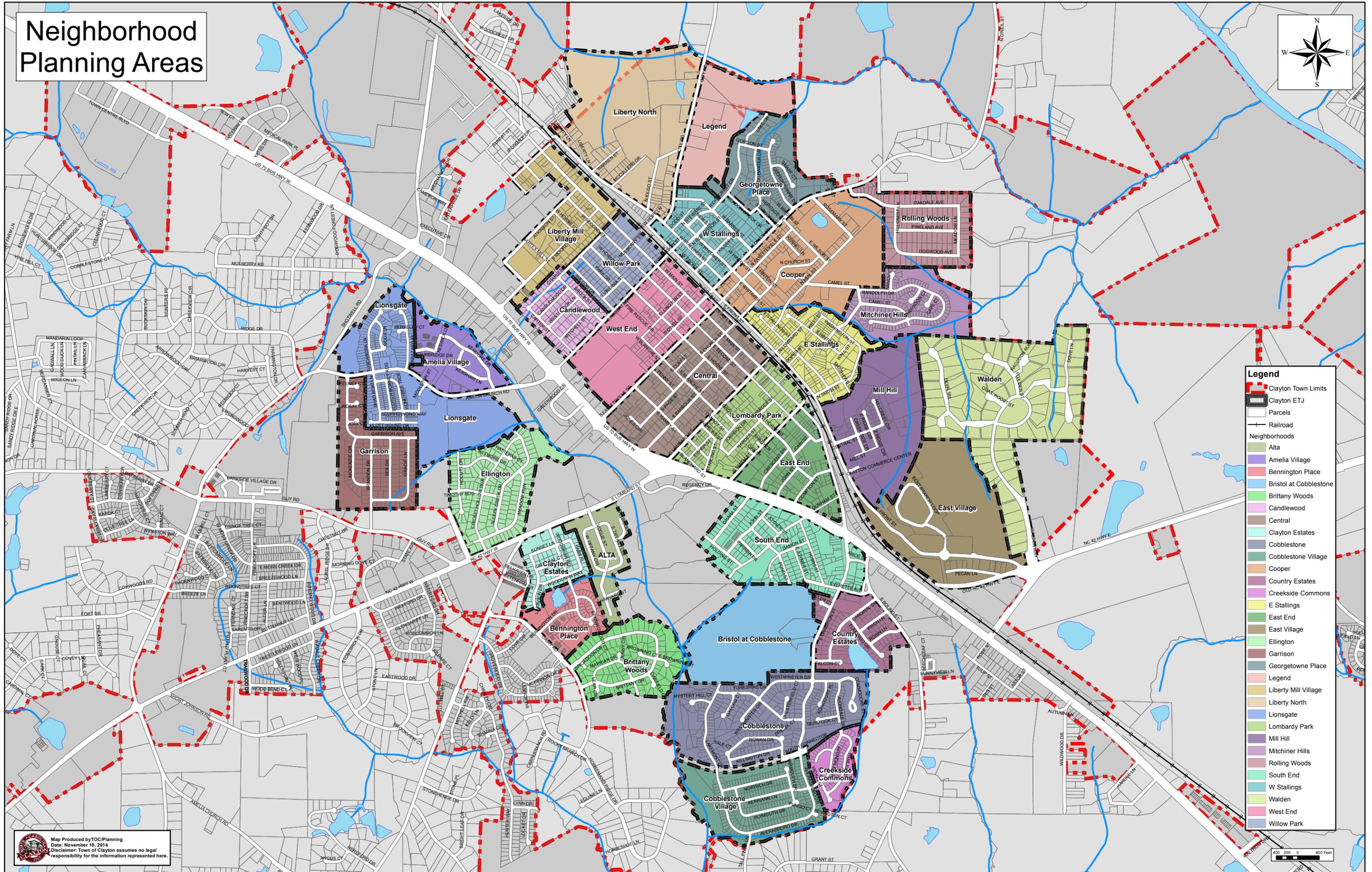
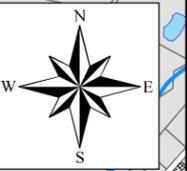


Robert W. McKie, Jr.  
Finance Director

# Concept Plan Drawing



# Neighborhood Planning Areas



- Legend**
- Clayton Town Limits
  - Clayton ETJ
  - Parcels
  - Railroad
  - Neighborhoods**
  - Alta
  - Amelia Village
  - Bennington Place
  - Bristol at Cobblestone
  - Brittany Woods
  - Candlewood
  - Central
  - Clayton Estates
  - Cobblestone
  - Cobblestone Village
  - Cooper
  - Country Estates
  - Creekside Commons
  - E Stallings
  - East End
  - East Village
  - Ellington
  - Garrison
  - Georgetowne Place
  - Legend
  - Liberty Mill Village
  - Liberty North
  - Lionsgate
  - Lombardy Park
  - Mill Hill
  - Mitchiner Hills
  - Rolling Woods
  - South End
  - W Stallings
  - Walden
  - West End
  - Willow Park

Map Produced by TOC/Planning  
 Date: November 10, 2014  
 Disclaimer: Town of Clayton assumes no legal responsibility for the information represented here.

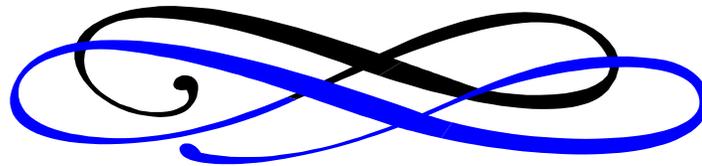


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# Town of Clayton

## MISSION STATEMENT:

*Premier Community for Active Families*



### 2012 – 2017 Goals:

*Grow the Local Economy*

*Financially Responsible Town Government Providing  
Quality Service*

*Manage Growth Producing Quality Developments*

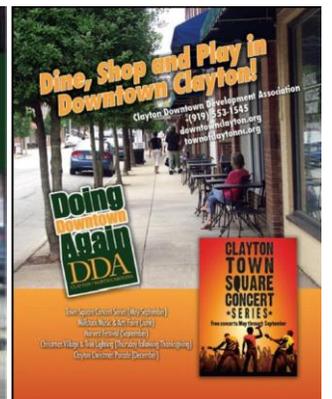
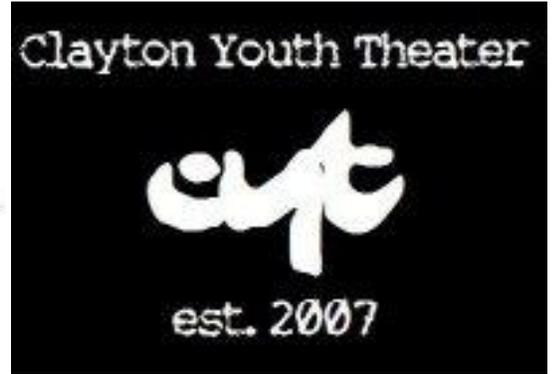
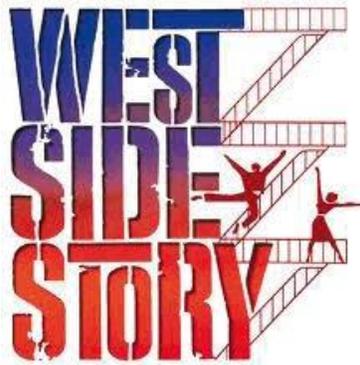
*Expand Leisure Opportunities and Arts Community*

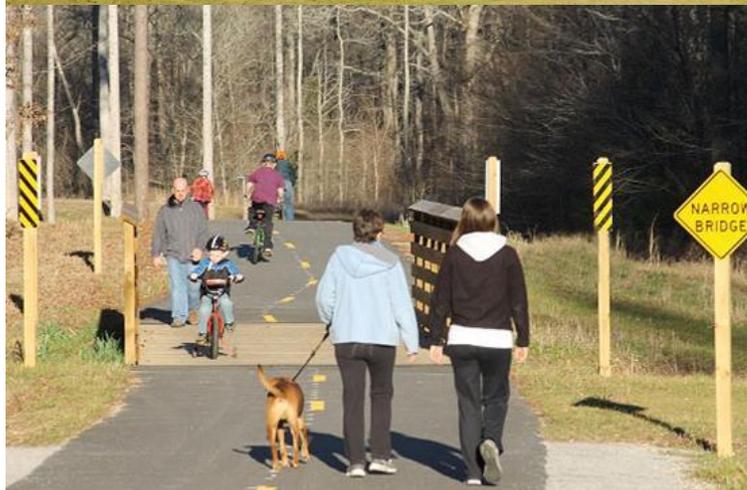
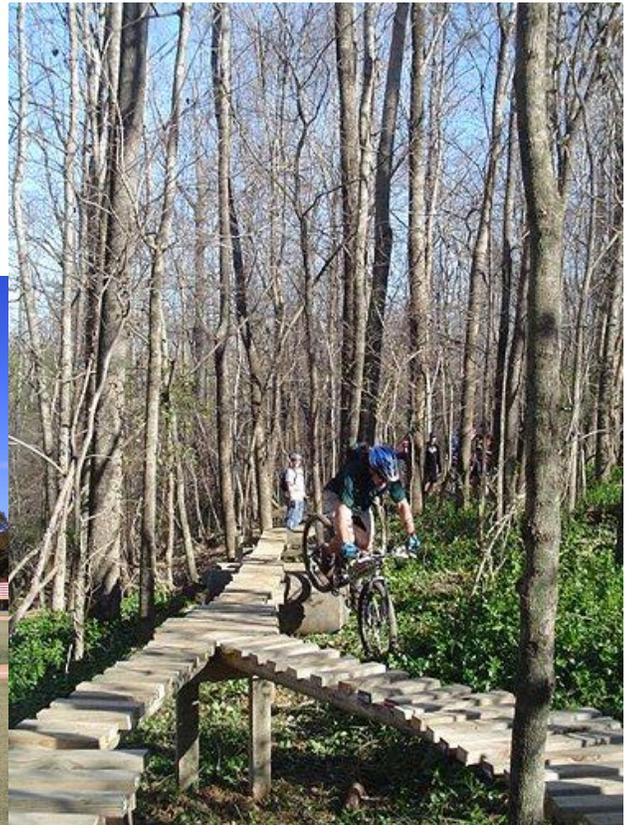
*Beautify the Town of Clayton and Create an Arts  
Community*

*Think Downtown*

Think CLAYTON. Think Art.

UNPLUGGED:  
Clayton Music & Art







Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Clayton  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

# Area Map and History of the Town of Clayton

The Town of Clayton, named for Senator John Middleton Clayton (1796-1856) from Delaware, was built on the road cut by Governor Tryon's troops as they moved from New Bern to Hillsborough against the Regulators during the War of the Regulation around 1770. The community, first known as Stallings' Station, was a depot for the North Carolina Railroad in the home of Mrs. Sarah Stallings. Such names as Hinton's Quarter, Roxborough, Stallings Station and Gulley's Store were established centers of activity and helped advance the countryside during the years before Clayton was given its name. The name for the Gulley's Store Post Office, which was established on December 3, 1845, was officially changed to Clayton on January 30, 1856 and incorporated by the General Assembly on April 12, 1869.

After the Civil War, along with the extension of the railroad, businesses began to be established. Businesses that flourished during that time were a turpentine distillery, lumber plants, a brick kiln, a cotton gin, gristmill, sawmill, tobacco warehouses and two cotton mills. Farm products made markets a necessity and the convenience of the railroad made watermelon growing especially successful. The first tobacco sales were held in 1909.

Public education began in Clayton around 1853 when Mr. H.L. Hinton of New Jersey came south and opened

Clayton Academy which operated until the construction of the Clayton Graded School. The Clayton Graded School, built in 1915 and the Clayton Grammar School and Municipal Auditorium, built in 1926 is located at 111 East Second Street. Built on 23 acres of land in the Classical Revival architectural style the school was in operation as a public school until closing in the spring of 1997. The building then sat empty until the former grade school building was renovated and converted into the Clayton Government Services complex and the former Municipal Auditorium and grammar school building was renovated and converted into the Clayton Cultural Arts Center. Both buildings were reopened to the public in January 2003, establishing a focal point for Clayton. While creating a sense of the new Clayton, the buildings still preserve the best of the old and a sense of the past in their design. The buildings are listed in the National Register of Historic Places.

Clayton is the fastest growing town in Johnston County and is located near two interstate highways: I-40 and I-95, on the western edge of the County. Today it is a thriving community with a population of 16,116 per the 2010 Census. Clayton is convenient to several major cities: Raleigh (15 minutes to the west), Research Triangle Park (30 minutes west) and Durham (35 minutes west). Flourishing retail and medical services sectors make Clayton a destination for residents of surrounding areas.

Industry, in the form of bio-pharmaceutical companies like Grifols, Hospira, and Novo Nordisk employs many of the Clayton area residents. Caterpillar is also major employer in the Clayton area. With industrial expansion and rapid residential growth, Clayton continues to be a prosperous town in which to live and work.



# **Town of Clayton Members of Town Council And Related Support Personnel**



**Pictured above:**

**Front Row: Councilman Bob Satterfield, Mayor Jody L. McLeod, Mayor Pro Tem Michael Grannis, and Councilman R.S. “Butch” Lawter Jr.**

**Second Row: Town Clerk Sherry L. Scoggins, Councilman Jason Thompson, Town Manager Steve Biggs, Councilman Art Holder, Town Attorney Katherine E. Ross, and Deputy Town Manager Nancy T. Medlin**

# Town of Clayton Administrative Staff

**R. Steve Biggs**

**Town Manager**

**Nancy T. Medlin**

**Deputy Town Manager**

**Robert W. McKie, Jr.**

**Finance Director**

**Parker Poe Adams &  
Bernstein LLP  
Town Attorney**

**Sherry Scoggins**

**Town Clerk**

**Dale Medlin**

**Electric System Director**

**Tim Simpson**

**Public Works Director**

**Lee Barbee**

**Fire Chief**

**R.W. Bridges**

**Police Chief**

**Christie Starnes**

**Library Director**

**Catherine Whitley  
Human Resources  
Director**

**Ann Game  
Customer Service  
Director**

**Larry Bailey**

**Recreation Director**

**Scotty Henley**

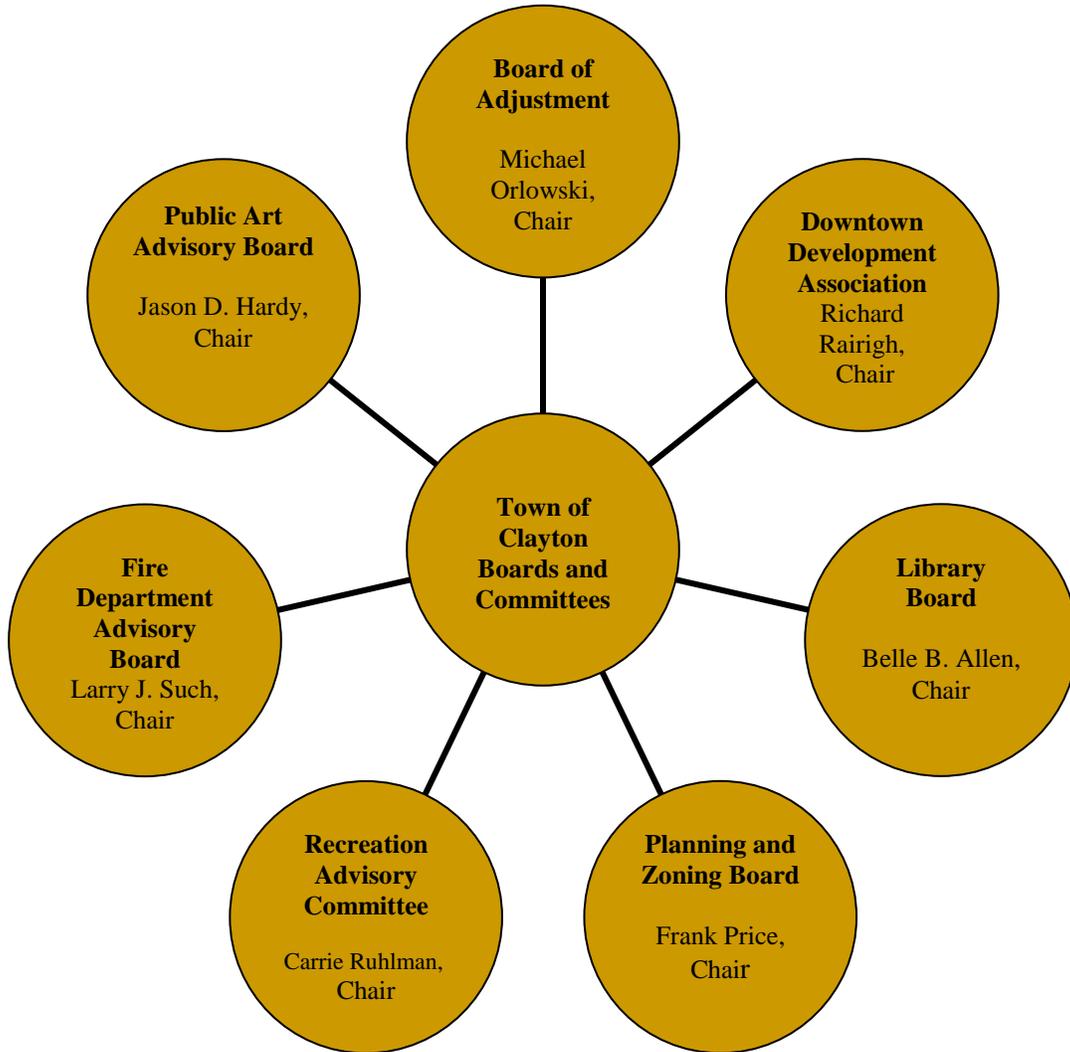
**Cultural Arts Director**

**David DeYoung**

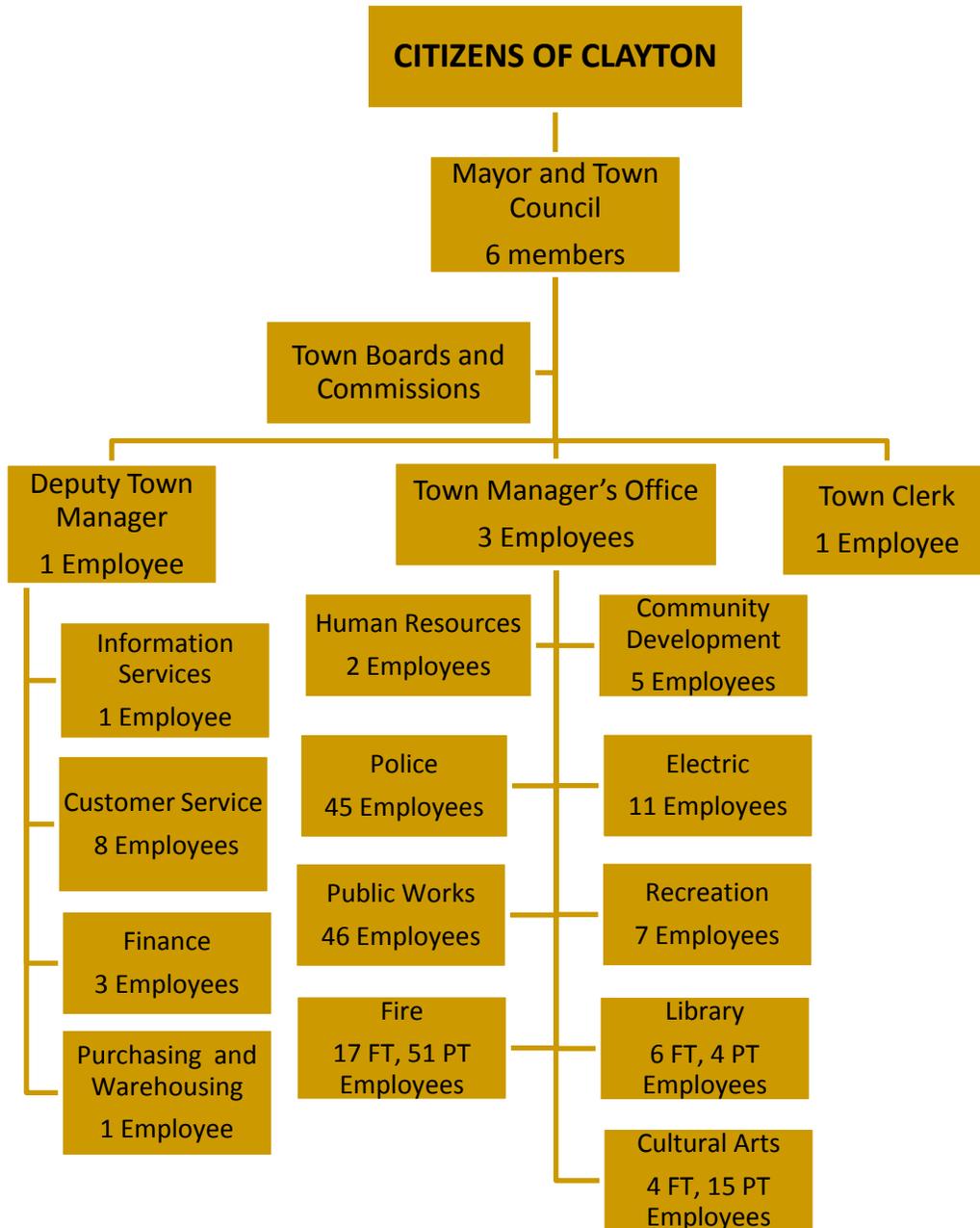
**Planning Director**

**Stacy Beard  
Public Information  
Officer**

# Town of Clayton Boards and Committees



# Town of Clayton Organizational Chart



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## **FINANCIAL SECTION**



220 East Washington Street  
 Post Office Box 697  
 Rockingham, North Carolina 28380  
 (910) 895-2899

Other Office Locations:  
 Seven Lakes, North Carolina  
 Gastonia, North Carolina  
 Statesville, North Carolina

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor  
 and Members of the Town Council  
 Clayton, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements 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, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clayton Downtown Development Association. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Clayton Downtown Development Association, is based solely on the report of another auditor. 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 of material misstatement. The financial statements of the Clayton Downtown Development Association were not audited in accordance with Government Auditing Standards.

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 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 financial statement 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, based on our audit and the report of the other auditors, 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, North Carolina as of June 30, 2014, and the respective changes in financial position and cash flows, where appropriate, thereof and the budgetary comparison for the General Fund 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, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions, on pages 3 through 14 and 52 through 55, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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 and the other auditors 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.

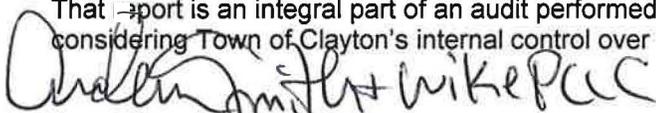
### **Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Clayton, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposed of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules 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 September 27, 2014 on our consideration of Town of Clayton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the 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 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 Town of Clayton's internal control over financial reporting and compliance.



Rockingham, NC  
October 3, 2014

## Management's Discussion and Analysis

As management of the Town of Clayton, we offer readers of the Town of Clayton's financial statements this narrative overview and analysis of the financial activities of the Town of Clayton for the fiscal year ended June 30, 2014. We encourage readers to review the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

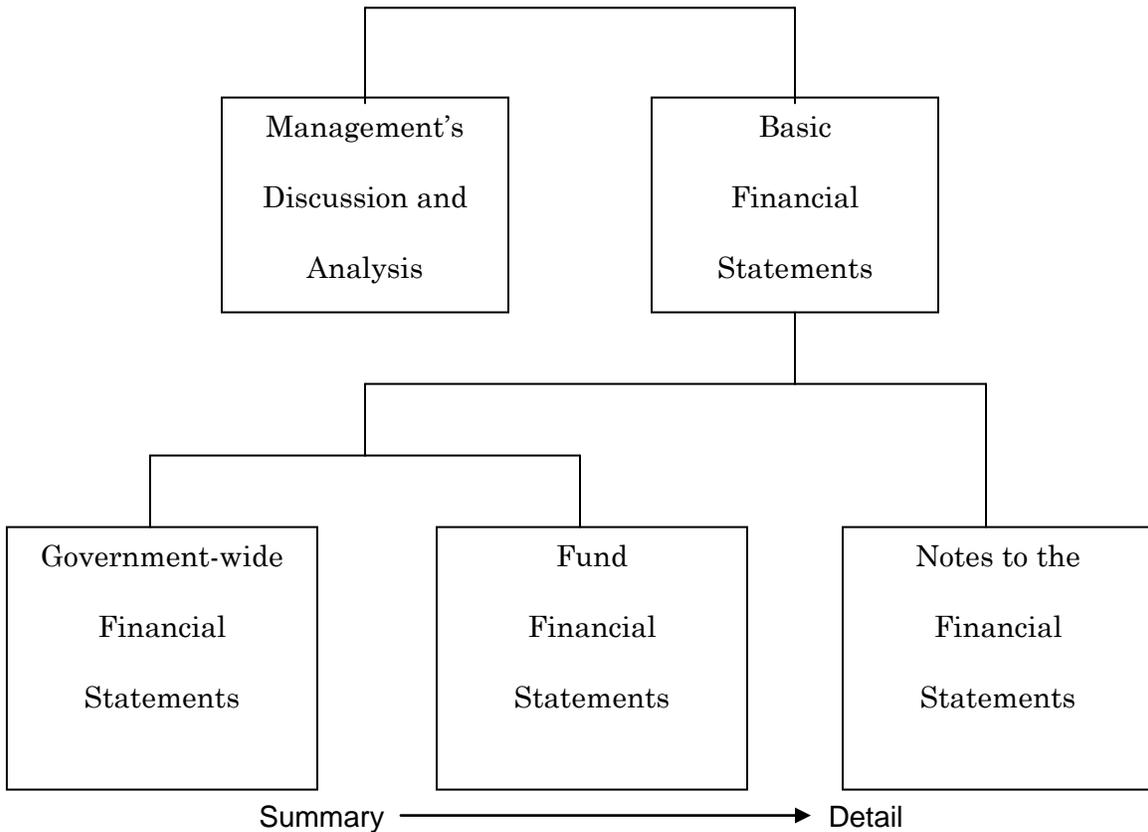
### Financial Highlights

- The assets and deferred outflows of resources of the Town of Clayton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$78,102,158 (*net position*). Of this amount \$16,261,504 (*unrestricted net assets*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$5,391,659, primarily due to increases in the net position of both governmental and business-type activities.
- As of the close of the current fiscal year, the Town of Clayton's governmental funds reported combined ending fund balances of \$9,121,795, a decrease of \$30,796 in comparison with the prior year. Approximately 29.11% of the ending fund balance, or \$2,654,958 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,194,760, or 22.01% of total general fund expenditures for the fiscal year.
- The Town of Clayton's total debt decreased by \$2,431,816 (7.68%) during the current fiscal year. Total General Fund debt decreased by \$1,595,828 (7.07%). The key factor attributable to this decrease was rapid amortization of the existing debt burden partially offset by the issuance of a \$650,000 revenue bond for Electric System improvements related to new development activity.
- The Town of Clayton received a bond rating upgrade to Aa2 from Aa3 by Moody's Investor Service on September 11, 2014 and maintained its AA bond rating with Standard & Poor's.

