









# **TOWN OF CLAYTON**

**North Carolina**

**Comprehensive Annual Financial Report**

**For the Fiscal Year Ended June 30, 2015**

**Prepared by:**

Finance Department

**Finance Director:**

Robert W. McKie, Jr.



**TOWN OF CLAYTON**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2015**

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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 2, 2015

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, 2015.

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, 2015. 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 18,998. Clayton is the fastest growing municipality in Johnston County with an annual growth rate of approximately 5%. The Town has the statutory authority to extend its corporate limits through voluntary annexation under the direction of Town Council. The Town annexed approximately 675 acres 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 continues to experience strong economic growth in the wake of the national economic 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 inpatient hospital care, private medical offices featuring specialty practices and outpatient services.

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 favorable unassigned fund balance; and a manageable debt burden with rapid amortization.

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. The Triangle Business Journal reported Clayton has the second most affordable housing market in North Carolina according to an affordability index created by SmartAsset, a financial technology company that provides transparent, automated, and accurate advice on big personal finance decisions. Go to <https://smartasset.com/mortgage/how-much-house-can-i-afford#northcarolina>.

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 maintained its Aa2 bond rating from Moody's Investor Service. Standard and Poor's affirmed the AA bond rating with a stable outlook on May 26, 2015.

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 two 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 the primary Grifols manufacturing facility with approximately 1,650 employees. The newly opened 155,000 square-foot, \$370 million North Fractionation Facility (“NFF”), which created an additional 200 jobs, is the world’s largest and one of the most technologically advanced plasma fractionation facilities that resulted in increasing production capacity to 6 million liters from 3.2 million liters in 2015. NFF was named the 2014 Facility of the Year for Project Execution by the International Society for Pharmaceutical Engineering. The Clayton Plant places Grifols in a position to maximize its operational efficiencies by utilizing expanded fractionation and purification capacity. The Town has a 30-year development agreement with Grifols.

Grifols completed construction of a new 59,000 square-foot warehouse, just started construction on a new three-story 100,000 square-foot office building at the Clayton complex, and partnered with Johnston County Public Schools to implement Discover the Plasma, a pilot educational program for eighth-graders at three schools.

Novo Nordisk Pharmaceutical Industries (“Novo Nordisk”), the world’s largest supplier of insulin products, opened its Clayton facility in the RTZ in 1996 and currently employs approximately 719. The diabetes care products manufactured at the Clayton plant are marketed in North America, Europe, New Zealand and Australia.

In August of 2015, Novo Nordisk announced a \$1.85 billion expansion plan to build a 200,000 square-foot facility that is expected to break ground in 2016 with up to 3,000 workers employed during construction and will be operational in 2020. The

expansion will create 691 new jobs with an average annual salary of \$68,420. The new positions will span manufacturing, administrative, technical services and support personnel. The Town will offer up to \$2.8 million in local support in conjunction with a \$4.0 million grant award to construct a new regional wastewater treatment plant that will support existing and future bio-manufacturing operations in the RTZ. Additional assistance will be provided by the State and Johnston County.

Hospira, Inc. (“Hospira”), another pharmaceutical bio-processing company located in the RTZ. After purchasing the facility from Fresenius Kabi, Hospira invested approximately \$15 million in machinery and equipment and created approximately 150 new jobs.

Hospira announced the closure of the Clayton plant in January 2015 after analyzing the market for the products produced at the plant in conjunction with how the plant fits in its operations network and the expected cost to modernize the plant. The closure impacted 250 employees and the company will provide placement assistance to workers who are interested in positions at other sites. The company expects to spend \$15 million on severance, retention, and other employee assistance related to the closing. The facility is adjacent to the existing Grifols manufacturing facility and has been acquired by and incorporated into Grifols’ manufacturing operations.

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.

CAT recently held its inaugural graduation for the Caterpillar Assembly Pre-Apprenticeship Program, which provides selected high school juniors firsthand experience working for a Fortune 100 company in a manufacturing environment. The program allows students to earn college credits at no cost while gaining approximately 640 hours of on-the-job training.

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 provided the 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.