### Overview of the Financial Statement

This discussion and analysis are intended to serve as an introduction to the Town of Clayton's basic financial statements. The Town of Clayton's basic financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. This report also contains other supplemental information in addition to the basic financial statements, which will enhance the reader's understanding of the financial condition of the Town of Clayton.

## Required Components of Annual Financial Report



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 10) are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government and provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be located in this part of the statements.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide the reader with a broad overview of the Town of Clayton's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business type activities; and 3) component units. The governmental activities of the Town of Clayton include general government, public safety, public works, and culture and recreation, which are principally supported by taxes and intergovernmental revenues. The business-type activities of the Town of Clayton include a water distribution, wastewater treatment, and an electric distribution operation that the Town charges customers to provide. The final category is the component unit. The Clayton Downtown Development Association (DDA) is a legal separate entity from the Town and plays a vital role in the Town's economic development initiative. The Town of Clayton exercises control over the DDA by appointing its board members and has the ability to impose its will on the DDA.

The government-wide financial statements can be found on Exhibits 1 and 2 of this report.

**Fund Financial Statements** – The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Clayton, like other governmental entities in North Carolina, uses fund accounting to ensure and demonstrate compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Clayton can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. However, unlike the government-wide financial statements, governmental funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements provide a detailed short-term view that facilitates the reader in determining if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Town of Clayton maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and six capital project funds, which are all considered being major funds.

The Town of Clayton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Town Council (Council) about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented in the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and actual resources and charges.

The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

***Proprietary Funds*** - The Town of Clayton maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Clayton uses enterprise funds to account for its water and sewer operations and for its electric distribution operation. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and Statement of Activities.

The basic proprietary fund financial statements can be found on Exhibits 7 through 9 of this report.

***Fiduciary Funds*** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Clayton's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibit 10 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27-51 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Clayton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 52 of this report.

## Government-Wide Financial Analysis

### Town of Clayton's Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 10,801,192	\$ 10,475,598	\$ 14,278,122	\$ 12,422,609	\$ 25,079,314	\$ 22,898,207
Capital assets	48,000,954	46,464,380	39,913,884	39,528,746	87,914,838	85,993,126
Deferred outflows of resources	-	-	-	-	-	-
<b>Total assets and deferred outflows of resources</b>	<b>58,802,146</b>	<b>56,939,978</b>	<b>54,192,006</b>	<b>51,951,355</b>	<b>112,994,152</b>	<b>108,891,333</b>
Long-term liabilities	20,250,772	21,618,259	7,197,350	6,250,982	27,448,122	27,869,241
Other liabilities	3,023,432	2,729,976	3,911,280	5,114,783	6,934,712	7,844,759
Deferred inflows of resources	351,842	309,516	157,318	157,318	509,160	466,834
<b>Total liabilities and deferred inflows of resources</b>	<b>23,626,046</b>	<b>24,657,751</b>	<b>11,265,948</b>	<b>11,523,083</b>	<b>34,891,994</b>	<b>36,180,834</b>
Net position:						
Net investment in capital assets	27,537,113	24,372,799	31,662,302	30,650,069	59,199,415	55,022,868
Restricted	2,634,979	2,118,449	6,260	208,893	2,641,239	2,327,342
Unrestricted	5,004,008	5,790,979	11,257,496	9,569,310	16,261,504	15,360,289
<b>Total net position</b>	<b>\$ 35,176,100</b>	<b>\$ 32,282,227</b>	<b>\$ 42,926,058</b>	<b>\$ 40,428,272</b>	<b>\$ 78,102,158</b>	<b>\$ 72,710,499</b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of the Town of Clayton exceeded liabilities and deferred inflows by \$78,102,158 as of June 30, 2014. The Town's net position increased by \$5,391,659 for the fiscal year ended June 30, 2014, primarily due to increases in both governmental and business-type activities.

By far the largest portion of the Town of Clayton's net position (75.8%) reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Clayton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Clayton's net investment in capital assets is reported net of related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Clayton's net position, \$2,641,239, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16,261,504 is unrestricted, which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Clayton is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Restricted net position increased by \$516,530 for the Town's governmental activities, primarily due to a reduction in the utilization of Powell Bill monies and a higher stabilization by State statute requirement. There was a decrease of \$202,633 in restricted net position reported for business-type activities, primarily due to the completion of the Elevated Water Storage Tank project.

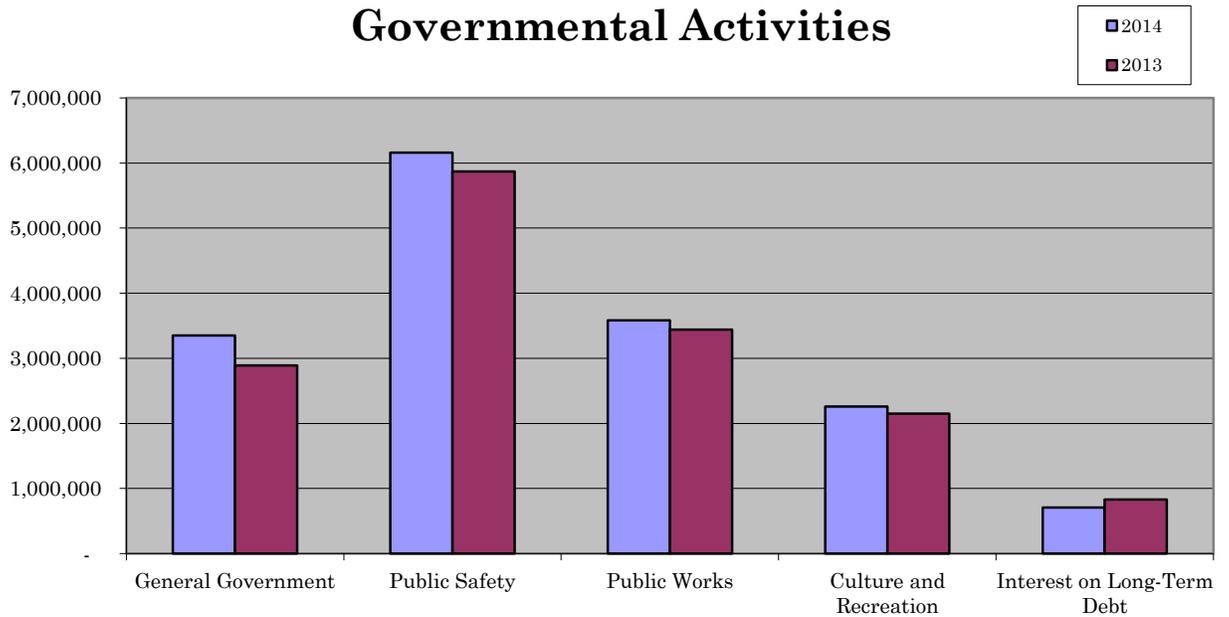
## Town of Clayton Changes in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues						
Charges for services	\$ 2,886,552	\$ 2,737,903	\$ 20,295,212	\$ 19,902,046	\$ 23,181,764	\$ 22,639,949
Operating grants and contributions	1,117,363	1,023,369	308,526	335,072	1,425,889	1,358,441
Capital grants and contributions	1,793,819	1,588,744	293,551	479,412	2,087,370	2,068,156
General revenues:						
Property taxes	8,569,899	8,049,338	-	-	8,569,899	8,049,338
Other taxes	1,485,579	1,475,237	-	-	1,485,579	1,475,237
Grants and contributions not restricted to specific programs	2,779,365	2,718,488	-	-	2,779,365	2,718,488
Unrestricted investment earnings	10,784	22,805	7,026	10,761	17,810	33,566
Miscellaneous	308,148	520,956	2,085,958	2,421,613	2,394,106	2,942,569
Total revenue	<u>18,951,509</u>	<u>18,136,840</u>	<u>22,990,273</u>	<u>23,148,904</u>	<u>41,941,782</u>	<u>41,285,744</u>
Expenses:						
General government	3,349,078	2,889,392	-	-	3,349,078	2,889,392
Public safety	6,159,070	5,870,952	-	-	6,159,070	5,870,952
Public works	3,583,516	3,438,151	-	-	3,583,516	3,438,151
Culture and recreation	2,259,979	2,147,576	-	-	2,259,979	2,147,576
Interest on long-term debt	705,993	832,444	-	-	705,993	832,444
Water and Sewer	-	-	7,759,838	7,121,581	7,759,838	7,121,581
Electric	-	-	12,732,649	12,427,570	12,732,649	12,427,570
Total expenses	<u>16,057,636</u>	<u>15,178,515</u>	<u>20,492,487</u>	<u>19,549,151</u>	<u>36,550,123</u>	<u>34,727,666</u>
Increase in net position before transfers	2,893,873	2,958,325	2,497,786	3,599,753	5,391,659	6,558,078
Transfers	-	685,692	-	(685,692)	-	-
Increase in net position	<u>2,893,873</u>	<u>3,644,017</u>	<u>2,497,786</u>	<u>2,914,061</u>	<u>5,391,659</u>	<u>6,558,078</u>
Net position, July 1 (consolidated)	<u>32,282,227</u>	<u>28,638,210</u>	<u>40,428,272</u>	<u>37,514,211</u>	<u>72,710,499</u>	<u>66,152,421</u>
Net position, June 30	<u>\$ 35,176,100</u>	<u>\$ 32,282,227</u>	<u>\$ 42,926,058</u>	<u>\$ 40,428,272</u>	<u>\$ 78,102,158</u>	<u>\$ 72,710,499</u>

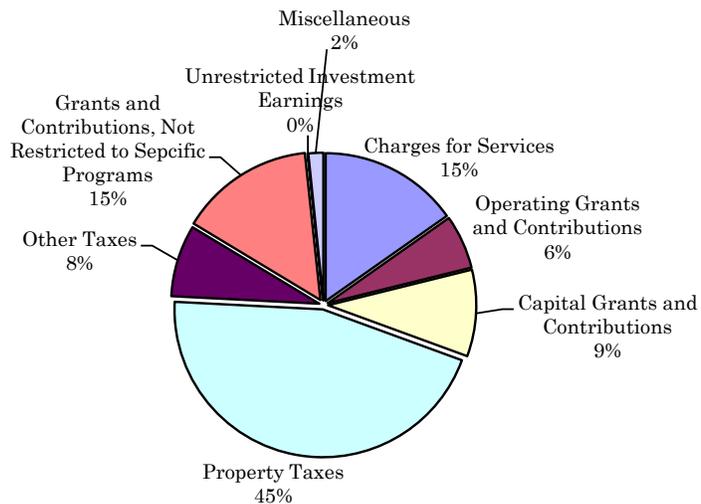
**Governmental activities.** Governmental activities increased the Town's net position by \$2,893,873, thereby accounting for 53.67% of the total growth in the net position of the Town of Clayton. Key elements of this increase are as follows:

- Property taxes increased 6.47%, or \$520,561, primarily due to a higher tax base in conjunction with an improved collection rate for registered motor vehicles attributable to a change in State law.
- Building permits and inspection and rezoning fees increased by \$342,542, or 51.1%, primarily due to ongoing development activity.
- Grants and contributions revenues increased by \$359,946, primarily due to State funding received for the ongoing East Front Street Extension project.
- Expenses increased 5.79%, or \$879,121, primarily for general government, public safety, public works, and culture and recreation due to higher salaries attributable to additional staffing and the restoration of a merit based evaluation process, economic development incentives, full-time operation and maintenance of newly completed capital projects, and higher operating costs associated with a full year operation of a 24/7/365 full engine company at both fire stations. The Town continues to monitor revenues and expenses closely.

## Expenses and Program Revenues - Governmental Activities



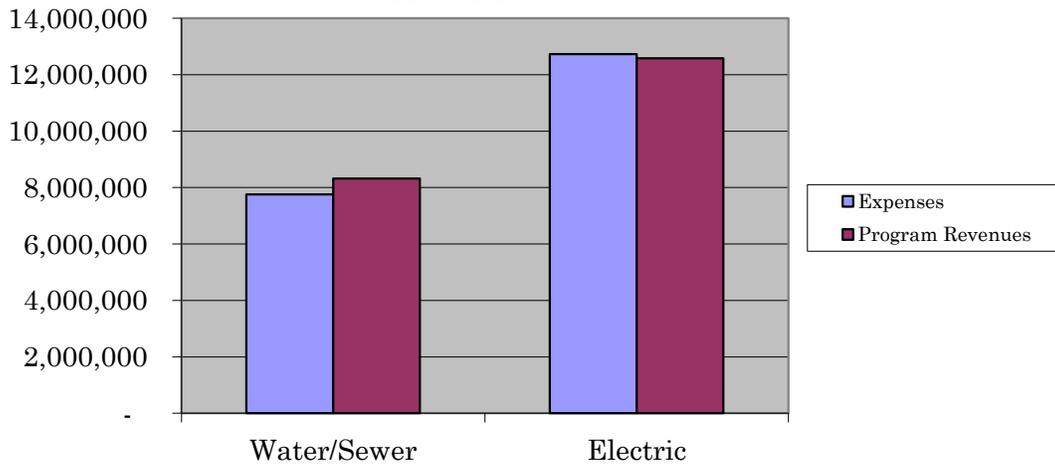
## Revenues by Source - Governmental Activities



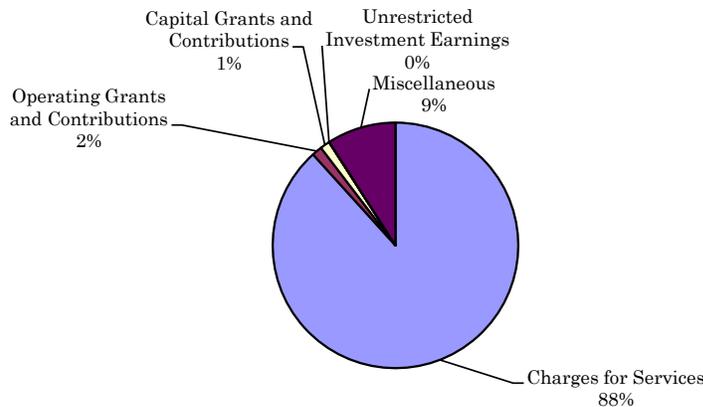
**Business-type activities.** Business-type activities increased the Town of Clayton's net position by \$2,497,786, accounting for a 46.33% increase in the government's net position. Key elements of this increase are as follows:

- Charges for services for business-type activities increased 1.98%, or \$393,166, primarily due to higher revenues generated by the wastewater treatment and electric distribution operations.
- Capacity fees totaled \$1,906,494, or a 5.28% decrease. New development activity remains strong.
- Grants and contributions decreased by \$212,407, primarily due to completion of the Elevated Water Storage Tank project.
- Expenses increased 4.83%, or \$943,336, primarily due to a \$620,750 purchase for 191,000 gallons per day of additional water capacity, higher contract services costs for waste water treatment, and a \$239,304 increase in power purchases in conjunction with higher system repairs and maintenance costs incurred in the electric distribution operation.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source - Business-type Activities**



## Financial Analysis of the Town's Funds

As noted earlier, the Town of Clayton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town of Clayton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Clayton's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Clayton's governmental funds reported combined ending fund balances of \$9,121,795 with a net decrease in fund balance of \$30,796, primarily due to a decrease in the General Fund in conjunction with decreases resulting from final construction billings to closeout the related capital project in the 2012 GO Bonds East Clayton Community Park Fund and 2009 GO Bonds Streets Project Fund.

The General Fund is the chief operating fund of the Town of Clayton. At the end of the current fiscal year, unassigned fund balance was \$4,194,760, while total fund balance reached \$8,474,713. The Town of Clayton's governing body has determined the Town should maintain an unassigned fund balance of 20% of actual net expenditures and an operating standard of 30%. The Town currently has unassigned fund balance of 21.99% of actual net expenditures. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 44.46% of total general fund expenditures. Fund balance of the Town of Clayton's General Fund decreased by \$20,680 during the current fiscal year. Key components of this change are as follows:

- Revenues from ad valorem taxes increased \$602,919, primarily due to a higher tax base coupled with an improved collection rate for registered motor vehicles that resulted from a change in State law.
- Intergovernmental revenues increased \$1,249,050 due to higher grant revenues by \$1,044,847, primary attributable to the East Front Street Extension project, and higher sales tax revenue by \$96,348.
- Permits and fees revenues increased \$171,042, primarily due to increased activity for building permits.
- Miscellaneous revenues decreased \$212,808, primarily due to the timing of developer reimbursements for the East Front Street Extension project.
- Investment income was 50.12% lower, or \$10,829, primarily due to lower investment earnings from the North Carolina Capital Management Trust Term Portfolio, which is attributable to the historically low short-term interest rates implemented by the Federal Reserve.
- Capital outlay expenditures increased \$1,915,682, primarily related to the East Front Street Extension project.
- Total expenditures were 5.77% lower than budgeted.

## General Fund Budgetary Highlights

During the year there was a \$776,560 increase in appropriations between the original and final amended budget resulting from additional capital outlay requirements for equipment, the Sam's Branch Trailhead acquisition, and infrastructure improvements.

**Proprietary Funds.** The Town of Clayton's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$7,036,751, and for the Electric Fund, \$4,220,745. The total change in net position for the Water and Sewer and the Electric Funds was \$2,543,226 and (\$45,440), respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Clayton's business-type activities.

## Capital Asset and Debt Administration

**Capital Assets.** The Town of Clayton's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to \$87,914,838 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the Town of Clayton's investment in capital assets for the current fiscal year was 2.24% (a 79.96% increase for governmental activities and an 20.04% increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction in progress of \$2,375,298 in governmental-type activities primarily for the East Front Street Extension project, Pedestrian Connector project, and Neuse River project.
- In business-type activities, completion of \$2,229,973 Elevated Water Storage Tank project in the Water and Sewer Fund and the addition of \$715,850 of infrastructure required for new development activity in the Electric Fund.
- No major demolitions were recorded this year.

### Town of Clayton's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,621,670	\$ 5,534,925	\$ 138,600	\$ 138,600	\$ 5,760,270	\$ 5,673,525
Nitrogen credits	-	-	2,633,113	2,633,113	2,633,113	2,633,113
Construction in progress	2,375,298	473,516	766,530	2,971,935	3,141,828	3,445,451
Total non-depreciable assets	7,996,968	6,008,441	3,538,243	5,743,648	11,535,211	11,752,089
Water capacity allocation rights	-	-	3,600,000	3,600,000	3,600,000	3,600,000
Building and improvements	29,907,815	29,891,725	3,096,846	3,096,846	33,004,661	32,988,571
Plant, machinery, and equipment	3,315,156	2,878,289	45,542,804	41,733,341	48,857,960	44,611,630
Vehicles	6,056,044	5,860,908	1,675,740	1,626,475	7,731,784	7,487,383
Infrastructure	14,205,293	13,917,598	-	-	14,205,293	13,917,598
Total depreciable assets	53,484,308	52,548,520	53,915,390	50,056,662	107,399,698	102,605,182
Accumulated depreciation	(13,480,322)	(12,092,581)	(17,539,749)	(16,271,564)	(31,020,071)	(28,364,145)
Total depreciable assets, net	40,003,986	40,455,939	36,375,641	33,785,098	76,379,627	74,241,037
Total	\$ 48,000,954	\$ 46,464,380	\$ 39,913,884	\$ 39,528,746	\$ 87,914,838	\$ 85,993,126

Additional information on the Town's capital assets can be found in Note 2 of the Basic Financial Statements.

**Long-term Debt.** At the end of the current fiscal year, the Town of Clayton had total bonded debt outstanding of \$7,829,746. Of this amount, \$5,720,000 comprises debt backed by the full faith and credit of the Town of Clayton and \$2,109,746 is backed by the revenues of the associated enterprise fund. The remainder of the Town of Clayton's debt represents installment purchase financings.

**Town of Clayton's Outstanding Debt**  
General Obligation, Revenue Bonds and Installment Financings

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 5,720,000	\$ 6,110,000	\$ -	\$ 80,000	\$ 5,720,000	\$ 6,190,000
Revenue bonds	-	-	2,109,746	-	2,109,746	-
BANs	-	-	-	1,604,000	-	1,604,000
Installment purchases	14,743,841	15,981,581	6,141,836	7,403,570	20,885,677	23,385,151
Pension related debt	512,646	480,734	-	-	512,646	480,734
Total	<u>\$ 20,976,487</u>	<u>\$ 22,572,315</u>	<u>\$ 8,251,582</u>	<u>\$ 9,087,570</u>	<u>\$ 29,228,069</u>	<u>\$ 31,659,885</u>

The Town's total debt decreased \$2,431,816, or 7.68%, during the current fiscal year primarily due a moderate debt burden with rapid amortization. The Town also issued \$650,000 in revenue bonds to finance new infrastructure for its electric distribution operations.

The Town of Clayton maintained its AA bond rating from Standard and Poor's Corporation and received an upgrade to Aa2 from Aa3 by Moody's Investor Service on September 11, 2014.

North Carolina general statutes limit the amount of general obligation debt that a unit of government may issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The current debt limitation for the Town of Clayton is \$111,647,059, which is significantly in excess of the Town of Clayton's outstanding general obligation debt.

Additional information regarding the Town of Clayton's long-term debt can be found in Note 2 of this report.

**Budget Highlights for the Fiscal Year Ending June 30, 2015**

The following key economic indicators reflect the growth and prosperity of the Town.

- The unemployment rate for Johnston County is approximately 5.5%, which reflects continued improvement from a rate of 7.4% a year ago. The State average is 6.4% compared to 8.3% a year ago.
- Higher median household income. The median household income estimate for the Town was \$61,218 compared to \$50,132 for Johnston County and \$46,450 for the State.

- The rising growth trend is expected to create additional pressures on the Town to satisfy public expectations and will trigger budgetary catch-up, primarily for staffing, equipment, technology, capital outlay, and building maintenance. Budgeted expenditures in the General Fund are expected to rise 4.88% while revenue growth remains strong. Funding for a 1.5% cost-of-living adjustment (COLA) and a merit pool of 0% - 3% effective January 1, 2015 are included. The 2015 budget does not propose changes to the tax rate.
- The Town has chosen to appropriate \$1,759,154 for spending in the 2015 fiscal year budget, primarily to make a \$1.2 million land purchase for future recreational development. The remainder is assigned for rolling stock and the drawdown of existing Powell Bill funds for qualifying street expenditures.
- The Water and Sewer Fund will incur a wholesale water cost increase that results in a small increase to the retail rate. The retail rate will increase by \$0.17 per 1,000 gallons of use. All major capital outlay has been excluded in favor of an upcoming strategically planned capital budget with a revenue bond program. A comprehensive analysis of rates will be performed in conjunction with the proposed revenue bond program.
- No changes are proposed to retail electric rates. The standard development fee for placement of a new electric meter will increase to \$75 to achieve 100% cost recovery.

All of these factors were considered in preparing the Town of Clayton's budget for the 2015 fiscal year. The budget incorporates the goals and policies adopted by Council.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Clayton's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Finance Director, Town of Clayton, PO Box 879, Clayton, North Carolina 27528.

# **BASIC FINANCIAL STATEMENTS**

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

**Exhibit 1**  
**Page 1 of 2**

	Primary Government			Clayton Downtown Development Association
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 7,807,012	\$ 10,549,682	18,356,694	\$ 9,845
Taxes receivables (net)	53,498	-	53,498	-
Accounts receivable (net)	744,452	2,954,934	3,699,386	-
Due from/to other governments	1,113,582	-	1,113,582	-
Inventories	19,979	767,246	787,225	-
Restricted cash and cash equivalents	<u>1,062,669</u>	<u>6,260</u>	<u>1,068,929</u>	<u>-</u>
Total current assets	<u>10,801,192</u>	<u>14,278,122</u>	<u>25,079,314</u>	<u>9,845</u>
<b>Non-current assets</b>				
<b>Capital assets (Note 3)</b>				
Land, non-depreciable improvements and construction in progress	7,996,968	3,538,243	11,535,211	-
Other capital assets, net of depreciation	<u>40,003,986</u>	<u>36,375,641</u>	<u>76,379,627</u>	<u>-</u>
Total capital assets	<u>48,000,954</u>	<u>39,913,884</u>	<u>87,914,838</u>	<u>-</u>
 Total assets	 <u>\$58,802,146</u>	 <u>\$54,192,006</u>	 <u>\$ 112,994,152</u>	 <u>\$ 9,845</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

**Exhibit 1**  
**Page 2 of 2**

	Primary Government			Clayton Downtown Development Association
	Governmental Activities	Business-type Activities	Total	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,274,057	\$ 2,149,695	\$ 3,423,752	\$ -
Customer deposits	-	541,100	541,100	-
Current portion of long-term liabilities	<u>1,749,375</u>	<u>1,220,485</u>	<u>2,969,860</u>	-
<b>Total current liabilities</b>	<u>3,023,432</u>	<u>3,911,280</u>	<u>6,934,712</u>	<u>-</u>
<b>Long-term liabilities</b>				
Due in more than one year	<u>20,250,772</u>	<u>7,197,350</u>	<u>27,448,122</u>	<u>-</u>
<b>Total liabilities</b>	<u>23,274,204</u>	<u>11,108,630</u>	<u>34,382,834</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Assessments	288,966	157,318	446,284	-
Prepaid rent	13,798	-	13,798	-
Prepaid taxes	<u>49,078</u>	<u>-</u>	<u>49,078</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>351,842</u>	<u>157,318</u>	<u>509,160</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment of capital assets	27,537,113	31,662,302	59,199,415	-
Restricted for:				
Other functions-Powell Bill	257,390	-	257,390	-
Public Improvements	643,840	-	643,840	-
USDA debt service reserve	146,800	6,260	153,060	-
Public Safety	11,800	-	11,800	-
Cultural and recreational	2,839	-	2,839	-
Stabilization by State Statute	1,569,068	-	1,569,068	-
Cemetery perpetual care	3,242	-	3,242	-
Unrestricted	<u>5,004,008</u>	<u>11,257,496</u>	<u>16,261,504</u>	<u>9,845</u>
<b>Total net position</b>	<u>35,176,100</u>	<u>42,926,058</u>	<u>78,102,158</u>	<u>9,845</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$58,802,146</u>	<u>\$54,192,006</u>	<u>\$ 112,994,152</u>	<u>\$ 9,845</u>

**TOWN OF CLAYTON, NORTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014**

**Exhibit 2**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position							
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government							
					Governmental Activities	Business-type Activities	Total					
<b>Primary government</b>												
Governmental activities												
General government operations	\$ 3,349,078	\$ 1,012,842	\$ 73,315	\$ -	\$ (2,262,921)	\$ -	\$ (2,262,921)	\$ -				
Public safety	6,159,070	18,915	1,044,048	2,022	(5,094,085)	-	(5,094,085)	-				
Public works	3,583,516	1,392,393	-	1,791,797	(399,326)	-	(399,326)	-				
Cultural and recreational	2,259,979	462,402	-	-	(1,797,577)	-	(1,797,577)	-				
Interest on long-term debt	705,993	-	-	-	(705,993)	-	(705,993)	-				
Total governmental activities	<u>16,057,636</u>	<u>2,886,552</u>	<u>1,117,363</u>	<u>1,793,819</u>	<u>(10,259,902)</u>	<u>-</u>	<u>(10,259,902)</u>	<u>-</u>				
<b>Business-type activities</b>												
Water and sewer	7,759,838	7,784,396	241,915	293,551	-	560,024	560,024	-				
Electric	12,732,649	12,510,816	66,611	-	-	(155,222)	(155,222)	-				
Total business-type activities	<u>20,492,487</u>	<u>20,295,212</u>	<u>308,526</u>	<u>293,551</u>	<u>-</u>	<u>404,802</u>	<u>404,802</u>	<u>-</u>				
<b>Total primary government</b>	<u>\$ 36,550,123</u>	<u>\$ 23,181,764</u>	<u>\$ 1,425,889</u>	<u>\$ 2,087,370</u>	<u>\$ (10,259,902)</u>	<u>\$ 404,802</u>	<u>\$ (9,855,100)</u>	<u>\$ -</u>				
<b>Component unit</b>												
Clayton Downtown Development Association, Inc	\$ 37,792	\$ -	\$ -	\$ -	-	-	-	-				(37,792)
<b>General revenues</b>												
Property taxes, levied for general purposes					8,569,899	-	8,569,899	-				
Sales taxes					2,690,464	-	2,690,464	-				
Franchise taxes					1,380,167	-	1,380,167	-				
Alcoholic beverage taxes					72,303	-	72,303	-				
Other taxes					33,109	-	33,109	-				
Grants and contributions, not restricted to specific programs					88,901	-	88,901	-				
Unrestricted investment earnings					10,784	7,026	17,810	-				
Miscellaneous					308,148	2,085,958	2,394,106	36,284				
Transfers					-	-	-	-				
Total general revenues and transfers					<u>13,153,775</u>	<u>2,092,984</u>	<u>15,246,759</u>	<u>36,284</u>				
Change in net position					2,893,873	2,497,786	5,391,659	(1,508)				
Net position, beginning					32,282,227	40,428,272	72,710,499	11,353				
Net position, ending					<u>\$ 35,176,100</u>	<u>\$ 42,926,058</u>	<u>\$ 78,102,158</u>	<u>\$ 9,845</u>				

The notes to the financial statements are an integral part of this statement.

	Major Funds								Total Non-Major Fund	Total Governmental Funds
	General	Greenway Development Project	2012 GO Bonds East Clayton Park Project	Law Enforcement Center	2009A GO Bonds Recreation Project	2009A GO Bonds Streets Project	Parks & Rec. Capital Project			
<b>ASSETS</b>										
Cash and cash equivalents	\$ 7,803,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,242	\$ 7,807,012	
Restricted cash	418,829	224,377	44	122,683	40,045	18,219	238,472	-	1,062,669	
Receivables, net										
Taxes	53,498	-	-	-	-	-	-	-	53,498	
Accounts	744,452	-	-	-	-	-	-	-	744,452	
Due from other governments	1,113,582	-	-	-	-	-	-	-	1,113,582	
Due from other funds	-	-	-	-	-	-	-	-	-	
Inventories	19,979	-	-	-	-	-	-	-	19,979	
<b>Total assets</b>	<b>\$10,154,110</b>	<b>\$ 224,377</b>	<b>\$ 44</b>	<b>\$ 122,683</b>	<b>\$ 40,045</b>	<b>\$ 18,219</b>	<b>\$ 238,472</b>	<b>\$ 3,242</b>	<b>\$10,801,192</b>	
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable and accrued liabilities	\$ 1,274,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,274,057	
<b>Total liabilities</b>	<b>1,274,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 1,274,057</b>	
<b>Deferred Inflows of Resources</b>										
Assessments	288,966	-	-	-	-	-	-	-	288,966	
Property tax receivable	53,498	-	-	-	-	-	-	-	53,498	
Prepaid rent	13,798	-	-	-	-	-	-	-	13,798	
Prepaid taxes	49,078	-	-	-	-	-	-	-	49,078	
<b>Total Deferred Inflows of Resources</b>	<b>405,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>405,340</b>	
<b>Fund balances</b>										
Non Spendable										
Inventories	19,979	-	-	-	-	-	-	-	19,979	
Perpetual maintenance	-	-	-	-	-	-	-	3,242	3,242	
Restricted										
Stabilization by State Statute	1,569,068	-	-	-	-	-	-	-	1,569,068	
Streets - Powell Bill	257,390	-	-	-	-	-	-	-	257,390	
Public Improvements	-	224,377	44	122,683	40,045	18,219	238,472	-	643,840	
USDA debt service reserve	146,800	-	-	-	-	-	-	-	146,800	
Public Safety-Police	11,800	-	-	-	-	-	-	-	11,800	
Library	1,339	-	-	-	-	-	-	-	1,339	
Parks and recreation	1,500	-	-	-	-	-	-	-	1,500	
Committed										
Public Improvements	510,568	-	-	-	-	-	-	-	510,568	
Public Safety-Fire	-	-	-	-	-	-	-	-	-	
Assigned										
Public Safety-Fire	2,355	-	-	-	-	-	-	-	2,355	
Subsequent year's expenditures	1,759,154	-	-	-	-	-	-	-	1,759,154	
Unassigned	4,194,760	-	-	-	-	-	-	-	4,194,760	
<b>Total fund balances</b>	<b>8,474,713</b>	<b>224,377</b>	<b>44</b>	<b>122,683</b>	<b>40,045</b>	<b>18,219</b>	<b>238,472</b>	<b>3,242</b>	<b>9,121,795</b>	
<b>Total liabilities, deferred inflows of of resources and fund balances</b>	<b>\$10,154,110</b>	<b>\$ 224,377</b>	<b>\$ 44</b>	<b>\$ 122,683</b>	<b>\$ 40,045</b>	<b>\$ 18,219</b>	<b>\$ 238,472</b>	<b>\$ 3,242</b>	<b>\$10,801,192</b>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:										
Fund balance as reported in the balance sheet - governmental funds									\$ 9,121,795	
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									48,000,954	
Liabilities for earned revenues considered deferred inflows of resources in fund statements									53,498	
Compensated absences not expected to be materially liquidated with expendable available resources									(529,304)	
Net pension obligation									(512,646)	
Other postemployment benefits									(494,356)	
Long-term liabilities, principally installment purchases and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds									(20,463,841)	
<b>Net position of governmental activities</b>									<b>\$35,176,100</b>	

TOWN OF CLAYTON, NORTH CAROLINA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2014

Exhibit 4

	Major Funds							Total Non-Major Fund	Total Governmental Funds
	General Fund	Greenway Development Project	2012 GO Bonds East Clayton Park Project	Law Enforcement Center	2009A GO Bond Rec. Project	2009A GO Bond Street Project	Parks & Rec. Capital Project		
<b>REVENUES</b>									
Ad valorem taxes	\$ 8,587,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,587,613
Other taxes and licenses	185,571	-	-	-	-	-	-	-	185,571
Unrestricted intergovernmental	5,151,819	-	-	-	-	-	-	-	5,151,819
Restricted intergovernmental	1,916,841	-	-	-	-	-	-	-	1,916,841
Permits and fees	1,038,042	-	-	-	-	-	-	-	1,038,042
Sales and services	1,855,127	-	-	-	-	-	-	-	1,855,127
Investment earnings	10,776	-	-	-	-	-	-	8	10,784
Miscellaneous	308,148	-	-	-	-	-	-	-	308,148
<b>Total revenues</b>	<b>19,053,937</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>19,053,945</b>
<b>EXPENDITURES</b>									
<b>Current</b>									
General government operations	2,906,517	-	-	-	-	-	-	-	2,906,517
Public safety	5,871,996	-	-	-	-	-	-	-	5,871,996
Public works	5,493,848	-	-	-	-	-	-	-	5,493,848
Cultural and recreational	2,456,757	-	-	-	-	-	-	-	2,456,757
<b>Debt service</b>									
Principal retirement	1,627,740	-	-	-	-	-	-	-	1,627,740
Interest and other charges	705,993	-	-	-	-	-	-	-	705,993
Capital outlay	-	-	16,090	-	-	5,800	-	-	21,890
<b>Total expenditures</b>	<b>19,062,851</b>	<b>-</b>	<b>16,090</b>	<b>-</b>	<b>-</b>	<b>5,800</b>	<b>-</b>	<b>-</b>	<b>19,084,741</b>
Excess (deficiency) of revenues over expenditures	(8,914)	-	(16,090)	-	-	(5,800)	-	8	(30,796)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers from (to) other funds	(11,766)	-	11,766	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(11,766)</b>	<b>-</b>	<b>11,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(20,680)</b>	<b>-</b>	<b>(4,324)</b>	<b>-</b>	<b>-</b>	<b>(5,800)</b>	<b>-</b>	<b>8</b>	<b>(30,796)</b>
Fund balance, beginning	8,495,393	224,377	4,368	122,683	40,045	24,019	238,472	3,234	9,152,591
<b>Fund balances, ending</b>	<b>\$ 8,474,713</b>	<b>\$ 224,377</b>	<b>\$ 44</b>	<b>\$ 122,683</b>	<b>\$ 40,045</b>	<b>\$ 18,219</b>	<b>\$ 238,472</b>	<b>\$ 3,242</b>	<b>\$ 9,121,795</b>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

**Exhibit 5**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds \$ (30,796)

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 and reported as depreciation expense.

Capital outlay	3,125,028
Depreciation	(1,588,454)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Taxes including interest and penalties	(102,436)
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Some expenses 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

Compensated absences	(39,947)
Current pension cost	(31,912)
Other postemployment benefits	(65,350)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt proceeds	-	
Debt principle paid	<u>1,627,740</u>	<u>1,627,740</u>

Total changes in net position of governmental activities \$ 2,893,873

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2014**

**Exhibit 6**

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 8,346,340	\$ 8,386,340	\$ 8,587,613	\$ 201,273
Other taxes and licenses	124,692	124,692	185,571	60,879
Unrestricted intergovernmental	5,306,810	5,306,810	5,151,819	(154,991)
Restricted intergovernmental	581,485	1,959,129	1,916,841	(42,288)
Permits and fees	476,500	901,500	1,038,042	136,542
Sales and services	1,953,311	1,953,311	1,855,127	(98,184)
Investment earnings	21,000	21,000	10,776	(10,224)
Miscellaneous	56,315	552,065	308,148	(243,917)
<b>Total revenues</b>	<u>16,866,453</u>	<u>19,204,847</u>	<u>19,053,937</u>	<u>(150,910)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government operations	2,456,635	3,513,899	2,906,517	607,382
Public safety	6,143,888	6,146,407	5,871,996	274,411
Public works	3,838,611	5,526,498	5,493,848	32,650
Cultural and recreational	2,353,531	2,709,049	2,456,757	252,292
<b>Debt service</b>				
Principal retirement	1,627,744	1,627,744	1,627,740	4
Interest and other charges	705,993	705,993	705,993	-
<b>Total expenditures</b>	<u>17,126,402</u>	<u>20,229,590</u>	<u>19,062,851</u>	<u>1,166,739</u>
Revenues over (under) expenditures	<u>(259,949)</u>	<u>(1,024,743)</u>	<u>(8,914)</u>	<u>1,015,829</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from (to) other funds	-	(11,766)	(11,766)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(11,766)</u>	<u>(11,766)</u>	<u>-</u>
Fund balance appropriated	<u>259,949</u>	<u>1,036,509</u>	<u>-</u>	<u>(1,036,509)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(20,680)</u>	<u>\$ (20,680)</u>
Fund balances, beginning			8,495,393	
Fund balances, ending			<u>\$ 8,474,713</u>	

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2014**

**Exhibit 7**

	Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 6,783,286	\$ 3,766,396	\$ 10,549,682
Accounts receivable (net) - billed	934,473	667,458	1,601,931
Accounts receivable (net) - unbilled	525,772	827,231	1,353,003
Inventories	91,891	675,355	767,246
Restricted cash and cash equivalents	6,260	-	6,260
Total current assets	<u>8,341,682</u>	<u>5,936,440</u>	<u>14,278,122</u>
Non-current assets			
Capital assets			
Land, improvements and construction in progress	3,507,089	31,154	3,538,243
Other capital assets, net of depreciation	29,997,792	6,377,849	36,375,641
Capital assets, net	<u>33,504,881</u>	<u>6,409,003</u>	<u>39,913,884</u>
Total non-current assets	<u>33,504,881</u>	<u>6,409,003</u>	<u>39,913,884</u>
Total assets	<u>\$ 41,846,563</u>	<u>\$ 12,345,443</u>	<u>\$ 54,192,006</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 971,891	\$ 1,177,804	\$ 2,149,695
Customer deposits	75,063	466,037	541,100
Compensated absences - current	24,083	22,440	46,523
Revenue bond note payable - current	20,000	130,000	150,000
Installment purchases payable - current	946,039	77,923	1,023,962
Total current liabilities	<u>2,037,076</u>	<u>1,874,204</u>	<u>3,911,280</u>
Noncurrent liabilities			
Other noncurrent liabilities			
Other postemployment benefits	46,233	26,975	73,208
Compensated absences	24,083	22,439	46,522
Revenue bond note payable - noncurrent	1,439,746	520,000	1,959,746
Installment purchases payable - noncurrent	4,905,375	212,499	5,117,874
Total noncurrent liabilities	<u>6,415,437</u>	<u>781,913</u>	<u>7,197,350</u>
Total liabilities	<u>8,452,513</u>	<u>2,656,117</u>	<u>11,108,630</u>
Deferred Inflows of Resources			
Assessments	157,318	-	157,318
Total deferred inflows of resources	<u>157,318</u>	<u>-</u>	<u>157,318</u>
<b>NET POSITION</b>			
Net investments in capital assets	26,193,721	5,468,581	31,662,302
Restricted for USDA debt service reserve	6,260	-	6,260
Unrestricted	7,036,751	4,220,745	11,257,496
Total net position	<u>33,236,732</u>	<u>9,689,326</u>	<u>42,926,058</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 41,846,563</u>	<u>\$ 12,345,443</u>	<u>\$ 54,192,006</u>

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**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

**Exhibit 8**

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 7,742,657	\$ 12,510,816	\$ 20,253,473
Water and sewer taps	41,739	-	41,739
Other operating revenues	241,915	66,611	308,526
Total operating revenues	<u>8,026,311</u>	<u>12,577,427</u>	<u>20,603,738</u>
<b>OPERATING EXPENSES</b>			
Electric operations	-	11,361,697	11,361,697
Water distribution	2,600,554	-	2,600,554
Water preventive maintenance	648,385	-	648,385
Waste collection and treatment	2,188,567	-	2,188,567
Tax reimbursements - General Fund	-	374,850	374,850
Support services - General Fund	1,149,696	657,042	1,806,738
Depreciation and amortization	933,178	335,007	1,268,185
Total operating expenses	<u>7,520,380</u>	<u>12,728,596</u>	<u>20,248,976</u>
Operating income (loss)	<u>505,931</u>	<u>(151,169)</u>	<u>354,762</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	2,635	4,391	7,026
Interest and other charges	(239,458)	(4,053)	(243,511)
Capacity fees	1,906,494	-	1,906,494
Nutrient offset fees	52,964	-	52,964
Miscellaneous	21,109	105,391	126,500
Total nonoperating revenue (expenses)	<u>1,743,744</u>	<u>105,729</u>	<u>1,849,473</u>
Income before contributions	<u>2,249,675</u>	<u>(45,440)</u>	<u>2,204,235</u>
Capital contributions	<u>293,551</u>	<u>-</u>	<u>293,551</u>
Transfer from Capital Project Fund	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	<u>2,543,226</u>	<u>(45,440)</u>	<u>2,497,786</u>
Total net position, beginning	<u>30,693,506</u>	<u>9,734,766</u>	<u>40,428,272</u>
Total net position, ending	<u>\$ 33,236,732</u>	<u>\$ 9,689,326</u>	<u>42,926,058</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit 9**  
**Page 1 of 2**

	Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 7,617,086	\$ 12,430,160	\$ 20,047,246
Cash paid for goods and services	(5,373,333)	(11,217,768)	(16,591,101)
Cash paid to or on behalf of employees for services	(904,610)	(734,968)	(1,639,578)
Customer deposits received	-	-	-
Customer deposits returned	-	-	-
Other operating revenues	241,915	66,611	308,526
Miscellaneous revenue	21,109	105,391	126,500
Net cash provided (used) by operating activities	<u>1,602,167</u>	<u>649,426</u>	<u>2,251,593</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Capacity fees	1,906,494	-	1,906,494
Nutrient offset fees	52,964	-	52,964
Total cash flows from noncapital financing activities	<u>1,959,458</u>	<u>-</u>	<u>1,959,458</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(940,167)	(713,156)	(1,653,323)
Principal paid on bond maturities and equipment contracts	(1,409,009)	(76,978)	(1,485,987)
Proceeds from debt issuance	-	650,000	650,000
Interest paid on bond maturities and equipment contracts	(239,458)	(4,053)	(243,511)
Capital contributions	293,551	-	293,551
Transfer to General Fund	-	-	-
Net cash (used) by capital and related financing activities	<u>(2,295,083)</u>	<u>(144,187)</u>	<u>(2,439,270)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	2,635	4,391	7,026
Net increase (decrease) in cash and cash equivalents	1,269,177	509,630	1,778,807
Balances, beginning	<u>5,520,369</u>	<u>3,256,766</u>	<u>8,777,135</u>
Balances, ending	<u>\$ 6,789,546</u>	<u>\$ 3,766,396</u>	<u>\$ 10,555,942</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit 9**  
**Page 2 of 2**

	Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 505,931	\$ (151,169)	\$ 354,762
Adjustments to reconcile operating income to net cash provided by operating activities			
Miscellaneous revenue	21,109	105,391	126,500
Depreciation & amortization	933,178	335,007	1,268,185
Changes in assets and liabilities:			
(Increase) in accounts receivable	(167,310)	(80,657)	(247,967)
( Increase) decrease in inventory	6,854	164,406	171,260
Increase (decrease) in accounts payable and accrued liabilities	296,903	173,714	470,617
(Decrease) in customer deposits	(309)	98,212	97,903
Increase in postemployment benefits	7,635	3,203	10,838
Increase (decrease) in accrued vacation pay	(1,824)	1,319	(505)
Total adjustments	<u>1,096,236</u>	<u>800,595</u>	<u>1,896,831</u>
Net cash provided (used) by operating activities	<u>\$ 1,602,167</u>	<u>\$ 649,426</u>	<u>\$ 2,251,593</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2014**

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*Exhibit 10*

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 1,904,482
Taxes receivable	<u>12,814</u>
Total assets	<u>\$ 1,917,296</u>
Liabilities	
Liabilities:	
Intergovernmental payable	<u>1,917,296</u>
Total liabilities	<u>\$ 1,917,296</u>

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.



**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Clayton, North Carolina conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

The Town of Clayton, North Carolina, is a municipal corporation that is governed by an elected mayor and a five-member council. The accompanying financial statements present the government and its lone discretely presented component unit, an entity for which the government is considered to be financially accountable and is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize it is legally separate from the government.

Clayton Downtown Development Association, Inc.

Clayton Downtown Development Association, Inc. is a private nonprofit organization exempted from income taxes under Internal Revenue Code Section 501(c) (3) and is dedicated to the revitalization of the downtown area of the Town of Clayton, North Carolina. The Association was organized on March 9, 2009 in the state of North Carolina and is managed by an eleven-member board appointed by the government's council. The government is financially accountable because it has the ability to impose its will on the Association. The complete financial statements may be obtained by writing to the Clayton Downtown Development Association, Inc., C/O: PO Box 879, Clayton, NC 27528-0879.

**B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

**TOWN OF CLAYTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation (Continued)**

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

**Greenway Development Project** - This fund is used to account for the completion of a master plan for the development of a 71 acre tract of land adjacent to the Neuse River and for the acquisition of easements for the Mountain to Sea Trail.

**2012 GO Bonds East Clayton Park Project** – This fund is used to account for construction of East Clayton Park. This project will be financed primarily with bond proceeds.

**2009A GO Bonds Recreation Project** – This fund is used to account for major public improvements to recreational facilities. This project will be financed primarily with bond proceeds. This fund was reported in the General Fund for the fiscal year ended June 30, 2010.

**2009A GO Bonds Streets Project** – This fund is used to account for major public improvements to streets. This project will be financed primarily with bond proceeds. This fund was reported in the General Fund for the fiscal year ended June 30, 2010.

**Clayton Law Enforcement Center** – This fund is used to account for the construction of the Clayton Law Enforcement Center. This project will be financed primarily with loan proceeds.

**Clayton Parks & Recreation Capital Project** – This fund is used to account for the public improvement to the parks and recreation area.

The Town reports the following non-major governmental funds:

**Horne Cemetery Fund.** This fund is used to account for permanent funds where the principal may not be expended and the income is used to maintain the Horne Cemetery.

The Town reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer operations.

**Electric Fund.** This fund is used to account for the Town's electric fund operations.

The Town reports the following fund types:

**Agency Fund.** Agency Funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the Town holds on behalf of others. The Town maintains one agency fund: Claytex Fire District, which accounts for taxes assessed from taxpayers in a special area for fire services for that area.

**C. Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for 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 nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply

**TOWN OF CLAYTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general fund, special revenue fund, Horne cemetery permanent fund, and enterprise funds. All annual appropriations lapse at fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and certain Enterprise Fund capital project funds, which are consolidated with the Enterprise operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The Town manager is authorized to effect interdepartmental transfers, in the same fund, provided that no departmental budget shall be reduced by more than ten percent without the prior approval of the governing board. Any such transfers must be reported to the governing board at its next regular meeting and be entered into the minutes of the meeting. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents

Restricted Assets

Cash in the General Fund and Water and Sewer Fund is restricted to comply with a USDA debt service reserve requirement in the amount of \$146,800 and \$6,260, respectively, in conjunction with the Clayton Community Center and Elevated Water Storage Tank. Powell Bill funds are also classified as restricted cash because they can be

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)***

expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per state law (G.S. 136-41.1 through G.S. 136-41.4).

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2013.

Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Due To/From Other Funds

Amounts reported at June 30, 2014 as internal balances generally represent short-term advances between funds. The amounts reported at year-end are not available for appropriation and are not an expendable available financial resource.

Inventories

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's Enterprise Funds consist of materials and supplies held for subsequent use or sale. The cost of these inventories is expensed when consumed or sold rather than when purchased.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Buildings, improvements, substations, lines, and other plant and distribution systems, \$50,000; infrastructure, \$25,000; and furniture and equipment, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980. The road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**TOWN OF CLAYTON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	70
Other Improvements	20
Equipment	6
Vehicles and motorized equipment	6
Infrastructure	50

Wastewater capacity allocation rights are recorded at historical cost and amortized over 20 years using the straight-line method. For information, describing capital assets, see Note 3.A.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes 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 period and so will not be recognized as revenue until then. The Town has only three items that meet the criterion for this category – assessments, prepaid taxes and property taxes receivable.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid issuance costs, are expensed in the reporting period in which they are incurred. Prepaid issuance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF CLAYTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)***

Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. The Town has no obligation for the accumulated sick leave until it is actually taken. No accrual for sick leave has been made.

Net Position

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

Fund Balances

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories – portion of fund balance that is not and available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of the Town of Clayton Cemetery.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or by laws and regulations.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

**TOWN OF CLAYTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (Continued)**

Restricted for Public Improvements – portion of fund balance that is restricted by revenue source for recreational facilities and street improvements.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Clayton’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Committed for Public Improvements – portion of fund balance that is limited to capital expenditures for recreation and public works.

Assigned fund balance – portion of fund balance that the Town of Clayton intends to use for specific purpose.

Subsequent year’s expenditures – portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Clayton has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, Town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Clayton has adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that unassigned fund balance is at least equal to or greater than 20% of actual net expenditures. Any portion in excess of 20% is available for appropriation as deemed necessary and approved by Council. The Town’s operating standard for unassigned fund balance is a minimum of 30% of net expenditures. Net expenditures are defined as actual expenditures plus transfers out minus capital lease proceeds.

**F. Other**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**TOWN OF CLAYTON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS**

**A. Assets**

Deposits

All the deposits of the Town and the Clayton Downtown Development Association, Inc (Association) are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's and Association's agents in these unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the Association, these deposits are considered to be held by the Town's and the Association's agents in their names. The amount of the pledged collateral is based on an approved averaging method for noninterest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the Association under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and the Association have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town and the Association complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2014, the Town's deposits had a carrying amount of \$9,331,793 and a bank balance of \$9,606,490. Of the bank balance, \$1,250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of the deposits for the Association was \$9,845 and the bank balance was \$9,845. At June 30, 2014, the Town's petty cash fund totaled \$2,400.

Investments

At June 30, 2014, the Town of Clayton had \$1,505,010 and \$10,490,903 invested with the North Carolina Capital Management Trust's Cash Portfolio and Term Portfolio, respectively. The Cash Portfolio carries a credit rating of AAAm by Standard and Poor's. The Town and the Association have no policy regarding credit risk.

Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2014 are net of the following allowances for doubtful accounts:

General fund:	
Taxes receivable	\$ 25,000
Accounts receivable	<u>4,618</u>
	29,618
Enterprise funds	<u>72,352</u>
Total	<u>\$ 101,970</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

Due from Other Governmental Agencies

At June 30, 2014, funds due from other governmental agencies consisted of the following:

	Governmental Activities			Business-type Activities
	General	Non-Major Governmental	Total	
Local option sales tax	\$ 481,590	\$ -	\$ 481,590	\$ -
Franchise Tax	155,515	-	155,515	-
Telecommunication Tax	19,732	-	19,732	-
Video Programming Fees	42,470	-	42,470	-
Solid Waste Disposal Fees	2,318	-	2,318	-
Vehicle & Property taxes	229,699	-	229,699	-
ABC Revenues	-	-	-	-
PEG Channel	15,797	-	15,797	-
Grant Revenues	110,891	-	110,891	-
Claytex Fire District	55,548	-	55,548	-
Miscellaneous	22	-	22	-
	<u>\$ 1,113,582</u>	<u>\$ -</u>	<u>\$ 1,113,582</u>	<u>\$ -</u>

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 5,534,925	\$ 86,745	\$ -	\$ 5,621,670
Construction in progress	473,516	1,902,467	685	2,375,298
Total capital assets not being depreciated	<u>6,008,441</u>	<u>1,989,212</u>	<u>685</u>	<u>7,996,968</u>
Capital assets being depreciated				
Buildings and improvements	29,891,725	16,090	-	29,907,815
Equipment	2,878,289	463,467	26,600	3,315,156
Vehicles and motorized equipment	5,860,908	369,249	174,113	6,056,044
Infrastructure	13,917,598	287,695	-	14,205,293
Total capital assets being depreciated	<u>52,548,520</u>	<u>1,136,501</u>	<u>200,713</u>	<u>53,484,308</u>
Less accumulated depreciation				
Buildings	3,050,776	578,592	-	3,629,368
Equipment	2,413,406	288,367	26,600	2,675,173
Vehicles and motorized equipment	4,604,955	443,039	174,113	4,873,881
Infrastructure	2,023,444	278,456	-	2,301,900
Total accumulated depreciation	<u>12,092,581</u>	<u>1,588,454</u>	<u>200,713</u>	<u>13,480,322</u>
Total capital assets being depreciated, net	<u>40,455,939</u>	<u>(451,953)</u>	<u>-</u>	<u>40,003,986</u>
Governmental activity capital assets, net	<u>\$ 46,464,380</u>	<u>\$ 1,537,259</u>	<u>\$ 685</u>	<u>\$ 48,000,954</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

Capital Assets (Continued)

At June 30, 2014, construction in progress was comprised primarily of the public improvement construction projects.

General government	\$ 348,122
Public safety	503,997
Public works	405,053
Cultural and recreational	<u>331,283</u>
Total depreciation expense	<u>\$ 1,588,454</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities				
Water and Sewer Fund				
Capital assets not being depreciated				
Land	\$ 118,600	\$ -	\$ -	\$ 118,600
Nitrogen credits	2,633,113	-	-	2,633,113
Construction in progress	<u>2,899,569</u>	<u>18,689</u>	<u>2,162,882</u>	<u>755,376</u>
Total capital assets not being depreciated	<u>5,651,282</u>	<u>18,689</u>	<u>2,162,882</u>	<u>3,507,089</u>
Capital assets being depreciated				
Wastewater capacity allocation rights	3,600,000	-	-	3,600,000
Buildings	1,953,615	-	-	1,953,615
Plant and distribution system	32,427,744	2,567,020	-	34,994,764
Furniture and maintenance equipment	694,520	517,340	-	1,211,860
Vehicles	<u>516,021</u>	<u>-</u>	<u>-</u>	<u>516,021</u>
Total capital assets being depreciated	<u>39,191,900</u>	<u>3,084,360</u>	<u>-</u>	<u>42,276,260</u>
Less accumulated depreciation for				
Wastewater capacity allocation rights	1,395,000	180,000	-	1,575,000
Buildings	401,781	27,812	-	429,593
Plant and distribution system	8,466,004	683,779	-	9,149,783
Furniture and maintenance equipment	589,896	34,123	-	624,019
Vehicles	<u>492,609</u>	<u>7,464</u>	<u>-</u>	<u>500,073</u>
Total accumulated depreciation	<u>11,345,290</u>	<u>933,178</u>	<u>-</u>	<u>12,278,468</u>
Total Capital assets being depreciated, net	<u>27,846,610</u>	<u>2,151,182</u>	<u>-</u>	<u>29,997,792</u>
Water and Sewer Fund				
Capital Assets – net	<u>\$ 33,497,892</u>	<u>\$ 2,169,871</u>	<u>\$ 2,162,882</u>	<u>\$ 33,504,881</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**A. Assets (Continued)**

Capital Assets (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Electric Fund				
Capital assets not being depreciated				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	<u>72,366</u>	<u>11,154</u>	<u>72,366</u>	<u>11,154</u>
Total capital assets not being depreciated	<u>92,366</u>	<u>11,154</u>	<u>72,366</u>	<u>31,154</u>
Capital assets being depreciated				
Buildings	1,143,231	-	-	1,143,231
Plant and distribution system	8,396,465	715,850	-	9,112,315
Furniture and maintenance	214,612	9,253	-	223,865
Vehicles	<u>1,110,454</u>	<u>49,265</u>	-	<u>1,159,719</u>
Total capital assets being depreciated	<u>10,864,762</u>	<u>774,368</u>	-	<u>11,639,130</u>
Less accumulated depreciation for				
Buildings	231,446	19,062	-	250,508
Plant and distribution system	3,759,921	219,217	-	3,979,138
Furniture and maintenance equipment	213,780	2,059	-	215,839
Vehicles	<u>721,127</u>	<u>94,669</u>	-	<u>815,796</u>
Total accumulated depreciation	<u>4,926,274</u>	<u>335,007</u>	-	<u>5,261,281</u>
Total capital assets being depreciation, net	<u>5,938,488</u>	<u>439,361</u>	-	<u>6,377,849</u>
Electric Fund				
Capital Assets – net	<u>\$ 6,030,854</u>	<u>\$ 450,515</u>	<u>\$ 72,366</u>	<u>\$ 6,409,003</u>
Business-type activities capital assets, net	<u>\$ 39,528,746</u>			<u>\$ 39,913,884</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities**

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

*Plan Description.* The Town of Clayton contributes to the statewide Local Governmental Employees' Retirement System (LGERs), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERs provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERs. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Plan members are required to contribute six percent of their annual covered salary. The Town is required to contribute at an actuarially determined rate. For the Town, the current rate for employees not engaged in law enforcement and for law enforcement officers is 7.07% and 7.28%, respectively, of annual covered payroll. The contribution requirements of members and of the Town of Clayton are established and may be amended by the North Carolina General Assembly. The Town's contributions to LGERs for the years ended June 30, 2014, 2013, and 2012 were \$544,988, \$497,937, and \$508,164, respectively. The contributions made by the Town equaled the required contributions for each year.

b. Law Enforcement Officers Special Separation Allowance

Plan Description

The Town of Clayton, NC administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2013, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>44</u>
Total	<u>48</u>

A separate report was not issued for the plan.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Summary of Significant Accounting Policies

*Basis of Accounting* – The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.

*Method Used to Value Investments* – No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Contributions* - The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town’s obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2013 actuarial valuation using the projected unit credit actuarial cost method. The unfunded actuarial accrued liability is being amortized as level percentage of pay on a closed basis. The remaining amortization period at December 31, 2013 was 17 years. The actuarial assumptions included (a) 5.00% investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.25% to 7.85% per year. Both (a) and (b) included an inflation component of 3.00%. The assumptions did not include postretirement benefit increases.

*Annual Pension Cost and Net Obligation* - The Town’s annual pension cost and net pension obligations to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 105,422
Interest on net pension obligation	24,037
Adjustment to annual required contribution	<u>(39,167)</u>
Annual pension cost	90,292
Contributions made	<u>58,380</u>
Increase in net pension obligation	31,912
Net pension obligation beginning of year	<u>480,734</u>
Net pension obligation end of year	<u>\$ 512,646</u>

**TOWN OF CLAYTON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

b. Law Enforcement Officers Special Separation Allowance (Continued)

Fiscal Year <u>June 30</u>	<u>Three Year Trend Information</u>		Net Pension <u>Obligation</u>
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	
2012	\$ 78,782	24.88%	\$ 429,908
2013	\$ 87,983	42.23%	\$ 480,734
2014	\$ 90,292	64.66%	\$ 512,646

Funded Status and Funding Progress

As of December 31 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) was \$1,016,980. The covered payroll (annual payroll of active employees covered by the plan) was \$2,100,941, and the ratio of the UAAL to the covered payroll was 48.41 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

c. Supplemental Retirement Income Plan for Regular and Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Report (CAFR) for the State of North Carolina. The States CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) Plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary and 4 percent of regular employees' salary, and all amounts contributed are vested immediately. Also, the law enforcement officer may make voluntary contributions to the plan. Contributions for the year ended June 30, 2014 were \$528,926, which consisted of \$330,362 from the Town and \$198,564 from employees.

d. Firefighter's and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Clayton, NC to the Firefighter's Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible firefighters that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Firefighter's Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**TOWN OF CLAYTON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS *Continued***

**B. Liabilities *(Continued)***

1. Pension Plan Obligations *(Continued)*

d. Firefighter's and Rescue Squad Workers' Pension Fund *(Continued)*

*Funding Policy.* Plan members are required to contribute \$10 per month to the Fund. The State, a nonemployer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly.

Also, the Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$38,196 for the salary supplement and stipend benefits paid to eligible Firefighter by the local board of trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2014. Under State law the local board of trustees for the Fund receives an amount each year which the Board may use at its own discretion for eligible Firefighter or their departments.

e. Other Postemployment Benefit

Healthcare Benefits

*Plan Description.* Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). As of July 1, 1998, this plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (System) and have at least twenty years of creditable service with the Town, and have not reached age 65 or eligible to receive Medicare benefits. Prior to July 1, 1998, employees did not receive this benefit. The Town pays for one-half (50%) of the cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at December 31, 2012, the date of the latest actuarial valuation:

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	0	1
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	114	44
Total	<u>114</u>	<u>45</u>

*Funding Policy.* The Town pays one-half (50%) of the cost of coverage for the healthcare benefits paid to qualified retirees under a Town resolution that can be amended by Town Council. The Town's members pay the full cost (100%) for dependent coverage. The Town has chosen to fund the healthcare benefits on a pay as you go basis.

The current ARC rate is 1.18% of annual covered payroll. For the current year, the Town contributed \$9,214 for retirees. The Town obtains healthcare coverage through private insurers. Retirees made contributions in the amount of \$9,214. No dependent coverage was purchased.

**TOWN OF CLAYTON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

*Summary of Significant Accounting Policies.* Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Annual OPEB Cost and Net OPEB Obligation.* The Town's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 82,704
Interest on net OPEB obligation	19,655
Adjustment to annual required contribution	<u>(16,957)</u>
Annual OPEB cost (expense)	85,402
Contributions made	<u>(9,214)</u>
Increase (decrease) in net OPEB obligation	76,188
Net OPEB obligation, beginning of year	<u>491,376</u>
Net OPEB obligation, end of year	<u>\$ 567,564</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

For Year Ended <u>June 30</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
2012	\$ 98,119	5.66%	\$393,876
2013	105,998	8.02%	491,376
2014	85,402	10.79%	567,564

*Funded Status and Funding Progress.* As of December 31, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and, thus, the unfunded actuarial accrued liability (UAAL) was \$736,319. The covered payroll (annual payroll of active employees covered by the plan) was \$6,968,937, and the ratio of the UAAL to the covered payroll was 10.57 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**TOWN OF CLAYTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**B. Liabilities (Continued)**

1. Pension Plan Obligations (Continued)

e. Other Postemployment Benefit (Continued)

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical cost trend increase of 8.50 to 5.00 percent annually. The investment rate included a 3.00 percent inflation assumption. The actuarial value of assets, if any, was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was 30 years.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

Deferred inflows of resources at year-end are comprised of the following:

<u>Governmental Activities</u>	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>
Taxes receivable (Net)	\$ 53,498	\$ -
Community Development Assessments	-	288,966
Prepaid rent		13,798
Prepaid taxes	<u>-</u>	<u>49,078</u>
	<u>\$ 53,498</u>	<u>\$ 351,842</u>
 <u>Business-type Activities</u>		
Special Assessment (water)		<u>\$ 157,318</u>

**TOWN OF CLAYTON, NORTH CAROLINA  
 NOTES TO THE FINANCIAL STATEMENTS  
 For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS *Continued***

***B. Liabilities (Continued)***

**4. 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 participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage of \$69.1 million, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for claims in excess of retentions as selected by the Board of Trustees each year. Specific information on the limits of reinsurance and excess policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for employee health coverage with a preferred provider organization (PPO). The coverage provides for unlimited lifetime coverage for in-network providers and a \$2,000,000 lifetime limit for out-of-network providers. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance as none of their buildings are located in flood prone areas.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$300,000 and \$25,000 each, respectively. The remaining employees that have access to funds are bonded under a blanket bond for \$75,000.

**5. Claims, Judgments and Contingent Liabilities**

At June 30, 2014, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

**6. Long-Term Debt**

Long-term debt obligations of the Town at June 30, 2014 consist of the following:

	<u>          Serviced by          </u>	
	<u>Governmental</u> <u>          Activities</u>	<u>Business-type</u> <u>          Activities</u>
General Obligation Bonds		
\$5,000,000 General Obligation Bonds, Series 2009A dated July 21, 2009 and maturing in annual installments of \$250,000 through August 2029, interest ranging from 3.00% to 4.375	\$ 4,000,000	\$ -
\$2,000,000 General Obligation Bonds, Series 2012 dated April 13, 2012 And maturing in annual installments of \$140,000 to \$120,000 through February 2027, interest ranging from .35% to 2.7%	<u>1,720,000</u>	<u>-</u>
Total general obligation bonds	<u>\$ 5,720,000</u>	<u>\$ -</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

6. Long-Term Debt (Continued)

	<u>Serviced by</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Revenue Bonds		
Water and Sewer System Revenue Bond, Series 2013 dated September 11, 2013 and maturing in annual installments ranging from \$18,000 to \$68,000 through June 2052; interest at 3.50%	\$ -	\$ 1,459,746
Electric System Revenue Bond, Series 2014 dated May 15, 2014 and maturing in annual installments of \$130,000 through May 2019; interest at 1.50%	-	650,000
Total revenue bonds	\$ -	\$ 2,109,746
<u>Capital leases</u>		
2009 Clayton Community Center; contract of \$1,500,000; due in monthly installments of \$8,333 for principal; interest at 3.57%	\$ 966,667	\$ -
2000 Town Hall/Cultural Arts Complex; contract of \$5,000,000; due in monthly installments of \$24,510 for principal beginning July 2001; interest at 4.47%	1,177,055	-
2012 Rolling Stock vehicle purchase; contract of \$251,297; due in monthly Installments of \$7,151; interest at 1.57%	85,083	-
2004 Main Fire Station; contract of \$1,542,530; due in monthly installments of \$8,570 for principal beginning March 2004; interest at 3.59%	479,898	-
2007 Park Land Purchase; contract for \$2,073,435; due in monthly installments of \$11,519; interest at 3.94%	1,140,389	-
2008 Fire Truck; contract of \$ 410,000; due in monthly installments of \$3,980; interest at 3.11%	165,296	-
2007 Municipal Building; contract of \$5,000,000; due in monthly installments of variable principal; interest at 2.975%	4,628,380	-
2011 Clayton Law Enforcement Center; contract of \$6,070,000; annual installments of variable principal starting in 2014; interest at 4.46%	5,903,890	-
2012 Rolling Stock; contract of \$336,077; due in monthly installments of \$9,471; interest at 0.94%	197,183	-
2008 Sanitary Sewer Revolving Loan; contract of \$3,600,000; due in annual installments of \$180,000; interest at 2.10%	-	2,520,000

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

6. Long-Term Debt (Continued)

	<u>Serviced by</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Capital leases (Continued)		
2007 Sanitary Sewer Revolving Loan; contract for \$3,921,798; due in annual installments of \$257,117 plus interest at 2.205%.	-	2,056,937
1996 Revolving Loan Fund; contract of \$4.3 million; due in annual installments of \$220,511; interest at 2.89%	-	441,023
1998 Sanitary Sewer Project; contract for \$1,007,888; due in annual installments of \$50,394; interest at 2.91%	-	260,086
1995 Clean Water Bond; contract of \$354,000; annual installments of \$17,700; interest at 5.3%	-	53,100
1996 Water and Sewer extensions; contract of \$120,000; without interest, repayment from yearly acreage fees collected by the Town for connection to water and sewer lines installed to service Colonial Carton Company	-	120,000
2006 Nitrogen Credits; contract for \$1,815,748; due in monthly principal installments of \$15,131; interest at 4.12%	-	363,149
2008 Sam's Branch Outfall Project; contract of \$1,120,000; due in monthly installments of \$9,333; plus interest at 3.48%	-	37,119
2012 Rolling Stock; contract of \$386,499; due in monthly installments of \$6,753; interest at 1.22%	-	290,422
	<u>14,743,841</u>	<u>6,141,836</u>
Total Capital leases		
Total outstanding	20,463,841	8,251,582
Less current portion	<u>1,484,723</u>	<u>1,173,962</u>
	<u>\$ 18,979,118</u>	<u>\$ 7,077,620</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

6. Long-Term Debt (Continued)

At June 30, 2014, the Town of Clayton had a legal debt margin of \$111,647,059

Changes in long-term liabilities

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2014:

	<u>Balances</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2014</u>	<u>Current</u> <u>Portion</u> <u>of Balance</u>
Governmental activities:					
General obligation bonds	\$ 6,110,000	\$ -	\$ 390,000	\$ 5,720,000	\$ 390,000
Capital leases	15,981,581	-	1,237,740	14,743,841	1,094,723
Compensated absences	489,357	408,478	368,531	529,304	264,652
Other postemployment benefits	429,006	65,350	-	494,356	-
Net pension obligation	<u>480,734</u>	<u>31,912</u>	<u>-</u>	<u>512,646</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 23,490,678</u>	<u>\$ 505,740</u>	<u>\$ 1,996,271</u>	<u>\$ 22,000,147</u>	<u>\$ 1,749,375</u>
Business-type activities:					
General obligation bonds	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
Revenue bonds	1,604,000	650,000	144,254	2,109,746	150,000
Capital leases	7,403,570	-	1,261,734	6,141,836	1,023,962
Other postemployment benefits	62,370	10,838	-	73,208	-
Compensated absences	<u>93,550</u>	<u>75,522</u>	<u>76,027</u>	<u>93,045</u>	<u>46,523</u>
Business-type activity long-term liabilities	<u>\$ 9,243,490</u>	<u>\$ 736,360</u>	<u>\$ 1,562,015</u>	<u>\$ 8,417,835</u>	<u>\$ 1,220,485</u>

Compensated absences for governmental activities have typically been liquidated in the general fund. Other postemployment benefits and the net pension obligation for governmental activities are expected to be liquidated in the general fund.

Maturities of long-term debt

The annual requirements to retire all debt outstanding, other than compensated absences and net pension obligation, at June 30, 2014, including interest, are as follows:

	<u>Bond obligation</u>		<u>Capital leases</u>		<u>Total debt due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental activities						
2015	\$ 390,000	\$ 178,695	\$1,094,723	\$ 490,640	\$1,484,723	\$ 669,335
2016	390,000	170,425	1,032,837	465,275	1,422,837	635,700
2017	390,000	161,875	953,764	439,481	1,343,764	601,356
2018	390,000	152,819	943,826	413,885	1,333,826	566,704
2019	390,000	142,475	743,595	390,814	1,133,595	533,289
2020-2024	1,910,000	522,218	3,438,875	1,593,944	5,348,875	2,116,162
Thereafter	<u>1,860,000</u>	<u>208,756</u>	<u>6,536,221</u>	<u>1,756,033</u>	<u>8,396,221</u>	<u>1,964,789</u>
Total	<u>5,720,000</u>	<u>1,537,263</u>	<u>14,743,841</u>	<u>5,550,072</u>	<u>20,463,841</u>	<u>7,087,335</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

6. Long-Term Debt (Continued)

	Bond obligation		Capital leases		Total debt due	
	Principal	Interest	Principal	Interest	Principal	Interest
Business-type activities						
2015	\$ 150,000	\$ 60,841	\$ 1,023,962	\$ 135,320	\$ 1,173,962	\$ 196,161
2016	150,000	58,191	987,799	108,672	1,137,799	166,863
2017	151,000	55,541	586,681	85,710	737,681	141,251
2018	152,000	52,856	542,909	73,201	694,909	126,057
2019	153,000	50,136	489,134	61,992	642,134	112,128
2020-2024	125,000	228,505	1,671,351	166,317	1,796,351	394,822
Thereafter	<u>1,228,746</u>	<u>696,566</u>	<u>840,000</u>	<u>37,800</u>	<u>2,068,746</u>	<u>734,366</u>
	<u>2,109,746</u>	<u>1,202,636</u>	<u>6,141,836</u>	<u>669,012</u>	<u>8,251,582</u>	<u>1,871,648</u>
Total	<u>\$7,829,746</u>	<u>\$2,739,899</u>	<u>\$20,885,677</u>	<u>\$6,219,084</u>	<u>\$28,715,423</u>	<u>\$ 8,958,983</u>

Revenue Bonds

The Town has been in compliance with the covenants as to rates, fees, rentals and charges in Section 5.02 of the Bond Order, authorizing the issuance of the Water and Sewer System Revenue Bonds, Series 2013, since its adoption in 2012. Section 5.02(a) of the Bond Order requires the debt service coverage ratio to be no less than 110% for the Bonds and 100% for all indebtedness. The debt service coverage ratio calculation for the year ended June 30, 2014, is as follows:

Operating revenues	\$8,026,311
Operating expenses	<u>6,587,202</u>
Operating income	1,439,109
Non-operating revenues	<u>1,983,202</u>
Net revenues – per Bond Order	\$3,422,311 <sup>1</sup>
Debt service, principal and interest paid (Revenue bond only)	\$ 218,427
Debt service coverage ratio	15.67
Debt service, principal and interest paid (All indebtedness)	\$1,648,467
Debt service coverage ratio	2.08

<sup>1</sup> Per rate covenants, this does not include the depreciation expense of \$933,178 and interest paid of \$239,458.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses to repay \$1.604 million in water and sewer system revenue bonds issued in September 2013. Proceeds from the bonds provided financing for the construction of an elevated water storage tank. The bonds are payable solely from water and sewer system customer net revenues and are payable through 2052. Annual principal and interest payments on the bond are expected to require less than 2 percent of operating revenues. The total principal and interest remaining to be paid on the bonds is \$2,633,132. Principal and interest paid for the current year and total customers net revenues were \$218,427 and \$3,422,311, respectively.

**TOWN OF CLAYTON, NORTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2014**

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**NOTE 2 - DETAIL NOTES ON ALL FUNDS (Continued)**

**C. Interfund Balances and Activity**

Transfers to/from Other Funds

Transfers to/from other funds at June 30, 2014, consist of the following:

From the General Fund to the 2012 GO Bonds East Clayton Park Project – financing sources	11,766
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**D. Revenues, Expenditures and Expenses**

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2014, the Town of Clayton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$23,610 for the 66 employed Firefighter who perform firefighting duties for the Town's fire department. The employees elected to be members of the Firefighter and Rescue Worker's Pension Fund, a cost-sharing, multiple employer public employee retirement system established and administered by the State of North Carolina. The Plan is funded by a \$10 monthly contribution paid by each member, investment income, and a state appropriation.

Also, the Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$14,586 for the salary supplement and stipend benefits paid to eligible Firefighter by the local board of trustees of the Firefighter's Relief Fund during the fiscal year ended June 30, 2014. Under state law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible Firefighter or their departments.

**NOTE 3 - JOINT VENTURES**

The Town and the members of the Town's fire department each appoint two members to the five-member local board of trustees for the Firefighter's Relief Fund. The State Insurance Commissioner appoints one additional member to the local board of trustees. The Firefighter's Relief Fund is funded by a portion of the fire and lightning insurance premiums which insurers remit to the state. The state passes these monies to the local board of the Firefighter's Relief Fund. The funds are used to assist firefighters in various ways. The Town obtains an ongoing financial benefit from the Fund for the on-behalf of payments for supplemental retirement benefits made to retired Firefighter and for dues paid to the Firefighter's Pension Plan on-behalf of the employee members of the Town's fire department by the board of trustees. During the fiscal year ended June 30, 2014, the Town reported revenues and expenditures for the payments of \$14,586 made through the Firefighter's Relief Fund.

The participating governments do not have any equity interest in the joint venture, so no equity has been reflected in the financial statements at June 30, 2014. The Firefighter's Relief Fund does not issue separate audited financial statements. Instead, the local board of trustees files an annual financial report with the State Firefighter's Association. This report can be obtained from the Association at 323 West Jones Street, Suite 401, Raleigh, North Carolina 27603.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2014**

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**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**NOTE 5 - JOINTLY GOVERNED ORGANIZATION**

The Town, in conjunction with thirty-two other local governments, is a member of the North Carolina Eastern Municipal Power Agency (the "Agency"). Each participating government appoints one commissioner to the Agency's governing board. Under the power sales agreement, the Town has agreed, in exchange for a share of the power from the project, to take or pay for its share of project output whether or not the project is complete, operable, operating or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of the project output for any reason whatsoever. The Town has also entered into a supplemental power sales agreement with the Power Agency which provides that the Town will be obligated to purchase all of its bulk power requirements from the Power Agency. The Town's obligations under the power sales agreement and the supplemental power sales agreement would be payable as an operating expense of its electrical system solely from the revenues of such a system. The Town's present share of the project output of the North Carolina Eastern Municipal Power Agency is .7448%. Under the agreement, the Power Agency would bill the Town each month for its project power cost, including the Town's share of the debt service on the bonds issued by the Power Agency. The agreement signed with the Power Agency, dated July 13, 1981, shall expire no later than fifty years from and after April 1, 1994. The Power Agency is currently supplying to the Town its bulk power supply. Except for the power sales purchase requirements, the Town has no obligation, entitlement or residual interest. The Town's purchases of power for the fiscal year ended June 30, 2014 were \$9,776,331.