The Town is a hub for the medical services industry and related employment. The Town is currently home to facilities operated by WakeMed, Johnston UNC Health Care, and Duke University Medical Center. Johnston Health Clayton, which opened in 2009, includes a full service emergency room plus outpatient services and medical offices. The 95,000 square foot three-story 50-bed inpatient facility opened in January of 2015 and provides expanded services such as labor and delivery. Total investment in the facilities is valued at \$89.5 million and employment has increased to 260.

The Town continues to attract 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 Johnston Health Clayton. Spring Branch was the initial approved project and will 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 and WakeMed. 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.

In addition, growth is expected to occur on Highway 42 east with plans for a mixed use development consisting of a 240 unit apartment complex, 180,000 square-foot commercial space, and a 120,900 square-foot self-storage facility. The downtown area continues to experience increased residential presence with Parkview, a 330 unit planned development, and a 72 unit expansion at The Arbors at East Village apartment complex will result in a total of 264 units.

The Town of Clayton's downtown area experienced a net gain of 4 businesses and 12 jobs. Approximately \$0.2 million and \$0.4 million of private investment and public improvements, respectively, were completed. During the course of the past nine years, approximately \$9.9 million of private investment has occurred, including a net gain of 58 new businesses, 40 façade improvements, including 26 assisted by the Town's grant program, 11 building expansions, 5 renovations, and a net gain of 197 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.

Please refer to the following summary table of new development activity:

**Town of Clayton  
New Development Activity  
July 2014 – June 2015**

Approved Project Name	Project Type	Intensity/Density	Completion Status
Johnston Memorial Hospital	Institutional/Public	50 Inpatient Bed Addition	Opened Winter 2015
Cleveland Draft House	Restaurant	11,022 SF	Opened Fall 2014
42 West Medical Office	Medical / Office	5 Buildings 70,000 SF	2016/17
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	Construction 2016
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 2017
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	Opening Spring 2015
East Village Residential	Residential	300 Single Family	2016
Riverwood Haven	Residential (MF)	60 Apartments (Age 55+)	Opening Fall 2015
Grifols Plasma Warehouse	Industrial / Pharma	77,000 SF Addition	Opened Fall 2014
Bristol @ Cobblestone Ph. 1	Residential	50 Single Family + Clubhouse	Spring 2015
Pizza Hut Remodel	Restaurant	3,012 SF	Completed Summer 2014
Stallings Mill Apartments	Residential	288 Apartments	Under Construction 2015
Sheetz @ 70 BUS & Rose Street	Retail	6,558 SF + 12 Fueling Positions	Under Construction 2015
Tomar Medical	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	Spring 2016
Stone Ridge Ph. 1	Residential	25 Single Family	Spring 2015
Creekside Commons Ph. 1	Residential	50 Single Family	Fall 2014
Creekside Commons Ph. 2	Residential	51 Single Family	Spring 2015
Chandler's Ridge Ph. 1	Residential	79 Single Family	Complete Fall 2014
Chandler's Ridge Ph. 2	Residential	80 Single Family	Spring 2015
Riff's	Restaurant	4,000 SF	Opened Fall 2014
Novo Expansion	Industrial / Pharma	90,000 SF	Opened Spring 2015
Grifols Office Building	Industrial / Pharma	100,000 SF	2015
Riverwood Ranch Ph. 2A	Residential	15 Single Family	2015
Magnolia Point	Residential (MF)	37 Single Family	2015
Lionsgate Ph. 1A & 1B	Residential	32 Single Family	Spring 2015
Lionsgate Ph. 7A & 7D	Residential	82 Townhomes	Spring 2015
Parkview Planned Development	Residential	285 Single Family /45 Townhomes	Under Construction 2015
Winston Point South	Residential	200 Single Family	2016
Cobblestone Ph. 11	Residential	46 Single Family	Spring 2015
East Village Office	Office	7,000 SF	Summer 2015
Lot 4 at Spring Branch	Retail	10,000 SF	2015
Murdock Solar Farm	Solar	21 Acres of Panels	2015

## ***Financial Planning***

The Town places a high value on fiscal responsibility and continues to take prudent action to safeguard its financial position. Revenues are being driven by an improved local economy at an accelerated rate and growth is facilitating the expansion of programs and services to meet the community's needs in conjunction with attracting new business investment. 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, which was accomplished in FY 2015 with a ratio of 12.66%, 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 April of 2015 are as follows:

- Evaluate Taxes and Fees
  - Financial policy benchmarks
  - Service cost recovery
  - Competitiveness (private contractors and other jurisdictions)
  - Utility rates (Water & Sewer and Electric)
  - Building inspection fees
  - Landscaping services
- Financial Position
  - Bond capacity analysis
  - Prepare and plan future GO Bond for recreational facilities

- Little Creek Church Road feasibility study
  - Clayton Community Center – Phase II feasibility study
- Capital Planning – Water and Sewer System
  - Identify long-term needs for system efficiency and expansion
  - Wastewater treatment plant improvements
  - Identify maintenance and repair projects
- Develop Core Parking Areas
  - East and west of Horne Square
  - The Clayton Center
- Economic Development
  - Downtown space recruitment
  - Maximize utilization of historic preservation
  - Evaluate incentives for adaptive reuse building upfit costs

### ***Major Initiatives***

The Town developed a long-term growth plan (“Comprehensive Plan 2040”) that was adopted in October 2015. The community played an important role during development by responding to a survey and participating in open houses. Comprehensive Plan 2040 envisions a community with successful businesses, shops, and restaurants; a place rich with recreation, arts, and culture; walkable, safe, vibrant, and active; along with a unique downtown experience. These are all qualities valued by the Town’s citizens. The community desires a place where neighbors are able to safely walk and bike; a downtown area that offers a variety of activities and opportunities for people to live, create, shop, and eat; businesses that are successful and growing; parks and greenways that connect people and places to nature and the Neuse River; and neighborhoods with a variety of living options.

The Comprehensive Plan 2040 advances the ideas in the vision described above and is organized by themes, which expand on the vision and provide specific goals, objectives, and strategies necessary to facilitate implementation of the plan. Go to <http://www.townofclaytonnc.org/uploads/files/Planning/CompPlanReport.pdf> for additional information.

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”). The design phase is underway to extend the Greenway an additional 1.2 miles, including a tunnel underneath the roadway for pedestrian safety, with construction expected to be completed in fall 2017. 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 xi).

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. Construction has started on 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 2016. The MTS, Greenway, and 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 and Northeast Foods has pledged \$50,000. Other corporate contributors in the area include Walmart, Sheetz, Inc., and the Archway Foundation. Donations can be made at the following site: <http://www.plumfund.com/community-crowdfunding/claytoncelebrationplayground> or visit <https://www.facebook.com/ClaytonCelebrationPlayground> for additional information about this special project.

Clayton Fire Department implemented a new medical responder program on October 1, 2014. Firefighters now 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. There were 1,039 incidents during the first year of operation. Currently, 39 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 reuse to revitalize its existing developed 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 xii).

Completion of the \$1.6 million Front Street extension project provides a gateway to the downtown area and makes travel more convenient for the surrounding area particularly The Arbors at East Village apartment complex, which was the primary impetus for this extension project in conjunction with improved accessibility for the Town's fire and police operations.

Other noteworthy items include: 1) construction is expected to commence on the \$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) plans are underway to construct a new \$6.0 million substation; 3) complete update to the Town's website rolled out in February of 2015; 4) comprehensive street condition assessment and improvements plan; 5) Streetscape plan for Main Street.

## *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, 2014. This was the fourteenth 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.

The Clayton Police Department received its reaccreditation award by participating in the CALEA Gold Standard Assessment, which focuses primarily on processes and outcomes associated with standards specific to agency policies. It works to measure the impact of accreditation as opposed to simply confirming compliance through a file-by-file review.

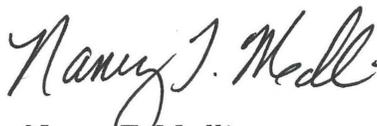
The Town received a Gold RP<sub>3</sub> (Reliable Public Power Provider) designation from the American Public Power Association. The program recognizes utilities that demonstrate high proficiency in reliability, safety, work force development and system improvement. The RP<sub>3</sub> designation is valid until April 30, 2018.