**NOTE 6 – FUND BALANCE**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance – General Fund	<u>\$ 8,474,713</u>
Less:	
Inventories	19,979
Stabilization by State Statute	1,569,068
Streets-Powell Bill	257,390
USDA debt service reserve	146,800
Public Improvements	510,568
Public Safety	11,800
Cultural and Recreational	2,839
Appropriate Fund Balance in 2015 Budget	1,759,154
Working Capital/Fund Balance Policy	3,814,923
Remaining Fund/Balance	382,192

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## **Required Supplemental Financial Data**

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This section contains additional information required by generally accepted accounting principles.

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Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Schedule of Funding Progress for the Other Postemployment Benefits

Schedule of Employer Contributions for the Other Postemployment Benefits



**TOWN OF CLAYTON, NORTH CAROLINA  
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarially Accrued Liability-Projected Unit Credit (b)	Unfunded AAL (JAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	JAAL as a % of Covered Payroll ((b-a)/c)
12/31/2013	\$ -	\$ 1,016,980	\$1,016,980	0.00%	\$ 2,100,941	48.41%
12/31/2012	-	911,025	911,025	0.00%	2,075,282	43.90%
12/31/2011	-	769,822	769,822	0.00%	2,105,132	36.57%
12/31/2010	-	672,393	672,393	0.00%	2,020,788	33.27%
12/31/2009	-	796,120	796,120	0.00%	2,131,334	37.35%
12/31/2008	-	545,290	545,290	0.00%	2,044,877	26.67%

**TOWN OF CLAYTON, NORTH CAROLINA  
 LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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<u>Fiscal Year Ending</u>	<u>Annual Required Contribution</u>	<u>Percentage of Contribution</u>
6/30/2014	105,422	55.38%
6/30/2013	93,242	39.85%
6/30/2012	82,362	23.80%
6/30/2011	95,763	13.49%
6/30/2010	68,383	18.89%
6/30/2009	57,076	28.47%
6/30/2008	46,550	38.50%
6/30/2007	32,475	41.92%

**NOTES TO THE REQUIRED SCHEDULES:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations follows:

Valuation date	12/31/2013
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	17 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	4.25% - 7.85%
Includes inflation at	3.00%
Cost of living adjustments	N/A

**TOWN OF CLAYTON, NORTH CAROLINA  
 OTHER POSTEMPLOYMENT BENEFITS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS**

---

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b - a)/c)
12/31/2012	\$ -	\$ 736,319	\$ 736,319	0%	\$ 6,968,937	10.57%
12/31/2009	-	837,653	837,653	0%	7,599,455	11.02%
12/31/2008	-	1,005,859	1,005,859	0%	7,268,327	13.84%

**TOWN OF CLAYTON, NORTH CAROLINA  
OTHER POSTEMPLOYMENT BENEFITS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

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<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2014	82,704	11.14%
2013	103,836	8.18%
2012	96,465	5.76%

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**Notes to the Required Schedules:**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation follows:

Valuation date	12/31/2012
Actuarial cost method	Projected unit credit
Amortization method	Level percent open
Remaining amortization period	30 years
Amortization factor	26.1695
Asset valuation method	Market vlaue
Actuarial assumptions:	
Investment rate of return*	4.0%
Medical cost trend	8.50% - 5.00%
*Includes inflation at	3.00%
Cost of living adjustments	None

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**



## MAJOR GOVERNMENTAL FUNDS

***General Fund*** – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

***Greenway Development Project Fund*** – This fund is used to account for the completion of a master plan for the development of a 71 acre tract of land adjacent to the Neuse River and for the acquisition of easements for the Mountains-to-Sea Trail.

***2012 GO Bond East Clayton Community Park Project Fund*** – This fund is used to account for the construction of the East Clayton Community Park. This project will be financed primarily with bond proceeds.

***Clayton Law Enforcement Center*** – This fund is used to account for the construction of the Clayton Law Enforcement Center. This project will be financed primarily with loan proceeds.

***2009A GO Bond Recreation Project Fund*** – This fund is used to account for major public improvements to recreational facilities. This project will be financed primarily with bond proceeds.

***2009A GO Bond Streets Project Fund*** – This fund is used to account for major public improvements to streets. This project will be financed primarily with bond proceeds.

***Clayton Parks & Recreation Capital Project Fund*** – This fund is used to account for major public improvements to parks and recreation.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit A-1**  
**Page 1 of 6**

	2014		Variance Positive (Negative)
	Budget	Actual	
<b>REVENUES:</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 8,526,989	\$ -
Penalties and interest	-	60,624	-
Total	<u>8,386,340</u>	<u>8,587,613</u>	<u>201,273</u>
Other taxes and licenses:			
Motor vehicle licenses	-	84,722	-
Payments in lieu of taxes	-	11,948	-
Privilege licenses	-	88,901	-
Total	<u>124,692</u>	<u>185,571</u>	<u>60,879</u>
Unrestricted intergovernmental:			
Local option sales tax	-	2,690,464	-
ABC profit distribution	-	73,315	-
Gasoline tax refunds	-	26	-
Franchise tax	-	665,640	-
Telecommunications tax	-	76,060	-
Video programming fees	-	199,926	-
Beer and wine tax	-	72,303	-
Tax Reimbursements	-	374,850	-
Reimbursement from rural fire department	-	999,235	-
Total	<u>5,306,810</u>	<u>5,151,819</u>	<u>(154,991)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	456,823	-
State grants	-	1,334,974	-
Federal grants	-	2,022	-
Controlled substance tax	-	11,036	-
PEG channel support	-	63,691	-
On-behalf of payments - Fire	-	38,196	-
Solid waste disposal tax	-	10,099	-
Total	<u>1,959,129</u>	<u>1,916,841</u>	<u>(42,288)</u>
Permits and fees:			
Alarm response fees	-	9,550	-
Recreation fees in lieu	-	15,650	-
Building permits	-	865,587	-
Inspection and rezoning fees	-	147,255	-
Total	<u>901,500</u>	<u>1,038,042</u>	<u>136,542</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	2014		Variance Positive (Negative)
	Budget	Actual	
REVENUES: (Continued)			
Sales and service:			
Court costs and fees	-	9,365	-
Refuse collection fees	-	1,308,433	-
Cemetery lots and fees	-	83,960	-
Public safety contributions	-	6,617	-
Recreation fees and contributions	-	259,888	-
Clayton Center Cultural Arts	-	173,313	-
Library fees and contributions	-	13,551	-
Total	<u>1,953,311</u>	<u>1,855,127</u>	<u>(98,184)</u>
Investment earnings	<u>21,000</u>	<u>10,776</u>	<u>(10,224)</u>
Miscellaneous:			
Miscellaneous	-	19,455	-
Sale of surplus property	-	13,280	-
Lease revenue	-	15,860	-
Reimbursable projects	-	216,724	-
Damage and insurance reimbursement	-	42,829	-
Total	<u>552,065</u>	<u>308,148</u>	<u>(243,917)</u>
Total Revenues	<u>19,204,847</u>	<u>19,053,937</u>	<u>(150,910)</u>
EXPENDITURES:			
General Government:			
Legislative:			
Salaries and employee benefits	-	151,543	-
Other operating expenditures	-	73,588	-
Capital outlay	-	10,859	-
Reimbursement - proprietary funds	-	(70,195)	-
Total	<u>-</u>	<u>165,795</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	438,401	-
Other operating expenditures	-	457,407	-
Reimbursement - proprietary funds	-	(284,175)	-
Total	<u>-</u>	<u>611,633</u>	<u>-</u>
Human Resources:			
Salaries and employee benefits	-	149,792	-
Other operating expenditures	-	229,326	-
Reimbursement - proprietary funds	-	(54,562)	-
Total	<u>-</u>	<u>324,556</u>	<u>-</u>
Special Appropriations:			
Miscellaneous	-	51,392	-
Reimbursement - proprietary funds	-	(10,200)	-
Total	<u>-</u>	<u>41,192</u>	<u>-</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit A-1**  
**Page 3 of 6**

	2014		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
General Government: (Continued)			
Legal:			
Other operating expenditures	-	103,674	-
Reimbursement - proprietary funds	-	(29,630)	-
Total	-	74,044	-
Total General Government	1,716,700	1,217,220	499,480
Financial Services:			
Administration:			
Salaries and employee benefits	-	295,568	-
Other operating expenditures	-	240,170	-
Reimbursement - proprietary funds	-	(141,436)	-
Total	-	394,302	-
Customer Services:			
Salaries and employee benefits	-	466,108	-
Other operating expenditures	-	98,857	-
Reimbursement - proprietary funds	-	(549,744)	-
Total	-	15,221	-
Information Services:			
Salaries and employee benefits	-	57,714	-
Other operating expenditures	-	625,341	-
Reimbursement - proprietary funds	-	(122,683)	-
Total	-	560,372	-
Total Financial Services	1,018,892	969,895	48,997
Community Development Services:			
Planning and Zoning:			
Salaries and employee benefits	-	352,504	-
Other operating expenditures	-	64,359	-
Total	-	416,863	-
Downtown and Economic Development			
Salaried and employee benefits	-	75,807	-
Other operating expenditures	-	226,732	-
Total	-	302,539	-
Total Community Development Services	778,307	719,402	58,905
Total General Government Operations	3,513,899	2,906,517	607,382

**TOWN OF CLAYTON, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	2014		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Law Enforcement:			
Police Administration:			
Salaries and employee benefits	-	306,936	-
Vehicle maintenance and fuel	-	956	-
Other operating expenditures	-	166,126	-
Capital outlay	-	16,668	-
Total	-	490,686	-
Police Investigation:			
Salaries and employee benefits	-	545,759	-
Vehicle maintenance and fuel	-	18,849	-
Other operating expenditures	-	56,142	-
Capital outlay	-	102,757	-
Total	-	723,507	-
Police Patrol:			
Salaries and employee benefits	-	1,538,842	-
Vehicle maintenance and fuel	-	92,289	-
Other operating expenditures	-	106,848	-
Capital outlay	-	122,250	-
Total	-	1,860,229	-
Police Special Operations			
Salaries and employee benefits	-	655,837	-
Vehicle maintenance and fuel	-	33,714	-
Other operating expenditures	-	96,274	-
Total	-	785,825	-
Total Law Enforcement	3,993,374	3,860,247	133,127
Fire Protection:			
Salaries and employee benefits	-	1,476,695	-
Vehicle maintenance and fuel	-	67,656	-
Other operating expenditures	-	422,042	-
Capital outlay	-	7,160	-
On Behalf of Payments-Fire	-	38,196	-
Total	-	2,011,749	-
Total Fire Protection	2,153,033	2,011,749	141,284
Total Public Safety	6,146,407	5,871,996	274,411
Public Works:			
Administration:			
Salaries and employee benefits	-	297,723	-
Other operating expenditures	-	144,292	-
Reimbursement - proprietary funds	-	(255,952)	-
Total	-	186,063	-

**TOWN OF CLAYTON, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

	2014		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Public Works: (Continued)			
Inspections:			
Salaries and employee benefits	-	304,389	-
Vehicle maintenance and fuel	-	4,535	-
Other operating expenditures	-	15,619	-
Total	-	<u>324,543</u>	-
Engineering:			
Salaries and employee benefits	-	201,127	-
Other operating expenditures	-	10,815	-
Reimbursement - proprietary funds	-	(86,230)	-
Total	-	<u>125,712</u>	-
Vehicle Maintenance Shop:			
Salaries and employee benefits	-	179,838	-
Other operating expenditures	-	32,590	-
Reimbursement - proprietary funds	-	(49,556)	-
Total	-	<u>162,872</u>	-
Streets:			
Salaries and employee benefits	-	314,140	-
Vehicle maintenance and fuel	-	37,013	-
Street lights	-	80,937	-
Other operating expenditures	-	109,057	-
Capital outlay	-	2,267,370	-
Reimbursement - proprietary funds	-	(28,140)	-
Total	-	<u>2,780,377</u>	-
Property Maintenance:			
Salaries and employee benefits	-	399,995	-
Vehicle maintenance and fuel	-	19,274	-
Other operating expenditures	-	253,678	-
Capital outlay	-	48,014	-
Reimbursement - proprietary funds	-	(111,861)	-
Total	-	<u>609,100</u>	-
Sanitation:			
Trash hauling fee	-	514,316	-
Landfill fees	-	233,882	-
Recycling efforts	-	303,726	-
Miscellaneous activities	-	253,257	-
Total	-	<u>1,305,181</u>	-
Total Public Works	<u>5,526,498</u>	<u>5,493,848</u>	<u>32,650</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit A-1**  
**Page 6 of 6**

	2014		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Parks & Recreation:			
Salaries and employee benefits	-	692,972	-
Vehicle maintenance and fuel	-	19,815	-
Other operating expenditures	-	408,657	-
Capital outlay	-	461,620	-
Total Parks & Recreation	<u>1,747,639</u>	<u>1,583,064</u>	<u>164,575</u>
Cultural & Performing Arts:			
Salaries and employee benefits	-	289,206	-
Other operating expenditures	-	130,995	-
Capital outlay	-	66,441	-
Total Cultural & Performing Arts	<u>577,174</u>	<u>486,642</u>	<u>90,532</u>
Library Operations:			
Salaries and employee benefits	-	324,910	-
Other operating expenditures	-	62,141	-
Total Library Operations	<u>384,236</u>	<u>387,051</u>	<u>(2,815)</u>
Total Cultural and Recreational	<u>2,709,049</u>	<u>2,456,757</u>	<u>252,292</u>
Debt Service:			
Principal retirement	-	1,627,740	-
Interest and fees	-	705,993	-
Total Debt Service	<u>2,333,737</u>	<u>2,333,733</u>	<u>4</u>
Total Expenditures	<u>20,229,590</u>	<u>19,062,851</u>	<u>1,166,739</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,024,743)</u>	<u>(8,914)</u>	<u>1,015,829</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers (to) from other funds:			
2012 GO Bonds ECCP	(11,766)	(11,766)	-
Total other financing sources (uses)	<u>(11,766)</u>	<u>(11,766)</u>	<u>-</u>
Fund balance appropriated	<u>1,036,509</u>	<u>-</u>	<u>(1,036,509)</u>
Net change in fund balance	<u>\$ -</u>	<u>(20,680)</u>	<u>\$ (20,680)</u>
Fund balance, beginning		<u>8,495,393</u>	
Fund balance, ending		<u>\$ 8,474,713</u>	

**TOWN OF CLAYTON, NORTH CAROLINA  
CAPITAL PROJECTS FUND**

**Exhibit A-2**

**GREENWAY DEVELOPMENT PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**From Inception and for the Fiscal Year Ended June 30, 2014**

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
<b>REVENUES:</b>					
Grant revenue	\$ 1,479,000	\$ 610,020	\$ -	\$ 610,020	\$ (868,980)
Miscellaneous	96,354	96,354	-	96,354	-
Total Revenues	<u>1,575,354</u>	<u>706,374</u>	<u>-</u>	<u>706,374</u>	<u>(868,980)</u>
<b>EXPENDITURES:</b>					
Capital outlay:					
Technical services	240,000	237,273	-	237,273	2,727
Construction	1,728,400	652,415	-	652,415	1,075,985
Easement	27,327	26,927	-	26,927	400
Total expenditures	<u>1,995,727</u>	<u>916,615</u>	<u>-</u>	<u>916,615</u>	<u>1,079,112</u>
REVENUES OVER (UNDER) EXPENDITURES	(420,373)	(210,241)	-	(210,241)	210,132
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers (to) from:					
General fund	420,373	434,618	-	434,618	14,245
Total other financing sources:	<u>420,373</u>	<u>434,618</u>	<u>-</u>	<u>434,618</u>	<u>14,245</u>
Net change in Fund balance	<u>\$ -</u>	<u>\$ 224,377</u>	<u>-</u>	<u>\$ 224,377</u>	<u>224,377</u>
Fund balance, beginning			<u>224,377</u>		
Fund balance, ending			<u>\$ 224,377</u>		

**TOWN OF CLAYTON, NORTH CAROLINA  
CAPITAL PROJECTS FUND**

**Exhibit A-3**

**2012 GO BOND EAST CLAYTON PARK  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
From Inception and for the Fiscal Year Ended June 30, 2014**

	Project Authorization	Actual		Variance Positive (Negative)	
		Prior Years	Current Year		Total to Date
<b>REVENUES:</b>					
Interest revenue	\$ 2,800	\$ 2,320	\$ -	\$ 2,320	\$ 480
Total Revenues	<u>2,800</u>	<u>2,320</u>	<u>-</u>	<u>2,320</u>	<u>480</u>
<b>EXPENDITURES:</b>					
Capital outlay:					
Professional services	153,000	152,740	-	152,740	260
Construction	2,014,666	1,998,576	16,090	2,014,666	-
Site improvements	<u>2,000</u>	<u>1,736</u>	<u>-</u>	<u>1,736</u>	<u>264</u>
Total expenditures	<u>2,169,666</u>	<u>2,153,052</u>	<u>16,090</u>	<u>2,169,142</u>	<u>524</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,166,866)	(2,150,732)	(16,090)	(2,166,822)	44
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers (to) from:					
General fund	151,966	140,200	11,766	151,966	-
Bonds issued	2,000,000	2,000,000	-	2,000,000	-
Premium on bonds issued	<u>14,900</u>	<u>14,900</u>	<u>-</u>	<u>14,900</u>	<u>-</u>
Total other financing sources:	<u>2,166,866</u>	<u>2,155,100</u>	<u>11,766</u>	<u>2,166,866</u>	<u>-</u>
Net change in fund balance	\$ -	\$ 4,368	(4,324)	\$ 44	\$ 44
Fund balance, beginning			<u>4,368</u>		
Fund balance, ending			<u>\$ 44</u>		

CAPITAL PROJECTS FUND

LAW ENFORCEMENT CENTER

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
Interest revenue	5,000	3,220	-	3,220	(1,780)
Total Revenues	5,000	3,220	-	3,220	(1,780)
<b>EXPENDITURES:</b>					
Capital outlay:					
Professional services	85,000	75,217	-	75,217	9,783
Construction	4,890,774	4,799,838	-	4,799,838	90,936
Furniture, Fixtures & Equipment	480,000	479,125	-	479,125	875
Administrative	220,600	220,600	-	220,600	-
Geotechnical investigation	60,000	50,558	-	50,558	9,442
Contingency	332,476	319,049	-	319,049	13,427
Preservation expense	6,150	6,150	-	6,150	-
Total expenditures	6,075,000	5,950,537	-	5,950,537	124,463
REVENUES OVER (UNDER) EXPENDITURES	(6,070,000)	(5,947,317)	-	(5,947,317)	122,683
<b>OTHER FINANCING SOURCES:</b>					
Debt Proceeds	6,070,000	6,070,000	-	6,070,000	-
Total other financing sources:	6,070,000	6,070,000	-	6,070,000	-
Net change in fund balance	\$ -	\$ 122,683	-	\$ 122,683	\$ 122,683
Fund balance, beginning			122,683		
Fund balance, ending			\$ 122,683		

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## CAPITAL PROJECTS FUND

## 2009A GO BONDS RECREATION PROJECT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
Grant revenues	\$ 300,000	\$ 300,000	\$ -	300,000	\$ -
Interest revenue	4,500	4,475	-	4,475	(25)
Miscellaneous	-	15,000	-	15,000	15,000
Total Revenues	<u>304,500</u>	<u>319,475</u>	<u>-</u>	<u>319,475</u>	<u>14,975</u>
<b>EXPENDITURES:</b>					
Capital outlay:					
Professional services	81,547	57,595	-	57,595	23,952
Construction	65,100	65,092	-	65,092	8
Land acquisition	2,010,000	2,009,206	-	2,009,206	794
Site improvements	<u>168,000</u>	<u>167,684</u>	<u>-</u>	<u>167,684</u>	<u>316</u>
Total expenditures	<u>2,324,647</u>	<u>2,299,577</u>	<u>-</u>	<u>2,299,577</u>	<u>25,070</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,020,147)	(1,980,102)	-	(1,980,102)	40,045
<b>OTHER FINANCING SOURCES:</b>					
Special revenue fund	-	-	-	-	-
Bonds issued	2,000,000	2,000,000	-	2,000,000	-
Premium on bonds issued	<u>20,147</u>	<u>20,147</u>	<u>-</u>	<u>20,147</u>	<u>-</u>
Total other financing sources:	<u>2,020,147</u>	<u>2,020,147</u>	<u>-</u>	<u>2,020,147</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 40,045</u>	<u>-</u>	<u>\$ 40,045</u>	<u>\$ 40,045</u>
Fund balance, beginning			<u>40,045</u>		
Fund balance, ending			<u>\$ 40,045</u>		

TOWN OF CLAYTON, NORTH CAROLINA  
 CAPITAL PROJECTS FUND

Exhibit A-6

2009A GO BONDS STREETS PROJECT  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES:</b>					
Grant revenues	\$ 78,000	\$ -	\$ -	\$ -	\$ (78,000)
Interest revenue	9,400	9,315	-	9,315	(85)
Total Revenues	<u>87,400</u>	<u>9,315</u>	<u>-</u>	<u>9,315</u>	<u>(78,085)</u>
<b>EXPENDITURES:</b>					
Capital outlay:					
Professional services	85,000	74,555	-	74,555	10,445
Construction	4,850,500	4,839,537	5,800	4,845,337	5,163
System maintenance	193,142	193,141	-	193,141	1
Mitigation Projects	87,775	-	-	-	87,775
Contingency	5,000	12,080	-	12,080	(7,080)
Total expenditures	<u>5,221,417</u>	<u>5,119,313</u>	<u>5,800</u>	<u>5,125,113</u>	<u>96,304</u>
REVENUES OVER (UNDER) EXPENDITURES	(5,134,017)	(5,109,998)	(5,800)	(5,115,798)	18,219
<b>OTHER FINANCING SOURCES:</b>					
Debt proceeds	3,000,000	3,000,000	-	3,000,000	-
Premium on bonds issued	30,221	30,221	-	30,221	-
Transfer from General Fund	1,418,104	1,418,104	-	1,418,104	-
Transfer from Water/Sewer Fund	685,692	685,692	-	685,692	-
Total other financing sources:	<u>5,134,017</u>	<u>5,134,017</u>	<u>-</u>	<u>5,134,017</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 24,019</u>	(5,800)	<u>\$ 18,219</u>	<u>\$ 18,219</u>
Fund balance, beginning			<u>24,019</u>		
Fund balance, ending			<u>\$ 18,219</u>		

## CAPITAL PROJECTS FUND

## PARKS &amp; RECREATION CAPITAL PROJECT

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

## BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2014

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Interest revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-
EXPENDITURES:					
Capital outlay:					
Professional services	-	-	-	-	-
Land acquisition	-	-	-	-	-
Total expenditures	350,000	61,528	-	61,528	288,472
REVENUES OVER (UNDER) EXPENDITURES	(350,000)	(61,528)	-	(61,528)	288,472
OTHER FINANCING SOURCES:					
Special revenue fund	300,000	300,000	-	300,000	-
Transfer from General Fund	50,000	-	-	-	(50,000)
Total other financing sources:	350,000	300,000	-	300,000	(50,000)
Net change in fund balance	\$ -	\$ 238,472	-	\$ 238,472	\$ 238,472
Fund balance, beginning			238,472		
Fund balance, ending			\$ 238,472		

## **NONMAJOR GOVERNMENTAL FUND**

*Horne Cemetery Fund* – This fund accounts for permanent funds where the principal may not be expended. The Town maintains the Horne Cemetery Fund.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2014**

**Exhibit B-1**

	<u>Special Revenue Fund</u>	<u>Total Non-Major Governmental Fund</u>
	<u>Horne Cemetery Fund</u>	
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 3,242	\$ 3,242
Accounts receivable	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,242</u>	<u>\$ 3,242</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
Liabilities		
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>
Fund balances		
Reserved for		
Construction	-	-
Perpetual maintenance	<u>3,242</u>	<u>3,242</u>
Total fund balances	<u>3,242</u>	<u>3,242</u>
Total liabilities and fund balances	<u>\$ 3,242</u>	<u>\$ 3,242</u>

HORNE CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Investment Earnings	\$ -	\$ 8	\$ 8
EXPENDITURES			
Cemetery Care	-	-	-
Revenues over expenditures	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 8</u>
Fund balance, beginning		<u>3,234</u>	
Fund balance, ending		<u><u>\$ 3,242</u></u>	

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# ENTERPRISE FUNDS

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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***Water and Sewer Fund*** - This fund is used to account for the Town's water and sewer operations.

***Raleigh/Clayton Sewer Project Fund*** – This fund is used to account for loan proceeds and other revenues used for the construction of the Raleigh/Clayton Sewer Project.

***Elevated Water Storage Tank Project Fund*** – This fund is used to account for grant funds, USDA loan proceeds, and Town contributions to construct a one million gallon water storage tank to improve the Town's water system.

***Automatic Rolls CDBG Project Fund*** – This fund is used to account for grant funds and the developer contribution for new infrastructure related to the construction of a new commercial bakery and storage facility operated by Northeast Foods, Inc., which is the largest supplier of buns in the United States.