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



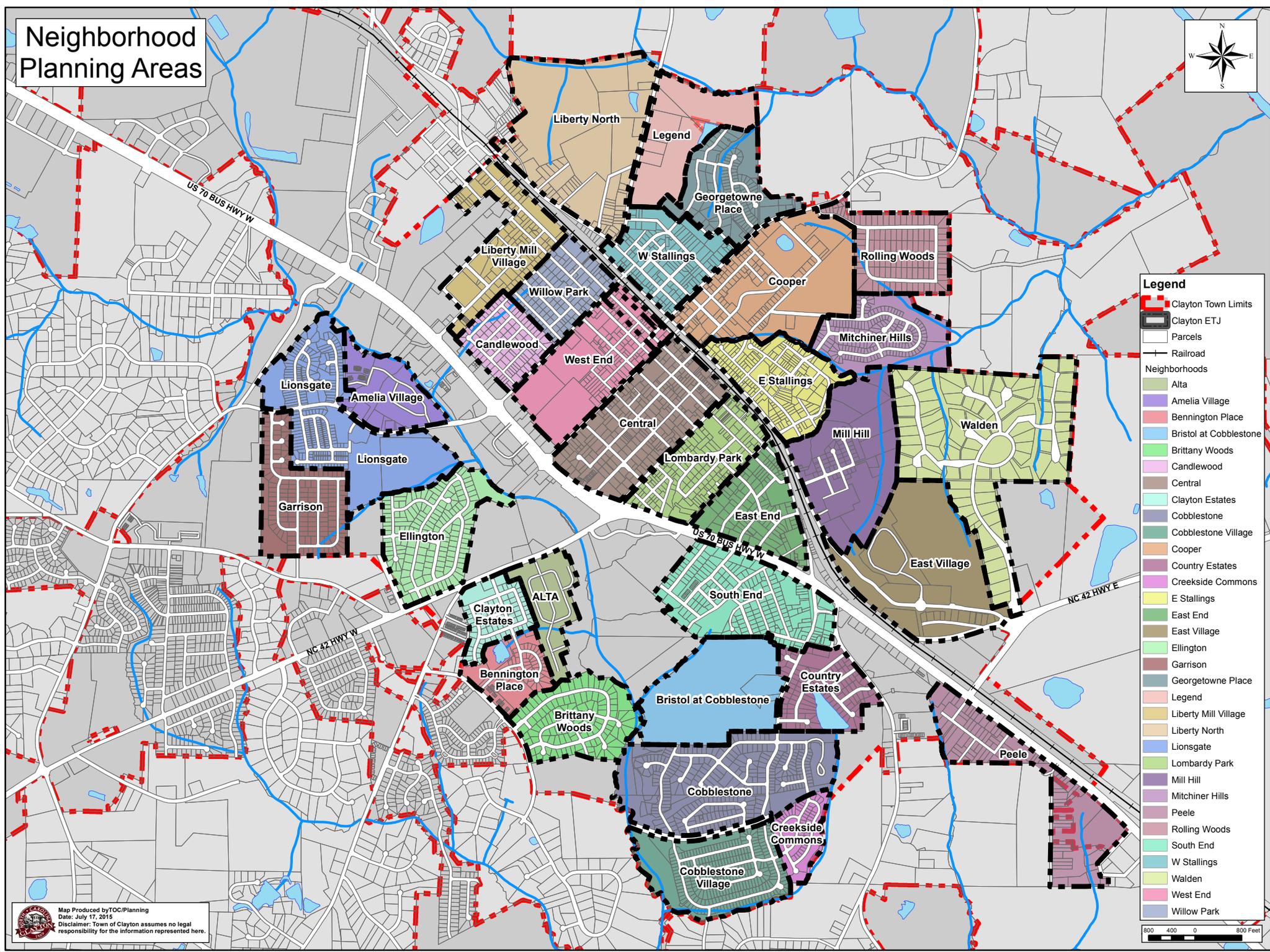
Nancy T. Medlin  
Deputy Town Manager



Robert W. McKie, Jr.  
Finance Director



# 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
  - Peele
  - Rolling Woods
  - South End
  - W Stallings
  - Walden
  - West End
  - Willow Park

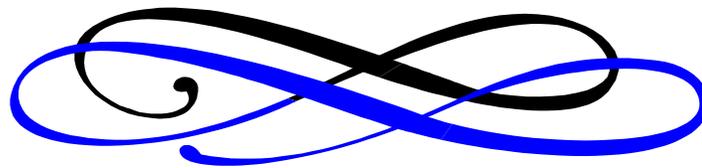
Map Produced by TOC/Planning  
 Date: July 17, 2015  
 Disclaimer: Town of Clayton assumes no legal responsibility for the information represented here.



# 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*

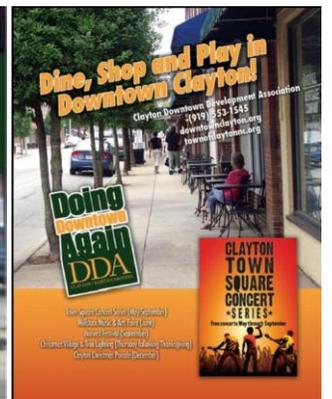
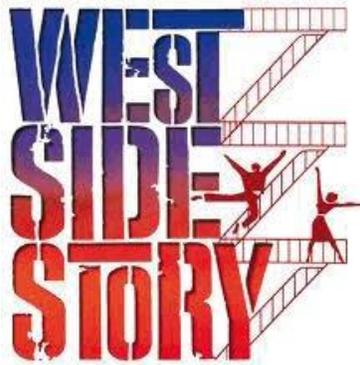
*Expand Leisure Opportunities and Arts Community*

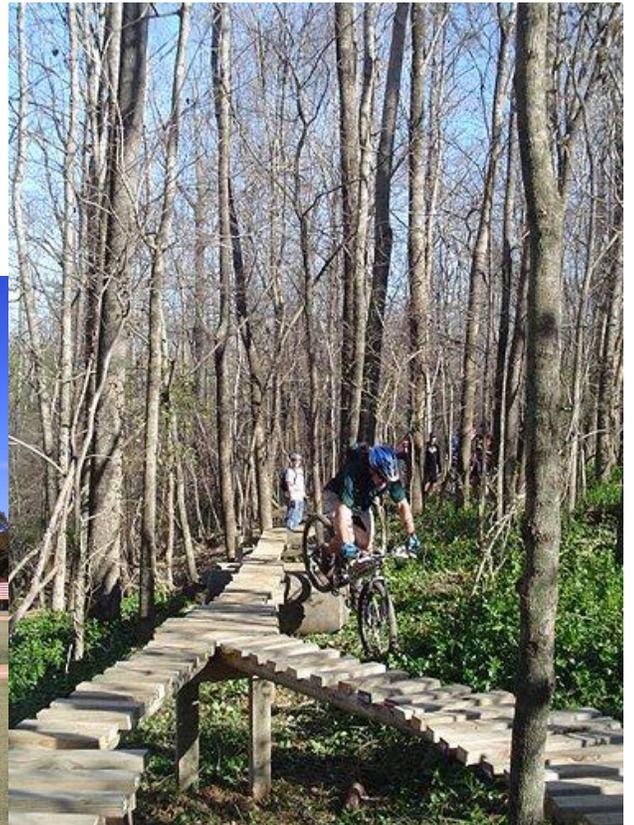
*Beautify the Town of Clayton and Create an Arts  
Community*

*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, 2014**

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 and Novo Nordisk employs many of the Clayton area residents. Other major employers include Caterpillar, Johnston Health Clayton, and Northeast Foods. With expansion in manufacturing and medical services and ongoing residential growth, Clayton continues to be a prosperous town in which to live and work.

<b>Fiscal Year</b>	<b>Total Population</b>	<b>Growth</b>
2006	11,584	
2007	12,126	4.7%
2008	12,908	6.4%
2009	13,700	6.1%
2010	16,116	17.6%
2011	16,730	3.8%
2012	17,135	2.4%
2013	17,745	3.6%
2014	18,445	3.9%
2015	18,998	3.0%
<b>Total Growth</b>		<b>64.0%</b>
<b>Avg. Annual Growth</b>		<b>5.1%</b>