***Electric Fund*** – This is used to account for the Town's electric fund operations.

***Electric Rate Stabilization Fund*** – This fund is used as Reserve for the Electric fund due to Electric rate fluctuations.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit C-1**  
**Page 1 of 2**

	2014		Variance Positive (Negative)
	Budget	Actual	
<b>REVENUES:</b>			
<b>Operating revenues:</b>			
Water sales	\$ -	\$ 4,078,165	\$ -
Sewer charges	-	3,664,492	-
Connection and tap fees	-	41,739	-
Total	<u>8,060,976</u>	<u>7,784,396</u>	<u>(276,580)</u>
Other operating revenues	<u>428,941</u>	<u>241,915</u>	<u>(187,026)</u>
Total operating revenues	<u>8,489,917</u>	<u>8,026,311</u>	<u>(463,606)</u>
<b>Nonoperating revenues:</b>			
Investment earnings	-	2,543	-
Capacity fees	-	1,906,494	-
Nutrient offset fees	-	52,964	-
Miscellaneous	-	21,109	-
Total nonoperating revenues	<u>29,825</u>	<u>1,983,110</u>	<u>1,953,285</u>
Total revenues	<u>8,519,742</u>	<u>10,009,421</u>	<u>1,489,679</u>
<b>EXPENDITURES:</b>			
<b>Water Distribution Operations:</b>			
Water purchases	-	1,706,434	-
Salaries and employee benefits	-	344,131	-
Meter replacements	-	72,783	-
Bad debt expense	-	22,071	-
Other operating expenditures	-	449,323	-
Total water distribution	-	<u>2,594,742</u>	-
<b>Preventative Maintenance:</b>			
Salaries and employee benefits	-	235,811	-
Chemicals	-	71,039	-
Supplies	-	3,020	-
Other operating expenditures	-	338,515	-
Total preventative maintenance	-	<u>648,385</u>	-
<b>Water Treatment:</b>			
Salaries and employee benefits	-	318,856	-
Water Capacity Allocation	-	620,750	-
Chemicals	-	23,059	-
Supplies	-	20,939	-
Other operating expenditures	-	1,204,963	-
Total water treatment	-	<u>2,188,567</u>	-
Total water distribution and treatment	<u>5,984,855</u>	<u>5,431,694</u>	<u>553,161</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**For the Fiscal Year Ended June 30, 2014**

	2014		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Debt service:			
Principal	\$ -	\$ 1,409,009	\$ -
Interest	-	239,458	-
Total debt service	<u>1,679,231</u>	<u>1,648,467</u>	<u>30,764</u>
Capital outlay:			
Water distribution	-	-	-
Water prevention	-	815,478	-
Water treatment	-	38,575	-
Total capital outlay	<u>1,571,830</u>	<u>854,053</u>	<u>717,777</u>
Reimbursement - General Fund:			
Support services - General Fund	<u>1,226,353</u>	<u>1,149,696</u>	<u>76,657</u>
Total expenditures	<u>10,462,269</u>	<u>9,083,910</u>	<u>1,378,359</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,942,527)</u>	<u>925,511</u>	<u>2,868,038</u>
Other financing sources (uses)			
Debt proceeds	959,523	-	(959,523)
Transfer from Capital Project fund	<u>126,254</u>	<u>126,254</u>	<u>-</u>
Total other financing sources	<u>1,085,777</u>	<u>126,254</u>	<u>(959,523)</u>
Fund balance appropriated	<u>856,750</u>	<u>-</u>	<u>(856,750)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,051,765</u>	<u>1,051,765</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		\$ 1,051,765	
Reconciling items:			
Principal retirement		1,409,009	
Capital outlay		854,053	
Other postemployment benefits		(7,635)	
Vacation accrual		1,823	
Depreciation & Amortization		(933,178)	
Capital contribution		293,551	
Interest revenue-capital project		92	
Transfer from Elevated Water Storage Tank Fund		<u>(126,254)</u>	
Total Reconciling items		1,491,461	
Change in net assets		<u>\$ 2,543,226</u>	

**TOWN OF CLAYTON, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND -**  
**RALEIGH/CLAYTON SEWER PROJECT**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2014**

**Exhibit C-2**

	Project Authorization	Actual		Total to Date	Variance Positive (Negative)
		Prior Years	Current Year		
REVENUES					
Miscellaneous	<u>\$ 3,850,000</u>	<u>\$ 255,000</u>	<u>\$ -</u>	<u>\$ 255,000</u>	<u>\$ (3,595,000)</u>
EXPENDITURES:					
Clayton capacity charges	807,400	807,366	-	807,366	34
Construction	5,159,200	244,362	-	244,362	4,914,838
Design services	275,000	265,642	2,538	268,180	6,820
Easements	250,000	213,219	16,151	229,370	20,630
Construction inspection	87,000	-	-	-	87,000
Geotechnical investigation	13,200	13,200	-	13,200	-
Contingency	500,000	264	-	264	499,736
Total expenditures	<u>7,091,800</u>	<u>1,544,053</u>	<u>18,689</u>	<u>1,562,742</u>	<u>5,529,058</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,241,800)</u>	<u>(1,289,053)</u>	<u>(18,689)</u>	<u>(1,307,742)</u>	<u>1,934,058</u>
OTHER FINANCING SOURCES:					
Proceeds from loan	<u>3,241,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,241,800)</u>
Total other financing sources	<u>3,241,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,241,800)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$(1,289,053)</u>	<u>(18,689)</u>	<u>\$(1,307,742)</u>	<u>\$ (1,307,742)</u>
Fund balance, beginning			<u>(1,289,053)</u>		
Fund balance, ending			<u>\$(1,307,742)</u>		

**TOWN OF CLAYTON, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND -**  
**ELEVATED WATER STORAGE TANK**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2014**

**Exhibit C-3**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
Grant Revenue	\$ 1,562,200	\$ 479,416	\$ 293,548	\$ 772,964	\$ (789,236)
Interest earnings	-	1,704	92	1,796	1,796
Total revenues	<u>1,562,200</u>	<u>481,120</u>	<u>293,640</u>	<u>774,760</u>	<u>(787,440)</u>
<b>EXPENDITURES:</b>					
Professional services	278,728	262,377	16,350	278,727	1
Construction	2,650,000	1,900,172	51,074	1,951,246	698,754
Contingency	136,418	-	-	-	136,418
Total expenditures	<u>3,065,146</u>	<u>2,162,549</u>	<u>67,424</u>	<u>2,229,973</u>	<u>835,173</u>
<b>REVENUES OVER (UNDER)</b>					
EXPENDITURES	<u>(1,502,946)</u>	<u>(1,681,429)</u>	<u>226,216</u>	<u>(1,455,213)</u>	<u>47,733</u>
<b>OTHER FINANCING SOURCES:</b>					
Proceeds from loan	1,599,200	1,604,000	-	1,604,000	4,800
Operating transfers (to) from:					
Water and Sewer fund	<u>(96,254)</u>	<u>-</u>	<u>(126,254)</u>	<u>(126,254)</u>	<u>(30,000)</u>
Total other financing sources	<u>1,502,946</u>	<u>1,604,000</u>	<u>(126,254)</u>	<u>1,477,746</u>	<u>(25,200)</u>
<b>REVENUES AND OTHER FINANCING</b>					
<b>SOURCES OVER (UNDER)</b>					
EXPENDITURES	<u>\$ -</u>	<u>\$ (77,429)</u>	<u>99,962</u>	<u>\$ 22,533</u>	<u>\$ 22,533</u>
Fund balance, beginning			<u>(77,429)</u>		
Fund balance, ending			<u>\$ 22,533</u>		

**TOWN OF CLAYTON, NORTH CAROLINA**  
**WATER AND SEWER CAPITAL PROJECTS FUND -**  
**AUTOMATIC ROLLS CDBG**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2014**

**Exhibit C-4**

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
<b>REVENUES</b>					
CDBG Grant	\$ 700,000	\$ 700,000	\$ -	\$ 700,000	\$ -
Developer contributions	234,000	234,000	-	234,000	-
Total revenues	<u>934,000</u>	<u>934,000</u>	<u>-</u>	<u>934,000</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Construction	674,000	672,639	-	672,639	1,361
Administrative	400	351	-	351	49
Construction inspection	4,000	500	-	500	3,500
Street repairs & improvements	131,000	130,954	-	130,954	46
Design	97,000	96,966	-	96,966	34
Nitrogen capacity	25,100	21,547	-	21,547	3,553
Contingency	2,500	-	-	-	2,500
Total expenditures	<u>934,000</u>	<u>922,957</u>	<u>-</u>	<u>922,957</u>	<u>11,043</u>
REVENUES OVER (UNDER)					
EXPENDITURES	<u>\$ -</u>	<u>\$ 11,043</u>	<u>-</u>	<u>\$ 11,043</u>	<u>\$ 11,043</u>
Fund balance, beginning			<u>11,043</u>		
Fund balance, ending			<u>\$ 11,043</u>		

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	2014		Variance Positive (Negative)
	Budget	Actual	
REVENUES:			
Operating revenues:			
Electricity sales	\$ -	\$ 12,281,652	\$ -
Connection fees	-	26,668	-
Penalties	-	202,496	-
Total	<u>12,366,128</u>	<u>12,510,816</u>	<u>144,688</u>
Other operating revenues	54,550	66,611	12,061
Total operating revenues	<u>12,420,678</u>	<u>12,577,427</u>	<u>156,749</u>
Nonoperating revenues:			
Investment earnings	-	4,391	-
Damage reimbursement	-	16,489	-
Miscellaneous	-	88,902	-
Total nonoperating revenues	<u>308,700</u>	<u>109,782</u>	<u>(198,918)</u>
Total revenues	<u>12,729,378</u>	<u>12,687,209</u>	<u>(42,169)</u>
EXPENDITURES:			
Electric operations:			
Electric power purchased	-	9,776,331	-
Salaries and employee benefits	-	730,446	-
Contracted maintenance	-	96,495	-
Vehicle maintenance	-	16,401	-
Bad Debt expense	-	77,031	-
Other operating expenditures	-	660,471	-
Total electric operations	<u>11,366,746</u>	<u>11,357,175</u>	<u>9,571</u>
Debt service:			
Principal	-	76,978	-
Interest	-	4,053	-
Total debt service	<u>135,682</u>	<u>81,031</u>	<u>54,651</u>
Capital outlay	<u>746,525</u>	<u>713,156</u>	<u>33,369</u>
Reimbursement - General Fund:			
Taxes	380,890	374,850	-
Support services	696,433	657,042	-
Total reimbursement	<u>1,077,323</u>	<u>1,031,892</u>	<u>45,431</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
For the Fiscal Year Ended June 30, 2014**

	2014		Variance Positive (Negative)
	Budget	Actual	
Total expenditures	<u>13,326,276</u>	<u>13,183,254</u>	<u>143,022</u>
Revenues over (under) expenditures	<u>\$ (596,898)</u>	<u>\$ (496,045)</u>	<u>\$ 100,853</u>
Other financing sources			
Debt issuance	<u>596,898</u>	<u>650,000</u>	<u>53,102</u>
Revenues and other financing sources over (under) expenditures	<u>-</u>	<u>153,955</u>	<u>153,955</u>
 RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		\$ 153,955	
Reconciling items:			
Capital outlay		713,156	
Principal retirement		76,978	
Debt proceeds		(650,000)	
Other postemployment benefits		(3,203)	
Vacation accrual		(1,319)	
Depreciation		<u>(335,007)</u>	
Total Reconciling items		<u>(199,395)</u>	
Change in net assets		<u>\$ (45,440)</u>	

**TOWN OF CLAYTON, NORTH CAROLINA**  
**ELECTRIC CAPITAL PROJECTS FUND -**  
**ELECTRIC RATE STABILIZATION FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2014**

*Exhibit C-6*

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Other financing sources (uses):					
Transfers from (to) other funds:					
Electric Fund	67,738	243,546	-	243,546	175,808
Electric Fund	<u>(67,738)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,738</u>
Total other financing sources (uses)	<u>-</u>	<u>243,546</u>	<u>-</u>	<u>243,546</u>	<u>243,546</u>
Revenues over other financing sources (uses)	<u>\$ -</u>	<u>\$ 243,546</u>	<u>-</u>	<u>\$ 243,546</u>	<u>\$ 243,456</u>
Fund balance, beginning			<u>243,546</u>		
Fund balance, ending			<u>\$ 243,546</u>		

# Agency Fund

---

Agency Funds are used to account for assets held by the Town as an agent for individual and/or other governments.

---

## Agency Fund

*Claytex Fire District* – This fund accounts for taxes assessed from taxpayers in a special area for fire services for that area.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**AGENCY FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Fiscal Year Ended June 30, 2014**

---

**Exhibit D-1**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,409,219	\$ 2,588,950	\$ 2,093,687	\$ 1,904,482
Taxes receivable	<u>38,662</u>	<u>12,814</u>	<u>38,662</u>	<u>12,814</u>
Total assets	<u>\$ 1,050,808</u>	<u>\$ 2,601,764</u>	<u>\$ 2,132,349</u>	<u>\$ 1,917,296</u>
<b>LIABILITIES</b>				
Intergovernmental payable	<u>1,447,881</u>	<u>2,601,764</u>	<u>2,132,349</u>	<u>1,917,296</u>
Total liabilities	<u>\$ 1,050,808</u>	<u>\$ 2,601,764</u>	<u>\$ 2,132,349</u>	<u>\$ 1,917,296</u>

## Other Schedules

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This section contains additional information on property taxes.

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- *Schedule of Ad Valorem Taxes Receivable*
- *Analysis of Current Tax Levy*

**TOWN OF CLAYTON, NORTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF AD VALOREM TAXES RECEIVABLE**  
**June 30, 2014**

**Exhibit E-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2013</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2014</u>
2013-2014	\$ -	\$ 8,709,340	\$ 8,682,404	26,936
2012-2013	90,811	19	75,635	15,195
2011-2012	12,897	-	3,650	9,247
2010-2011	8,735	-	3,362	5,373
2009-2010	14,389	-	311	14,078
2008-2009	6,959	-	1,129	5,830
2007-2008	6,681	-	6,314	367
2006-2007	65	-	-	65
2005-2006	304	-	9	295
2004-2005	246	-	-	246
2003-2004	174	-	174	-
	<u>\$ 141,261</u>	<u>\$ 8,709,359</u>	<u>\$ 8,772,988</u>	<u>\$ 77,632</u>
Plus: Uncollected 2013-2014 ad valorem taxes receivable on annually registered vehicles				866
Less: Allowance for uncollectible accounts General Fund				<u>25,000</u>
Ad valorem taxes receivable - net				<u>\$ 53,498</u>
Reconciliation with revenues				
Ad valorem taxes - General Fund				<u>\$ 8,587,613</u>
Reconciling items:				
Interest collected				(60,624)
EDIG Rebate				197,950
Releases/adjustments				<u>48,049</u>
Subtotal				<u>185,375</u>
Total collections and credits				<u>\$ 8,772,988</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2014**

**Exhibit E-2**

	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxes at current year's rate	\$ 1,630,424,897	\$0.525	\$ 8,559,740	\$ 7,646,116	\$ 913,624
Penalties	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>1,630,424,897</u>		<u>8,559,740</u>	<u>7,646,116</u>	<u>913,624</u>
<b>Discoveries:</b>					
Current years taxes	20,992,025	0.525	110,208	107,341	2,867
Prior year taxes	<u>7,403,204</u>	0.532	<u>39,392</u>	<u>39,392</u>	<u>-</u>
Total	<u>28,395,229</u>		<u>149,600</u>	<u>146,733</u>	<u>2,867</u>
<b>Abatements:</b>					
Current years taxes	<u>(7,433,878)</u>		<u>(39,028)</u>	<u>(23,686)</u>	<u>(15,342)</u>
Total	<u>(7,433,878)</u>		<u>(39,028)</u>	<u>(23,686)</u>	<u>(15,342)</u>
Total property valuation	<u><u>\$ 1,651,386,248</u></u>				
Net levy			8,670,312	7,769,163	901,149
Uncollected taxes at June 30, 2014			<u>26,936</u>	<u>10,442</u>	<u>16,494</u>
Current year's taxes collected			<u>\$ 8,643,376</u>	<u>\$ 7,758,721</u>	<u>\$ 884,655</u>
Current levy collection percentage			<u>99.69%</u>	<u>99.87%</u>	<u>98.17%</u>

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## STATISTICAL SECTION

This part of the Town's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

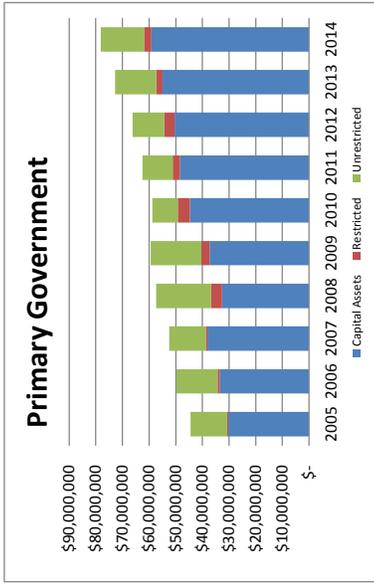
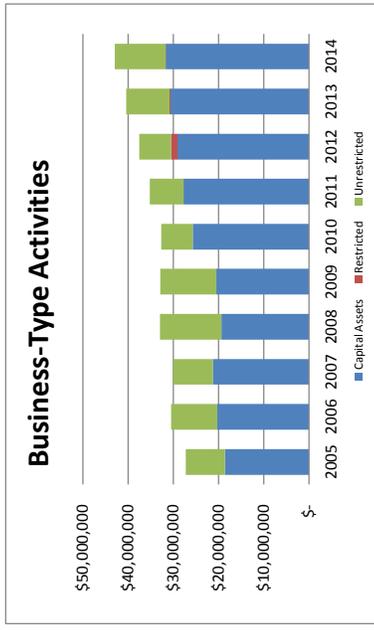
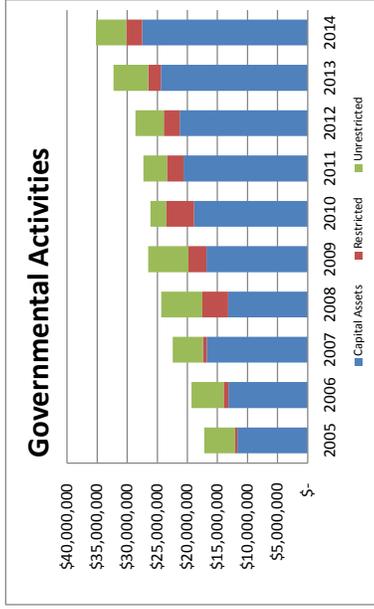
<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	81
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	90
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	94
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	99
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	101

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



**Town of Clayton**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)

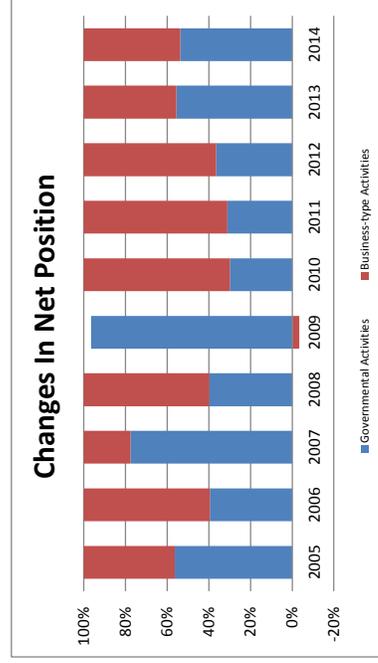
	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental activities</b>										
Net investment in capital assets	\$ 27,537,113	\$ 24,372,799	\$ 21,281,487	\$ 20,619,008	\$ 18,906,564	\$ 16,847,632	\$ 13,240,544	\$ 16,782,361	\$ 13,168,311	\$ 11,712,266
Restricted	2,634,979	2,118,449	2,628,727	2,786,883	4,622,841	3,015,859	4,279,143	642,269	821,413	361,310
Unrestricted	5,004,008	5,790,979	4,727,996	3,889,662	2,634,837	6,644,625	6,825,392	4,991,394	5,300,590	5,131,828
Total governmental activities net position	\$ 35,176,100	\$ 32,282,227	\$ 28,638,210	\$ 27,295,553	\$ 26,164,242	\$ 26,508,116	\$ 24,345,079	\$ 22,416,024	\$ 19,290,314	\$ 17,205,404
<b>Business-type activities</b>										
Net investment in capital assets	\$ 31,662,302	\$ 30,650,069	\$ 29,101,137	\$ 27,772,311	\$ 25,730,425	\$ 20,498,064	\$ 19,349,968	\$ 21,288,769	\$ 20,259,381	\$ 18,587,533
Restricted	6,260	208,893	1,365,128	-	-	-	-	-	-	-
Unrestricted	11,257,496	9,569,310	7,047,946	7,404,641	6,941,780	12,378,126	13,604,433	8,754,446	10,191,517	8,680,360
Total business-type activities net position	\$ 42,926,058	\$ 40,428,272	\$ 37,514,211	\$ 35,176,952	\$ 32,672,205	\$ 32,876,190	\$ 32,954,401	\$ 30,043,215	\$ 30,450,898	\$ 27,267,893
<b>Primary government</b>										
Net investment in capital assets	\$ 59,199,415	\$ 55,022,868	\$ 50,382,624	\$ 48,391,319	\$ 44,636,989	\$ 37,345,696	\$ 32,590,512	\$ 38,071,130	\$ 33,427,692	\$ 30,299,799
Restricted	2,641,239	2,327,342	3,993,855	2,786,883	4,622,841	3,015,859	4,279,143	642,269	821,413	361,310
Unrestricted	16,261,504	15,360,289	11,775,942	11,294,303	9,576,617	19,022,751	20,429,825	13,745,840	15,492,107	13,812,188
Total primary government net position	\$ 78,102,158	\$ 72,710,499	\$ 66,152,421	\$ 62,472,505	\$ 58,836,447	\$ 59,384,306	\$ 57,299,480	\$ 52,459,239	\$ 49,741,212	\$ 44,473,297



**Town of Clayton**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

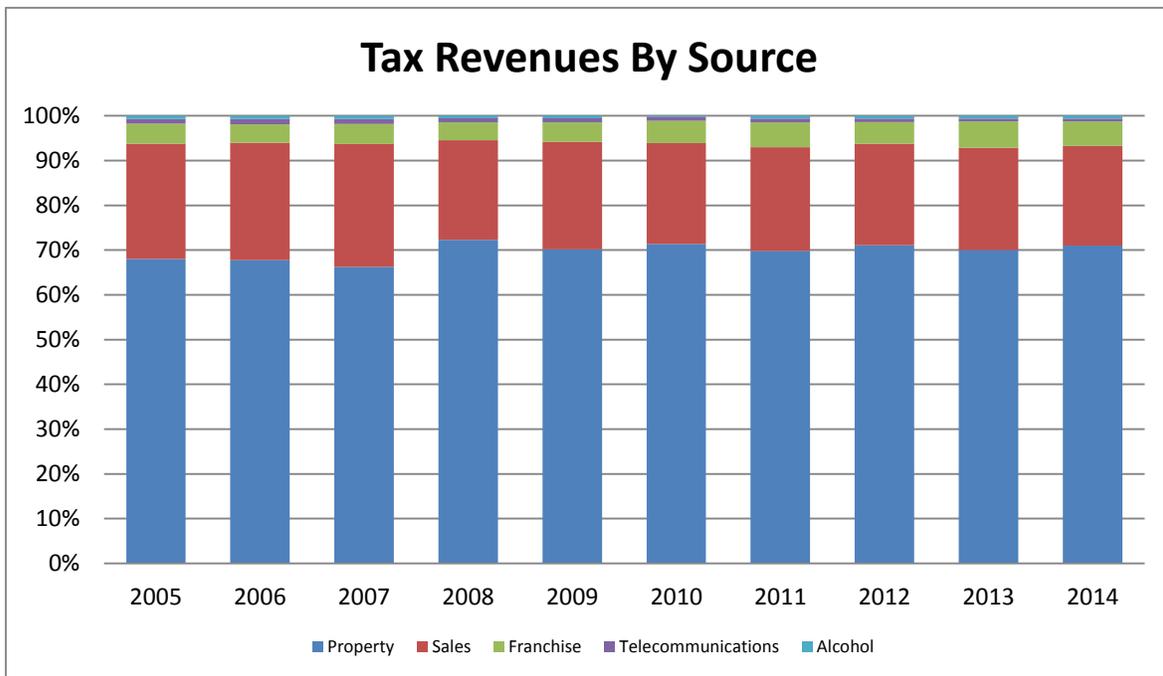
	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities										
General government	\$ 3,349,078	\$ 2,889,392	\$ 2,891,649	\$ 3,022,085	\$ 3,405,756	\$ 3,297,244	\$ 2,411,424	\$ 2,147,952	\$ 1,888,907	\$ 1,612,371
Public safety	6,159,070	5,870,952	5,749,306	5,595,345	5,914,190	5,761,209	5,445,651	5,016,359	4,454,301	3,930,276
Public works	3,583,516	3,438,151	2,945,050	2,828,337	3,012,842	2,998,564	2,765,683	2,156,441	2,228,115	1,642,534
Culture and recreation	2,259,979	2,147,576	1,979,108	1,836,914	1,894,227	1,808,121	1,689,214	1,420,344	1,440,071	1,195,694
Interest on long-term debt	705,993	832,444	870,236	645,725	409,069	339,114	280,458	205,870	206,415	225,282
Total governmental activities expenses	16,057,636	15,178,515	14,435,349	13,928,406	14,636,084	14,204,252	12,592,430	10,946,966	10,217,809	8,606,157
Business-type activities:										
Water and sewer	7,759,838	7,121,581	6,656,327	6,292,272	6,618,852	6,826,222	7,060,870	6,749,392	5,786,091	4,960,273
Electric	12,732,649	12,427,570	12,052,462	12,721,049	12,342,639	12,376,728	10,861,342	10,209,665	9,876,152	8,738,470
Total business-type activities expenses	20,492,487	19,549,151	18,708,789	19,013,321	18,961,491	19,202,950	17,922,212	16,959,057	15,662,243	13,698,743
Total primary government expenses	\$ 36,550,123	\$ 34,727,666	\$ 33,144,138	\$ 32,941,727	\$ 33,597,575	\$ 33,407,202	\$ 30,514,642	\$ 27,906,023	\$ 25,880,052	\$ 22,304,900
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 1,012,842	\$ 670,300	\$ 524,188	\$ 388,093	\$ 413,241	\$ -	\$ -	\$ -	\$ 105,065	\$ 95,414
Public safety	18,915	28,944	20,404	32,961	24,982	695	4,416	1,929	2,525	6,115
Public works	1,392,393	1,374,227	1,212,288	1,172,643	1,139,204	1,582,738	1,613,008	1,394,727	1,428,315	1,177,278
Culture and recreation	462,402	664,432	541,268	446,947	163,769	130,574	127,244	457,328	84,277	70,494
Operating grants and contributions	1,117,363	1,023,369	980,116	946,535	904,069	971,218	1,104,690	840,492	810,890	672,703
Capital grants and contributions	1,793,819	1,588,744	433,306	447,724	873,513	1,043,361	580,065	1,636,529	1,288,210	380,073
Total governmental activities program revenues	5,797,734	5,350,016	3,711,570	3,434,903	3,518,778	3,728,586	3,429,423	4,331,005	3,719,232	2,402,077
Business-type activities:										
Charges for services:										
Water and sewer	7,784,396	7,716,133	7,567,633	7,328,079	6,389,227	6,178,248	6,277,889	6,137,038	5,834,540	4,681,591
Electric	12,510,816	12,185,913	12,038,845	12,780,001	12,479,719	11,910,902	11,167,778	10,427,747	9,948,367	9,297,442
Operating grants and contributions	308,526	335,072	291,277	196,755	202,311	151,061	180,306	164,488	131,058	210,431
Capital grants and contributions	293,551	479,412	220,907	837,258	-	79,160	1,196,576	-	1,649,832	-
Total business-type activities program revenues	20,897,289	20,716,530	20,118,662	21,142,093	19,071,257	18,319,371	18,822,549	16,729,273	17,563,797	14,189,464
Total primary government program revenues	\$ 26,695,023	\$ 26,066,546	\$ 23,830,232	\$ 24,576,996	\$ 22,590,035	\$ 22,047,957	\$ 22,251,972	\$ 21,060,278	\$ 21,283,029	\$ 16,591,541

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net (expense) revenue	\$ (10,259,902)	\$ (9,828,499)	\$ (10,723,779)	\$ (10,493,503)	\$ (11,117,306)	\$ (10,475,666)	\$ (9,163,007)	\$ (6,615,961)	\$ (6,498,577)	\$ (6,204,080)
Governmental activities	404,802	1,167,379	1,409,873	2,128,772	1,097,766	(883,579)	900,337	(229,784)	1,901,554	490,721
Business-type activities	\$ (9,855,100)	\$ (8,661,120)	\$ (9,313,906)	\$ (8,364,731)	\$ (11,007,540)	\$ (11,359,245)	\$ (8,262,670)	\$ (6,845,745)	\$ (4,597,023)	\$ (5,713,359)
Total primary government net (expense) revenue										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 8,569,899	\$ 8,049,338	\$ 7,931,296	\$ 7,249,558	\$ 7,307,811	\$ 7,303,753	\$ 7,164,272	\$ 5,194,264	\$ 4,803,277	\$ 4,451,336
Other taxes	1,574,480	1,599,609	1,385,536	1,398,420	962,382	1,254,282	1,176,015	1,073,219	863,651	745,804
Unrestricted grants and contributions	2,690,464	2,594,116	2,636,522	2,504,441	2,339,785	2,543,761	2,243,668	2,193,253	1,896,160	1,730,155
Investment earnings	10,784	22,805	15,397	23,932	36,076	138,857	249,753	258,677	268,071	115,893
Miscellaneous	308,148	520,956	97,685	448,463	677,145	1,398,090	558,354	722,258	752,328	704,741
Transfers	-	685,692	-	-	-	-	(300,000)	300,000	-	91,074
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-
Total governmental activities	13,153,775	13,472,516	12,066,436	11,624,814	11,323,199	12,638,703	11,092,062	9,741,671	8,583,487	7,839,003
Business-type activities										
Investment earnings	7,026	10,761	11,659	16,644	13,540	88,252	217,901	260,343	200,062	174,177
Miscellaneous	2,085,958	2,421,613	915,727	359,331	358,923	717,116	1,492,948	1,174,026	1,081,389	691,223
Transfers	-	(685,692)	-	-	-	-	300,000	(300,000)	-	(91,074)
Total business-type activities	2,092,984	1,746,682	927,386	375,975	372,463	805,368	2,010,849	1,134,369	1,281,451	774,326
Total primary government	\$ 15,246,759	\$ 15,219,198	\$ 12,993,822	\$ 12,000,789	\$ 11,695,662	\$ 13,444,071	\$ 13,102,911	\$ 10,876,040	\$ 9,864,938	\$ 8,613,329
<b>Changes in Net Position</b>										
Governmental activities	\$ 2,893,873	\$ 3,644,017	\$ 1,342,657	\$ 1,131,311	\$ 205,893	\$ 2,163,037	\$ 1,929,055	\$ 3,125,710	\$ 2,084,910	\$ 1,634,923
Business-type activities	2,497,786	2,914,061	2,337,259	2,504,747	482,229	(78,211)	2,911,186	904,585	3,183,005	1,265,047
Total primary government	\$ 5,391,659	\$ 6,558,078	\$ 3,679,916	\$ 3,636,058	\$ 688,122	\$ 2,084,826	\$ 4,840,241	\$ 4,030,295	\$ 5,267,915	\$ 2,899,970



**Town of Clayton**  
**Governmental Activities Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

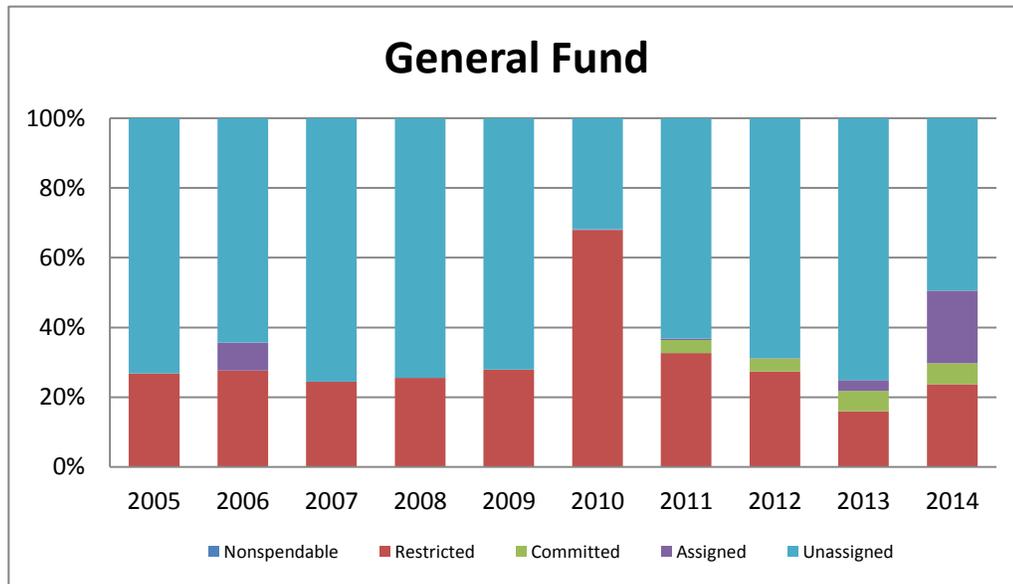
<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Telecommunications Tax</u>
2014	\$ 8,587,613	\$ 2,690,464	\$ 665,640	\$ 72,303	\$ 76,060
2013	7,984,694	2,594,116	674,211	66,364	78,472
2012	7,931,632	2,531,400	542,253	70,355	85,657
2011	7,244,251	2,403,131	576,336	63,171	87,516
2010	7,306,114	2,307,722	512,761	19,540	92,088
2009	7,292,034	2,504,203	445,827	57,970	96,028
2008	7,163,604	2,202,723	397,069	55,857	87,937
2007	5,192,790	2,150,906	351,311	52,346	92,641
2006	4,800,759	1,857,610	296,477	48,052	83,906
2005	4,466,828	1,691,047	296,348	45,348	68,943



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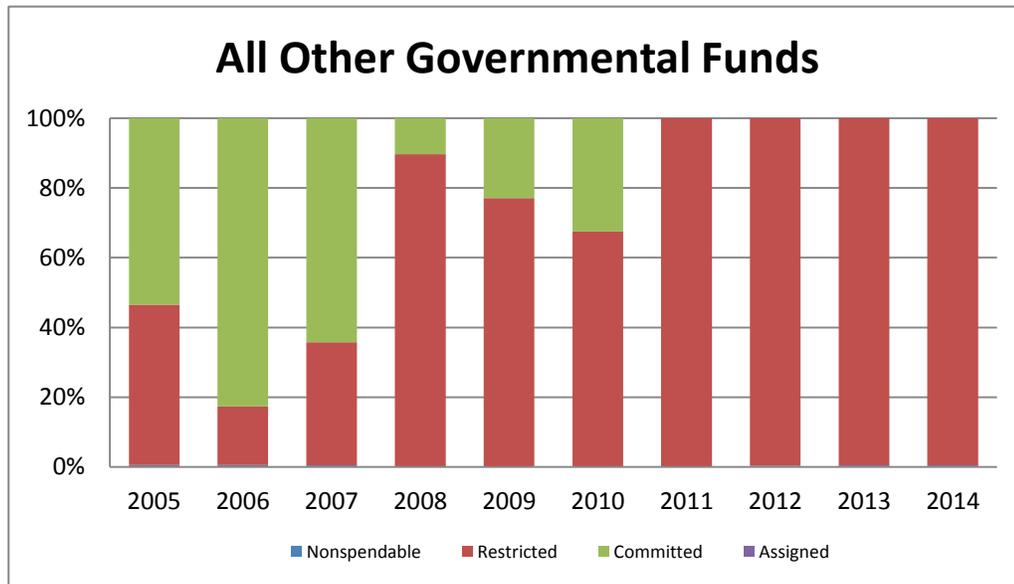
**Town of Clayton  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>General Fund</b>				
Nonspendable	\$ 19,979	\$ 15,908	\$ -	\$ -
Restricted	1,987,897	1,343,811	2,309,833	2,497,248
Committed	510,568	494,918	315,668	286,418
Assigned	1,761,509	262,304	6,061	32,430
Unassigned	4,194,760	6,378,452	5,813,270	4,836,252
<b>Total general fund</b>	<b>\$ 8,474,713</b>	<b>\$ 8,495,393</b>	<b>\$ 8,444,832</b>	<b>\$ 7,652,348</b>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ 3,242	\$ 3,234	\$ 3,226	\$ 3,217
Restricted	643,840	653,964	750,892	4,038,249
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 647,082</b>	<b>\$ 657,198</b>	<b>\$ 754,118</b>	<b>\$ 4,041,466</b>



Fiscal Year					
2010	2009	2008	2007	2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,007,923	2,226,861	1,999,265	1,340,575	1,654,087	1,402,409
-	-	-	-	-	-
21,908	-	-	-	481,685	-
3,750,283	5,737,562	5,819,819	4,139,225	3,849,188	3,832,377
<u>\$ 11,780,114</u>	<u>\$ 7,964,423</u>	<u>\$ 7,819,084</u>	<u>\$ 5,479,800</u>	<u>\$ 5,984,960</u>	<u>\$ 5,234,786</u>

\$ 3,198	\$ 3,180	\$ 3,160	\$ 3,124	\$ 3,084	\$ 3,052
1,196,152	1,876,127	3,492,035	241,480	89,925	251,865
577,543	560,211	401,622	439,440	442,314	293,466
-	-	-	-	-	-
<u>\$ 1,776,893</u>	<u>\$ 2,439,518</u>	<u>\$ 3,896,817</u>	<u>\$ 684,044</u>	<u>\$ 535,323</u>	<u>\$ 548,383</u>



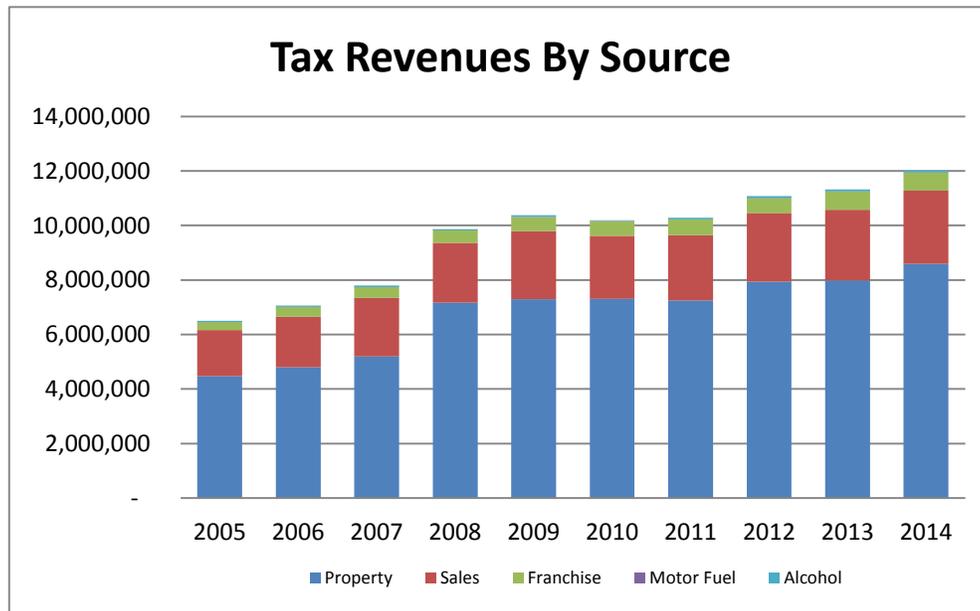
**Town of Clayton**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Revenues</b>				
Taxes	\$ 8,587,613	\$ 7,984,694	\$ 7,931,632	\$ 7,244,251
Licenses and permits	1,223,613	1,060,864	726,688	575,556
Intergovernmental	7,068,660	6,667,741	5,252,125	5,122,366
Charges for services	1,855,127	1,874,335	1,754,815	1,639,842
Investment earnings	10,784	22,805	15,397	23,932
Miscellaneous	308,148	520,956	97,685	477,846
Total revenues	<u>19,053,945</u>	<u>18,131,395</u>	<u>15,778,342</u>	<u>15,083,793</u>
<b>Expenditures</b>				
General government	2,895,658	2,442,668	2,470,834	2,586,501
Public safety	5,623,161	5,357,560	5,231,200	5,001,618
Public works	3,178,465	3,089,937	2,660,077	2,608,345
Culture and recreation	1,928,696	1,962,514	1,851,413	1,793,801
Capital outlay	3,125,028	4,021,172	5,912,652	8,563,407
Debt Service				
Principal	1,627,740	1,493,228	1,542,991	1,564,823
Interest and other fees	705,993	832,444	870,236	645,725
Total expenditures	<u>19,084,741</u>	<u>19,199,523</u>	<u>20,539,403</u>	<u>22,764,220</u>
Excess of revenues over (under) expenditures	(30,796)	(1,068,128)	(4,761,061)	(7,680,427)
<b>Other financing sources (uses)</b>				
Transfers In (Out)	-	685,692	-	-
Proceeds from borrowings	-	-	-	-
Bonds issued	-	-	2,000,000	-
Premium on bonds issued	-	-	14,900	-
Capital leases	-	336,077	251,297	6,367,000
Funds raised	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,021,769</u>	<u>2,266,197</u>	<u>6,367,000</u>
Net changes in fund balances	<u>\$ (30,796)</u>	<u>\$ (46,359)</u>	<u>\$ (2,494,864)</u>	<u>\$ (1,313,427)</u>
Fund balances, beginning	9,152,591	9,198,950	11,693,814	13,557,008
Change in accounting principle	-	-	-	(549,767)
Prior period adjustment	-	-	-	-
Fund balances, beginning as restated	<u>9,152,591</u>	<u>9,198,950</u>	<u>11,693,814</u>	<u>13,007,241</u>
Fund balances, ending	<u>\$ 9,121,795</u>	<u>\$ 9,152,591</u>	<u>\$ 9,198,950</u>	<u>\$ 11,693,814</u>
Debt service as a percentage of noncapital expenditures	14.62%	15.32%	16.50%	15.57%

<b>Fiscal Year</b>					
<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 7,306,114	\$ 7,292,034	\$ 7,163,604	\$ 5,192,790	\$ 4,800,759	\$ 4,466,828
529,748	550,072	802,563	687,565	911,983	2,410,388
4,948,652	5,711,754	4,988,377	5,632,979	4,753,203	1,752,754
1,342,543	1,264,805	1,058,166	1,276,933	813,857	714,896
36,076	138,837	249,753	258,677	268,071	115,893
<u>677,145</u>	<u>1,213,907</u>	<u>414,153</u>	<u>600,132</u>	<u>487,571</u>	<u>419,523</u>
<u>14,840,278</u>	<u>16,171,409</u>	<u>14,676,616</u>	<u>13,649,076</u>	<u>12,035,444</u>	<u>9,880,282</u>
2,994,719	2,638,543	1,982,216	1,732,990	1,328,660	2,101,261
5,305,648	5,245,807	5,017,638	4,456,901	4,025,678	3,499,216
2,805,203	2,895,533	2,644,920	2,051,952	2,133,482	1,579,432
1,860,810	1,760,348	1,623,764	1,345,211	1,377,071	79,545
2,072,292	5,208,660	5,368,997	4,029,868	2,138,087	1,870,298
1,289,839	1,296,582	1,100,701	779,203	747,936	983,429
<u>409,069</u>	<u>339,114</u>	<u>280,458</u>	<u>205,870</u>	<u>206,415</u>	<u>225,282</u>
<u>16,737,580</u>	<u>19,384,587</u>	<u>18,018,694</u>	<u>14,601,995</u>	<u>11,957,329</u>	<u>10,338,463</u>
(1,897,302)	(3,213,178)	(3,342,078)	(952,919)	78,115	(458,181)
-	-	(300,000)	300,000	-	91,074
-	-	-	-	-	-
5,000,000	-	-	-	-	-
50,368	-	-	-	-	-
-	1,901,218	9,194,135	296,480	659,000	214,000
-	-	-	-	-	-
<u>5,050,368</u>	<u>1,901,218</u>	<u>8,894,135</u>	<u>596,480</u>	<u>659,000</u>	<u>305,074</u>
<u>\$ 3,153,066</u>	<u>\$ (1,311,960)</u>	<u>\$ 5,552,057</u>	<u>\$ (356,439)</u>	<u>\$ 737,115</u>	<u>\$ (153,107)</u>
10,403,942	11,715,902	6,163,845	6,520,284	5,783,169	5,936,276
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,403,942</u>	<u>11,715,902</u>	<u>6,163,845</u>	<u>6,520,284</u>	<u>5,783,169</u>	<u>5,936,276</u>
<u>\$ 13,557,008</u>	<u>\$ 10,403,942</u>	<u>\$ 11,715,902</u>	<u>\$ 6,163,845</u>	<u>\$ 6,520,284</u>	<u>\$ 5,783,169</u>
11.58%	11.54%	10.92%	9.32%	9.72%	14.27%

**Town of Clayton**  
**General Governmental Tax Revenues By Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Motor Fuel Tax</b>	<b>Alcoholic Beverage Tax</b>	<b>Total</b>
2014	\$ 8,587,613	\$ 2,690,464	\$ 665,640	\$ 26	\$ 72,303	\$ 12,016,046
2013	7,984,694	2,594,116	674,211	97	66,364	11,319,482
2012	7,931,632	2,531,400	542,253	192	70,355	11,075,832
2011	7,244,251	2,403,131	576,336	55	63,171	10,286,944
2010	7,306,114	2,307,722	544,455	13,183	19,540	10,191,014
2009	7,292,034	2,504,203	512,761	6,409	57,970	10,373,377
2008	7,163,604 <sup>2</sup>	2,202,723	445,827	236	55,857	9,868,247
2007	5,192,790	2,150,906	397,069	145	52,346	7,793,256
2006	4,800,759	1,857,610	351,311	113	48,052 <sup>1</sup>	7,057,845
2005	4,466,828	1,691,047	296,477	101	45,348 <sup>1</sup>	6,499,801

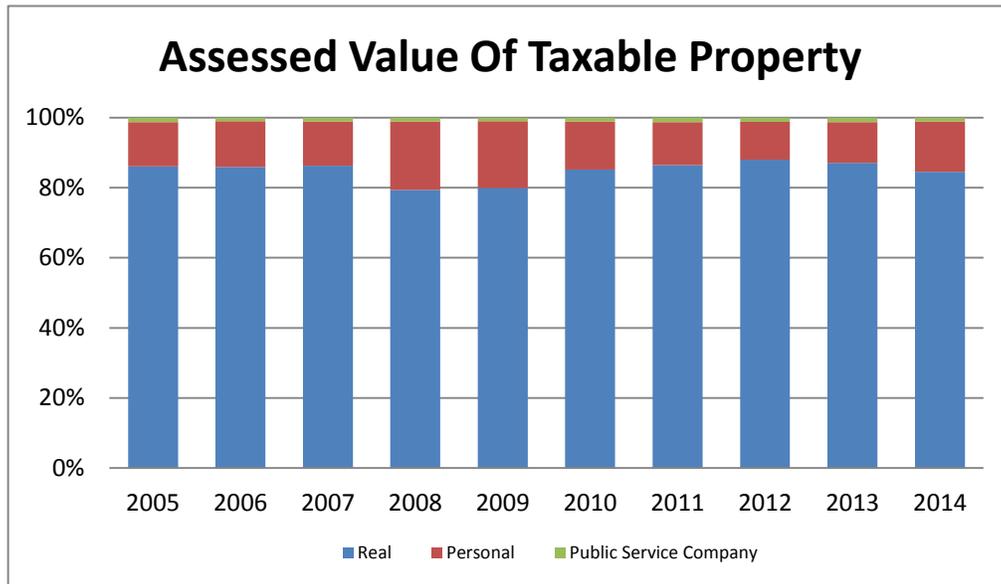


<sup>1</sup> Motor fuel tax repealed in 2003. Subsequent year revenues attributable to retail purchases.

<sup>2</sup> A significant portion of the increase is due to a large business personal property discovery.

**Town of Clayton, North Carolina**  
**Assessed Value of Taxable Property**  
**Last Ten Fiscal Years**

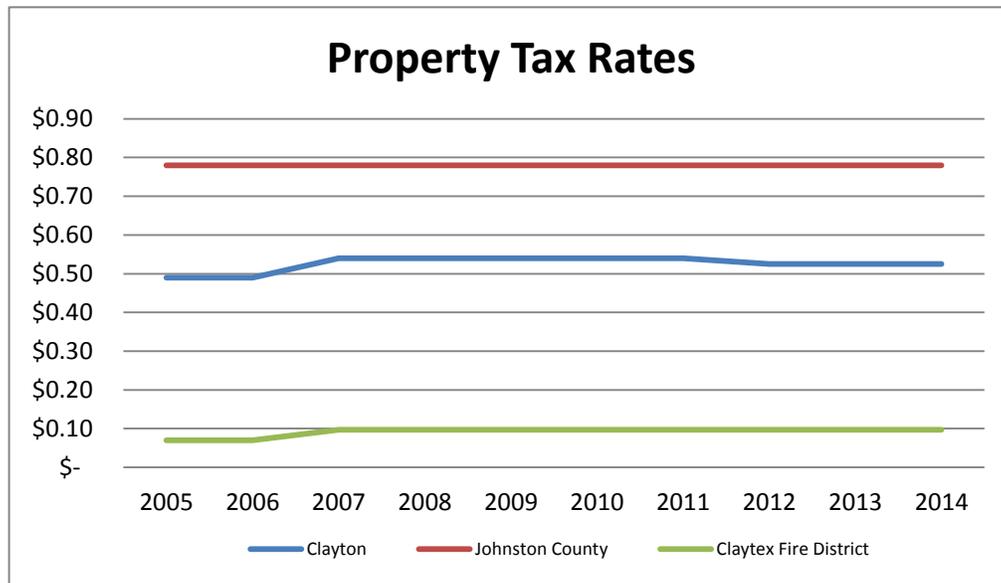
<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Company Property</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>
2014	1,396,500,503	235,885,630	19,000,115	1,651,386,248	0.525
2013	1,350,711,655	180,096,314	19,831,496	1,550,639,465	0.525
2012	1,323,310,338	162,289,692	18,846,856	1,504,446,886	0.525
2011	1,161,772,413	165,179,088	17,569,992	1,344,521,493	0.54
2010	1,167,559,357	188,007,072	14,961,981	1,370,528,410	0.54
2009	1,074,385,562	255,974,599	14,260,653	1,344,620,814	0.54
2008	1,101,258,435	224,430,056	12,796,537	1,338,485,028	0.54
2007	913,332,674	133,350,898	12,211,854	1,058,895,426	0.49
2006	836,998,120	127,357,285	10,413,919	974,769,324	0.49
2005	765,675,878	112,425,227	11,645,411	889,746,516	0.49



Note: Assessed valuations are created at 100% of market value. Real property revaluation is required by state statute at least every eight years. 2011 was the last revaluation.

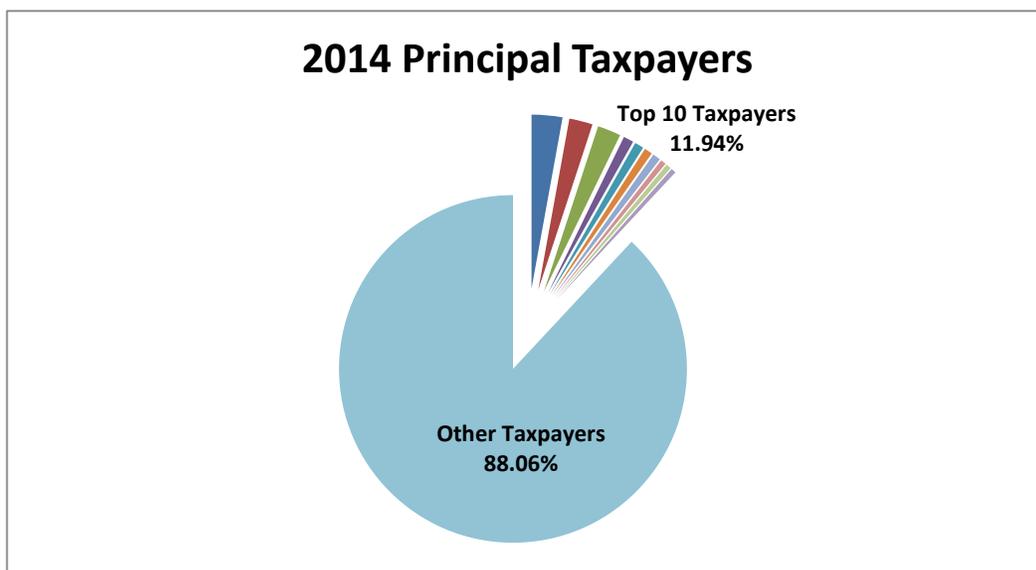
**Town of Clayton**  
**Property Tax Rates - Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Town of Clayton</b>	<b>Johnston County</b>	<b>Claytex Fire District</b>
2014	2012	0.525	0.78	0.0975
2013	2012	0.525	0.78	0.0975
2012	2011	0.525	0.78	0.0975
2011	2010	0.54	0.78	0.0975
2010	2009	0.54	0.78	0.0975
2009	2008	0.54	0.78	0.0975
2008	2007	0.54	0.78	0.0975
2007	2006	0.54	0.78	0.0975
2006	2005	0.49	0.78	0.07
2005	2004	0.49	0.78	0.07



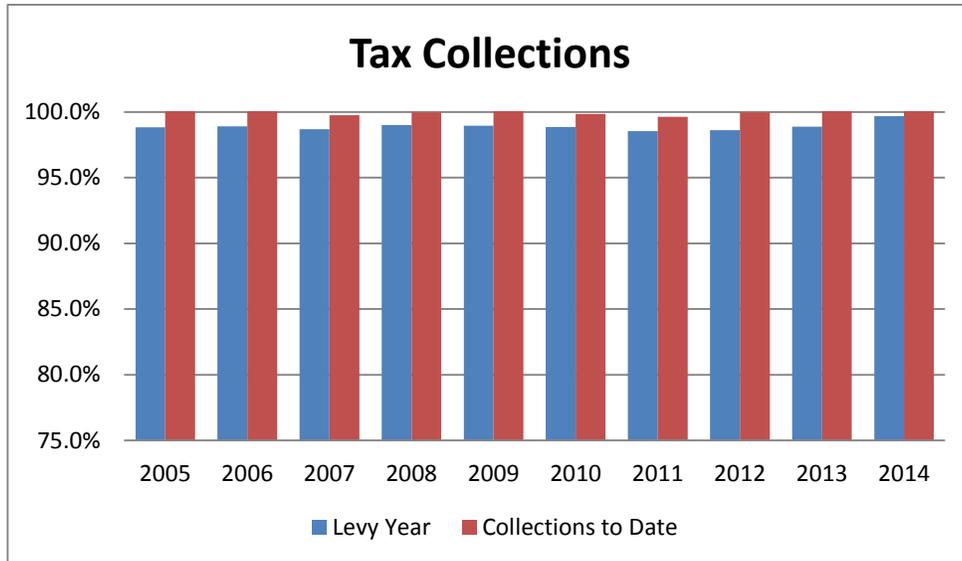
**Town of Clayton  
Principal Property Taxpayers  
June 30, 2014**

Taxpayer	2014			2005		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Crown Raleigh III & IV LLC	47,173,247	1	2.86%			
Automatic Rolls of NC LLC	35,989,919	2	2.18%			
Fred Smith Companies	35,885,330	3	2.17%			
Wal-Mart	15,681,724	4	0.95%			
3C Packaging & Elphick Properties	13,803,825	5	0.84%			
DDRM Clayton Corners LLC	12,380,430	6	0.75%			
Amelia Village LLC	11,979,423	7	0.73%			
Piedmont Natural Gas Company Inc	8,374,943	8	0.51%			
Spinksville III LLC	8,116,320	9	0.49%			
Caterpillar Inc	7,610,190	10	0.46%			
ZSF-WD Clayton LLC/Sunbelt-Dix Inc				56,155,259	1	6.31%
Fred Smith Companies				21,916,640	2	2.46%
Wal-Mart				16,216,342	3	1.82%
Amelia Village LLC				12,609,122	4	1.42%
Inland Southeast Clayton LLC				11,318,030	5	1.27%
Clayton Summit Properties LLC				7,929,230	6	0.89%
Parkside Village Associates				7,055,230	7	0.79%
Clayton Town Center				6,431,450	8	0.72%
Centex Homes				5,285,660	9	0.59%
Piedmont Natural Gas Company Inc				4,895,651	10	0.55%
<b>Totals</b>	<u>\$ 196,995,351</u>		<u>11.94%</u>	<u>\$ 149,812,614</u>		<u>16.82%</u>
<b>Total Assessed Value</b>	<u>\$ 1,651,386,248</u>			<u>\$ 889,746,516</u>		



**Town of Clayton  
Property Tax Levies and Collections  
Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Total Tax Levy for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections for Prior Years<sup>1</sup></b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2014	\$ 8,670,312	\$ 8,643,376	99.7%	\$ 81,283	\$ 8,724,659	100.6%
2013	8,141,032	8,050,222	98.9%	124,052	8,174,274	100.4%
2012	7,898,355	7,789,545	98.6%	106,635	7,896,180	100.0%
2011	7,260,417	7,153,560	98.5%	79,643	7,233,203	99.6%
2010	7,401,944	7,316,730	98.8%	74,698	7,391,428	99.9%
2009	7,174,079	7,099,624	99.0%	173,993	7,273,617	101.4%
2008	7,154,864	7,082,517	99.0%	69,305	7,151,822	100.0%
2007	5,190,248	5,122,067	98.7%	54,924	5,176,991	99.7%
2006	4,777,251	4,725,091	98.9%	56,766	4,781,857	100.1%
2005	4,442,200	4,390,193	98.8%	63,250	4,453,443	100.3%



<sup>1</sup> The table above reflects the total amount of delinquent taxes collected in each fiscal year. Information regarding the levy year to which delinquent tax collections pertain is unavailable.

**Town of Clayton**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities		Business-Type Activities			Total Primary Government	Percentage of Personal Income <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Revenue Bonds	Capital Leases			
2014	\$5,720,000	\$14,743,841	\$ -	\$2,109,746	\$ 6,141,836	\$ 28,715,423	N/A	162.07
2013	6,110,000	15,981,581	80,000	1,604,000	7,403,570	31,179,151	N/A	180.21
2012	6,500,000	16,748,732	215,000	1,844,000	8,374,326	33,682,058	N/A	195.62
2011	4,750,000	17,790,426	345,000	480,000	10,314,470	33,679,896	N/A	199.43
2010	5,000,000	12,738,249	475,000	720,000	11,788,487	30,721,736	N/A	182.30
2009	-	14,028,088	580,000	960,000	13,376,674	28,944,762	N/A	177.11
2008	-	13,423,453	690,000	1,200,000	12,736,056	28,049,509	N/A	173.26
2007	-	5,330,019	790,000	-	8,612,461	14,732,480	N/A	93.91
2006	-	5,812,742	885,000	-	5,662,227	12,359,969	0.28%	81.54
2005	-	5,901,678	975,000	-	4,211,009	11,087,687	0.27%	75.83

Note 1: Details on the town's outstanding debt can be found in the notes to the financial statements on pages 45-49.

<sup>1</sup> See Schedule of Demographic and Economic Statistics.

**Town of Clayton, North Carolina**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Assessed Valuation <sup>1</sup></b>	<b>Percent of Taxable Property</b>	<b>Per Capita <sup>2</sup></b>
2014	\$5,720,000	\$1,651,386,248	0.35%	\$ 32.28
2013	6,190,000	1,550,639,465	0.40%	35.78
2012	6,715,000	1,504,446,886	0.45%	39.00
2011	5,095,000	1,344,521,493	0.38%	30.17
2010	5,475,000	1,370,528,410	0.40%	32.49
2009	-	1,344,620,814	0.00%	-
2008	-	1,338,485,028	0.00%	-
2007	-	1,058,895,426	0.00%	-
2006	-	974,769,324	0.00%	-
2005	-	889,746,516	0.00%	-

Note: See pages 45-49 in the notes to the financial statements for debt details.

<sup>1</sup> See Assessed Value of Taxable Property on page 90.

<sup>2</sup> See Demographic and Economic Statistics on page 99.

**Town of Clayton, North Carolina**  
**Computation of Direct and Overlapping Governmental Activities Debt**  
**Last Ten Fiscal Years**

Fiscal Year	Clayton			Johnston County			Town's Share of Debt
	Governmental Activities Debt Outstanding	Assessed Valuation	Percent Applicable to Town	General Obligation Bonds Outstanding <sup>1</sup>	Assessed Valuation <sup>1</sup>	Percentage Applicable to Town <sup>2</sup>	
2014	\$20,463,841	\$1,651,386,248	100%	\$268,835,000	\$14,106,075,834	10.48%	\$48,637,821
2013	22,091,581	1,550,639,465	100%	271,075,000	13,648,061,592	10.20%	49,747,865
2012	23,248,732	1,504,446,886	100%	288,235,000	13,185,634,723	10.24%	52,767,577
2011	22,540,426	1,344,521,493	100%	310,125,000	13,091,213,424	9.31%	51,424,977
2010	17,738,249	1,370,528,410	100%	325,995,000	11,725,441,791	10.47%	51,854,500
2009	14,028,088	1,344,620,814	100%	340,645,000	11,472,157,697	10.49%	49,765,489
2008	13,423,453	1,338,485,028	100%	273,695,000	10,974,674,669	10.87%	43,175,090
2007	5,330,019	1,058,895,426	100%	232,485,000	10,182,659,636	9.42%	27,228,885
2006	5,812,742	974,769,324	100%	204,890,000	9,625,784,993	9.20%	24,653,312
2005	5,901,678	889,746,516	100%	177,845,000	9,066,737,779	8.94%	21,794,534

<sup>1</sup> Provided by Johnston County Finance Department.

<sup>2</sup> Determined by ratio of assessed value of property subject to taxation in Johnston County.

**Town of Clayton  
 Legal Debt Margin Information  
 Last Ten Fiscal Years**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Debt limit	\$ 132,110,900	\$ 124,051,157	\$ 120,355,751	\$ 107,561,719
Total net debt applicable to limit	20,463,841	22,091,581	23,248,732	22,540,426
Legal debt margin	\$ 111,647,059	\$ 101,959,576	\$ 97,107,019	\$ 85,021,293
Total net debt applicable to the limit as a percentge of debt limit	15.49%	17.81%	19.32%	20.96%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Total assessed value	\$ 1,651,386,248
Debt limit (8% of total assessed value)	132,110,900
Less general obligation debt	<u>(20,463,841)</u>
Legal debt margin	<u>\$ 111,647,059</u>

**Fiscal Year**

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
\$ 109,642,273	\$ 107,569,665	\$ 107,078,802	\$ 84,711,634	\$ 77,981,546	\$ 71,179,721
17,738,249	14,028,088	13,423,453	5,330,019	5,812,742	5,901,678
\$ 91,904,024	\$ 93,541,577	\$ 93,655,349	\$ 79,381,615	\$ 72,168,804	\$ 65,278,043

16.18%

13.04%

12.54%

6.29%

7.45%

8.29%

**Town of Clayton  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Personal Income <sup>2</sup></b>	<b>Per Capita Personal Income</b>	<b>Median Age <sup>1</sup></b>	<b>School Enrollment <sup>3</sup></b>	<b>Unemployment Rate <sup>4</sup></b>
2014	177,184	N/A	N/A	37.00	33,341	5.5
2013	173,016	N/A	N/A	36.00	33,175	7.4
2012	172,178	N/A	N/A	36.00	32,821	8.6
2011	168,878	N/A	N/A	36.30	32,274	9.9
2010	168,525	N/A	N/A	36.10	31,665	9.9
2009	163,428	N/A	N/A	34.90	31,366	10.2
2008	161,889	N/A	N/A	36.00	30,563	5.7
2007	156,887	N/A	N/A	35.00	29,178	4.3
2006	151,589	4,411,506	29,216	34.57	27,591	4.2
2005	146,222	4,143,096	28,317	34.43	26,292	4.8

Note: Data not available for Town of Clayton. Johnston County data presented.

<sup>1</sup> US Census Bureau

<sup>2</sup> Bureau of Economic Analysis

<sup>3</sup> Johnston County School System

<sup>4</sup> NC Department of Commerce

**Town of Clayton  
Principal Employers  
Current Year**

<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of County Employment <sup>1</sup></b>
Johnston County School System	3,700	1	4.42%
Johnston Health	1,400	2	1.67%
Grifols, S.A	1,200	3	1.43%
Johnston County Government	1,000	4	1.19%
Wal-Mart Stores	850	5	1.02%
Caterpillar, Inc.	600	6	0.72%
Novo Nordisk Pharmaceutical Industries	500	7	0.60%
Hospira, Inc.	200	8	0.24%
3C Packaging	190	9	0.23%
Coco-Cola Bottling Company	185	10	0.22%
	9,825		11.74%
 Total County Employment	 83,732 <sup>2</sup>		

<sup>1</sup> Data not available for the Town of Clayton. Johnston County information presented.

<sup>2</sup> Source: North Carolina Department of Commerce.

Note: Nine year historical data unavailable.

**Town of Clayton**  
**Full-time Equivalent Town Government Employees by Function**  
**Last Ten Fiscal Years**

Function	<b>Full-time Equivalent Employees as of June 30</b>									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General government	35	37	35	35	42	43	39	40	37	35
Public safety										
Police										
Officers	42	42	41	41	41	41	42	38	36	37
Civilians	3	4	4	4	4	4	4	4	3	6
Fire										
Firefighters and officers	16	14	14	14	14	11	10	10	5	4
Civilians	1	1	1	1	1	1	1	1	1	1
Public works	26	23	24	24	28	26	27	26	23	19
Culture and recreation	11	11	12	12	11	11	9	9	8	8
Water/Sewer	16	16	16	16	16	13	10	11	12	11
Electric	11	11	10	10	10	10	9	10	8	9
<b>Total</b>	<u>161</u>	<u>159</u>	<u>157</u>	<u>157</u>	<u>167</u>	<u>160</u>	<u>151</u>	<u>149</u>	<u>133</u>	<u>130</u>

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**Town of Clayton  
Operating Indicators by Function  
Last Ten Fiscal Years**

<b>Function</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Police</b>				
Physical arrests	542	424	502	547
Traffic citations	3,751	3,070	3,283	4,399
<b>Fire</b>				
Number of calls answered	793	769	661	771
Inspections	304	388	432	290
<b>Streets</b>				
Street resurfacing (feet)	2,583	2,632	4,320	17,886
Pavement repairs	87	67	64	59
<b>Sanitation</b>				
Refuse collected (tons)	4,517	4,729	4,977	4,587
Recyclables collected (tons)	932	1,016	962	929
<b>Culture and recreation</b>				
Athletic field permits issued	405	456	367	49
Cultural arts center rentals <sup>1</sup>	805	1,010	946	1,225
<b>Water</b>				
New connections	232	191	117	80
Leak repairs	90	126	95	72
Average daily consumption	2,334,356	2,259,806	2,277,256	2,270,151
<b>Wastewater</b>				
Average daily sewage treatment (in thousands of gallons)	1,821	1,605	1,581	1,780

<sup>1</sup> The Cultural Arts Center began operation in FY 2002-2003.  
Source: Various town departments.

<b>Fiscal Year</b>					
<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
691	551	695	761	448	819
3,291	2,978	3,110	3,017	1,768	3,334
718	700	817	904	711	1,068
334	322	342	257	183	253
2,380	-	-	4,190	-	3,197
79	82	35	89	72	89
4,518	4,657	5,256	4,864	4,515	4,614
879	815	489	252	228	238
22	19	19	17	18	10
1,110	1,175	581	579	371	360
121	200	342	651	601	311
150	116	81	94	28	164
2,148,158	2,192,885	2,288,340	2,339,000	1,967,992	1,817,268
1,781	1,619	1,370	1,387	1,439	1,342

**Town of Clayton**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	55	55	55	42	42	42	42	42	41	40
K-9 units	2	1	1	1	1	1	1	1	1	2
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streets (miles)	74	71	70	68	68	67	67	64	60	57
Culture and recreation										
Parks	7	7	6	5	5	5	5	5	5	5
Libraries	1	1	1	1	1	1	1	1	1	1
Cultural arts centers	1	1	1	1	1	1	1	1	1	1
Sewer										
Wastewater treatment facilities	1	1	1	1	1	1	1	1	1	1
Electric										
Distribution stations	1	1	1	1	1	1	2	2	2	2
Street lights	1,441	1,425	1,403	1,390	1,373	1,365	1,350	1,300	1,250	1,200

Sources: Various town departments.

Note: No capital asset indicators are available for the general government function.

**Town of Clayton, North Carolina**  
**Commercial and Residential Construction Values (Unaudited)**  
**Last Ten Fiscal Years**

<b>Fiscal Year Ended June 30</b>	<b>Commercial Construction <sup>1</sup></b>		<b>Residential Construction <sup>1</sup></b>		<b>Total</b>		<b>Bank Deposits <sup>2</sup></b>
	<b>Number of Units</b>	<b>Value</b>	<b>Number of Units</b>	<b>Value</b>	<b>Number of Units</b>	<b>Value</b>	
2014	312	\$ 125,635,824 <sup>3</sup>	235	\$35,750,910	547	\$161,386,734	\$ 339,588,000
2013	55	16,528,032	231	31,936,424	286	48,464,456	321,239,000
2012	199	12,459,728	179	22,777,173	378	35,236,901	323,341,000
2011	43	18,279,491	84	13,040,057	127	31,319,548	301,020,000
2010	109	224,729,841 <sup>4</sup>	112	14,800,632	221	239,530,473	299,889,000
2009	68	24,999,625	103	15,834,177	171	40,833,802	302,061,000
2008	80	44,463,164 <sup>5</sup>	314	45,007,188	394	89,470,352	282,020,000
2007	55	10,614,205	345	43,680,120	400	54,294,325	281,608,000
2006	69	10,285,972	437	58,357,364	506	68,643,336	247,041,000
2005	88	14,776,798	273	36,254,078	361	51,030,876	219,091,000

<sup>1</sup> Compiled by Town of Clayton Inspections.

<sup>2</sup> Federal Deposit Insurance Corporation Summary of Deposits.

<sup>3</sup> Increase due to several large expansion projects such as Grifols (\$43.9 million) and Novo Nordisk (\$20.6 million).

<sup>4</sup> Increase due to \$200 million Talecris Biotherapeutics expansion project.

<sup>5</sup> Increase due to several large commercial projects such as the Johnston Memorial Hospital project.

Town of Clayton, North Carolina  
**Schedule of Insurance in Force**  
 June 30, 2014

<b>Type of Coverage</b>	<b>Details of Coverage</b>	
Health Insurance Blue Cross Blue Shield Blue Options		Employee payments ranging from \$20-\$500 per service with use of provider designated physician/ medical facility. \$1,500 maximum out-of-pocket
Life Insurance	Varied	One times yearly salary per employee up to \$100,000
Workman's Compensation		Bodily injury by accident - Each accident Bodily injury by disease - Each employee Bodily injury by disease - Coverage limit
General Liability	2,000,000 2,500	Each occurrence Deductible
Police Professional Liability	2,000,000 3,000,000 2,500	Each occurrence and annual Annual aggregate Deductible
Public Officials Liability/ Employment Practices Liability	1,000,000 3,000,000 5,000	Each claim and annual Annual aggregate Deductible
Public Employees Blanket Bond	75,000 250	Indemnification Deductible
Public Officials Bond Finance Director Tax Collector	300,000 25,000 0	Liability Liability Deductible
Automobile Liability	2,000,000 2,500	Per occurrence Deductible
Automobile Comprehensive	3,340,800	Actual cash value or cost of repair, whichever is less 500 deductible - private passenger & light trucks 1,000 deductible - all others
Automobile Collision	3,340,800	Actual cash value or cost of repair, whichever is less 500 deductible - private passenger & light trucks 1,000 deductible - all others
Uninsured Motorist	250,000 2,500	Limits of coverage Deductible
Real & Personal Property	68,476,175 2,500	Cause of loss Deductible per occurrence includes boiler & machinery
Municipal Equipment	1,070,700 2,500	All risk coverage Deductible per occurrence
Computer Equipment/Media	1,350,000 2,500	Limits of coverage Deductible
Fine Arts	189,200 500	Limits of coverage Deductible
Boiler & Machinery	5,000,000 2,500	Limits of coverage Deductible

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Town of Clayton, North Carolina  
**Schedule of Utility Rates**  
 June 30, 2014

**WATER RATES (MONTHLY):**

**Customer charges:**

	<u>In Town Basic Charge</u>	<u>Outside Town Basic Charge</u>
Up to 15,000 gal.	\$10.10	\$19.85
Next 85,000 gal.	\$10.53	\$30.89
Next 150,000 gal.	\$20.71	\$61.43
Over 250,000 gal.	\$41.07	\$122.51

**Commodity Charges:**

	<u>Basic Charge (All Use)</u>	<u>Facility Charge</u>	<u>Total</u>
In Town:			
Up to 100,000 gal.	\$2.94	\$.80/kgal	\$3.74/kgal
Over 100,000 gal.	2.93	--	2.93
Out of Town:			
Up to 100,000 gal.	\$4.74	\$.80/kgal	\$5.54/kgal
Over 100,000 gal.	4.70	--	4.70

**RIVERWOOD WATER RATES:**

<u>Base Charge</u>	<u>Amount</u>
3/4" -1"	\$16.70
1 1/2"	\$30.70
2"	\$40.70
3"	\$60.70
4"	\$100.70

Water Commodity Charge = \$3.87 per 1,000 gallons of usage.

**SEWER RATES (MONTHLY):**

Sewer only customers - Residential only \$26.92.

Customer charges:

	<u>Basic Charge</u>	<u>Service Availability</u>	<u>Total Outside Town</u>
Up to 15,000 gal.	\$5.20	\$15.60	\$20.80
Next 85,000 gal.	10.40	31.20	41.60
Next 150,000 gal.	20.80	62.40	83.20
Over 250,000 gal.	41.60	124.80	166.40

**Commodity Charges:**

	<u>Basic Charge (All Use)</u>	<u>Facility Charge</u>	<u>Total</u>
In Town:			
Up to 100,000 gal.	\$4.25	\$.64/kgal.	\$4.89/kgal.
Over 100,000 gal.	4.25	--	4.25
Out of Town:			
Up to 100,000 gal.	\$6.02	\$.64/kgal.	\$6.66/kgal.
Over 100,000 gal.	5.77	--	5.77

Minimum Monthly Charge:

In Town	\$10.34
Out of Town	\$20.08

**ELECTRIC RATES:**

Residential

Single Phase Service Customer Charge	\$6.95
Three Phase Service Customer Charge	\$10.20 (Single Phase plus \$3.25)
Energy Charge	\$.1283 per kWh

Small General Service:

Customer Charge	\$15.00
Energy Charge	\$.14286 per kWh for first 750 kWh* \$.09716 per kWh for next 2000 kWh \$.08565 per kWh for additional kWh

\*When the kWh of billing Demand exceeds 5 kW, add in the block 150 kWh for each additional kW of such excess.

Medium General Service:

Customer Charge	\$20.00
Billing Demand	\$7.56 for all kW
Kilowatt-hour Energy Charge	\$.08335 for all kWh

Large General Service:

Customer Charge	\$100.00
kW Demand Charge:	
All Coincident Peak Demand	\$17.50 per CP kW
All Excess Demand	\$1.50 per kW
Energy Charge	\$.05249 per kWh

Coincident Peak Non-Residential Service:

Customer Charge	\$75.00
kW Demand Charge:	
All Coincident Peak Demand	\$18.00 per CP kW
All Excess Demand	\$3.50 per kW
Energy Charge	\$.05979 per kWh

General Service Time of Use

Customer Charge	\$50.00
Demand Charge – All On-Peak kW	\$17.27 per kW
Energy Charges – All kWh	\$.06737 per kWh

Institutional Service

Customer Charge	\$10.00
Energy Charge	\$.13733 per kWh for first 600 kWh \$.11981 per kWh for next 1900 kWh \$.11119 per kWh for additional kWh

Area Lights:

Residential Unit	\$11.58 per month
Small Commercial Unit	\$15.37 per month
Large Commercial Unit	\$35.08 per month
Underground Charge	\$4.66 per month
Wooden Pole	\$2.91 per month
Decorative Pole	\$6.40 per month
Pole Purchase	At Cost

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# **COMPLIANCE SECTION**

220 East Washington Street  
Post Office Box 697  
Rockingham, North Carolina 28380  
(910) 895-2899

Other Office Locations:  
Seven Lakes, North Carolina  
Gastonia, North Carolina  
Statesville, North Carolina

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*

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Clayton, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of the Town of Clayton, North Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the Town of Clayton, North Carolina's basic financial statements, and have issued our report thereon dated September 27, 2014.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Town of Clayton's internal control over financial reporting 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 the Town of Clayton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Clayton's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***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.

A handwritten signature in black ink that reads "Adam Smith + Wike PLLC". The signature is written in a cursive, flowing style.

Rockingham, NC  
October 3, 2014

220 East Washington Street  
Post Office Box 697  
Rockingham, North Carolina 28380  
(910) 895-2899

Other Office Locations:  
Seven Lakes, North Carolina  
Gastonia, North Carolina  
Statesville, North Carolina

Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act

### **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Town Council  
Clayton, North Carolina

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

We have audited the Town of Clayton, North Carolina, compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, 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, 2014. The Town of Clayton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act 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, 2014.

## 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 a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Robert Smith".

Rockingham, NC  
October 3, 2014

**TOWN OF CLAYTON, NORTH CAROLINA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Fiscal Year Ended June 30, 2014**

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditor's report issued:	<i>Unqualified</i>
Internal control over financial reporting:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>No</i>
Noncompliance material to financial statements noted	<i>No</i>

**Federal Awards**

Internal control over major Federal programs:	
• Material weakness(es) identified?	<i>No</i>
• Significant deficiency(ies) identified that are not considered to be material weaknesses	<i>None Reported</i>
Type of auditor's report issued on compliance for major Federal programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) if Circular A-133	<i>No</i>
Identification of major Federal program:	
<u>CFDA No.</u> <u>Name of Federal Program</u>	
20.205        TIP Project - East Front Street Extension	
Dollar threshold used to distinguish between Type A and Type B Programs:	<i>\$300,000</i>
Auditee qualified as low-risk auditee	<i>No</i>

**Section II – Financial Statement Findings**

None reported

**Section III – Federal Award Findings and Questioned Costs**

None reported

**TOWN OF CLAYTON, NORTH CAROLINA  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct &amp; - Pass-through Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<u>U.S. Department of Commerce</u>					
North Carolina Small Cities CDBG and Neighborhood Stabilization Program	14.228		152,804		-
<u>U.S. Department of Justice</u>					
Bulletproof Vest Partnership Program	16.607		2,022		-
<u>U.S. Department of Transportation - NCDOT</u>					
TIP Project - East Front Street Extension	20.205		1,130,664	-	-
<b>Total assistance federal programs</b>			<u>1,285,490</u>	<u>-</u>	<u>-</u>
<b>STATE GRANTS</b>					
<u>N.C. Department of Environmental &amp; Natural Resources</u>					
Mountains- to-Sea Trail Phase 2	N/A	20.219	-	42,955	-
<u>N.C. Department of Commerce</u>					
Rural Economic Development Division Infrastructure Program	N/A		-	193,678	-
<u>N.C. Department of Transportation</u>					
Governor's Highway Safety Program	N/A	20.600	-	8,550	-
Powell Bill	N/A	9.9000	-	202,813	-
<b>Total assistance state programs</b>			<u>-</u>	<u>447,996</u>	<u>-</u>
<b>Total assistance</b>			<u>\$ 1,285,490</u>	<u>\$ 447,996</u>	<u>\$ -</u>

**Note to the Schedule of Expenditures of Federal and State Financial Awards:**

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the Town of Clayton and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