# 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**

**Kimberly Moffett**

**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**

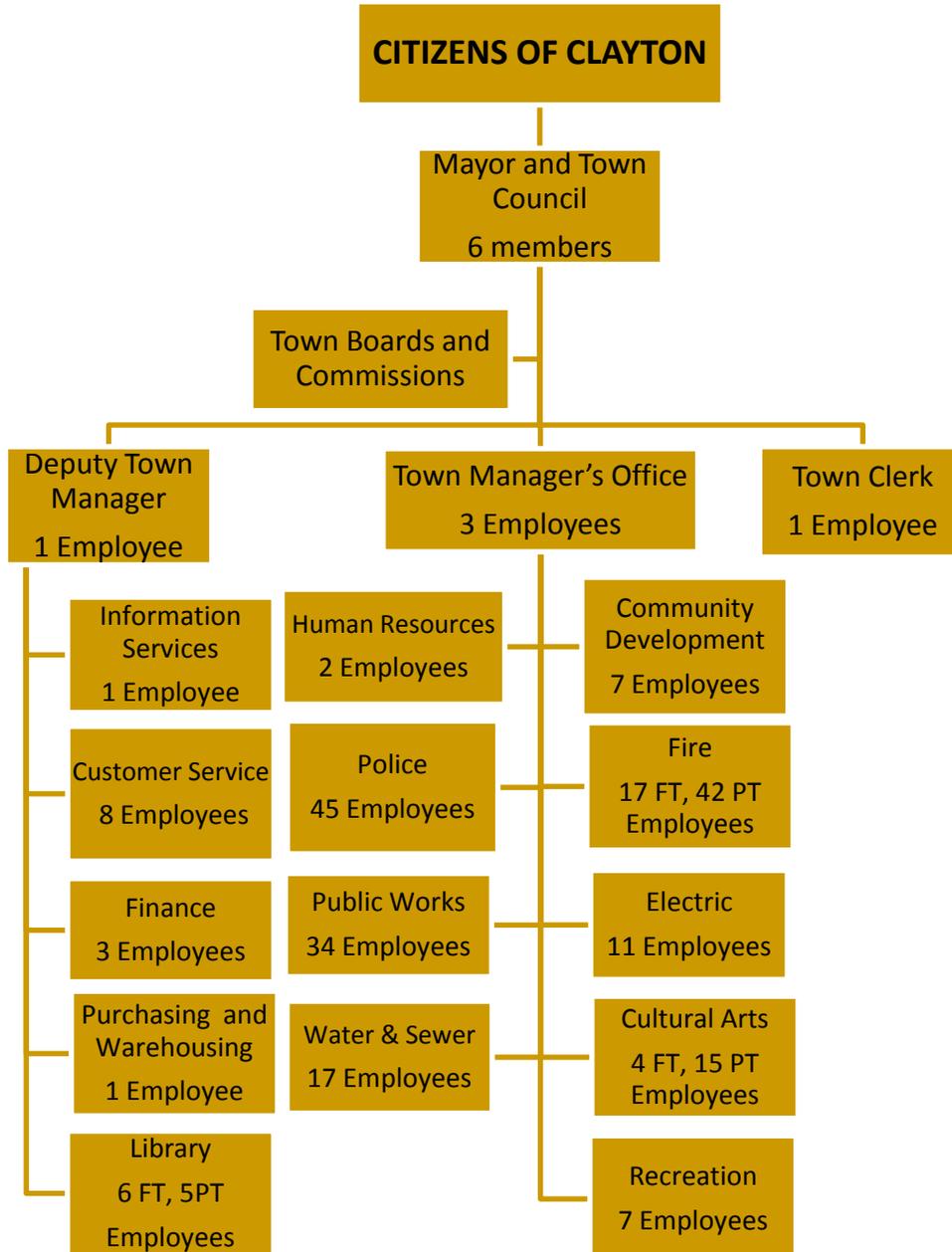
**Planning Director**

**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, 2015, 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 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.

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, 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, 2015, 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, on pages 3 through 14, the Law Enforcement Officers' Special Separation Allowance's and the Other Postemployment Benefits' Schedules of Funding Progress and Schedules of Employer Contributions on pages 56 through 59, respectively, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 60 and 61, respectively, and the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability on page 62 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 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, and other schedules 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 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. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, 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 October 2, 2015 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 2, 2015

## 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, 2015. 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.

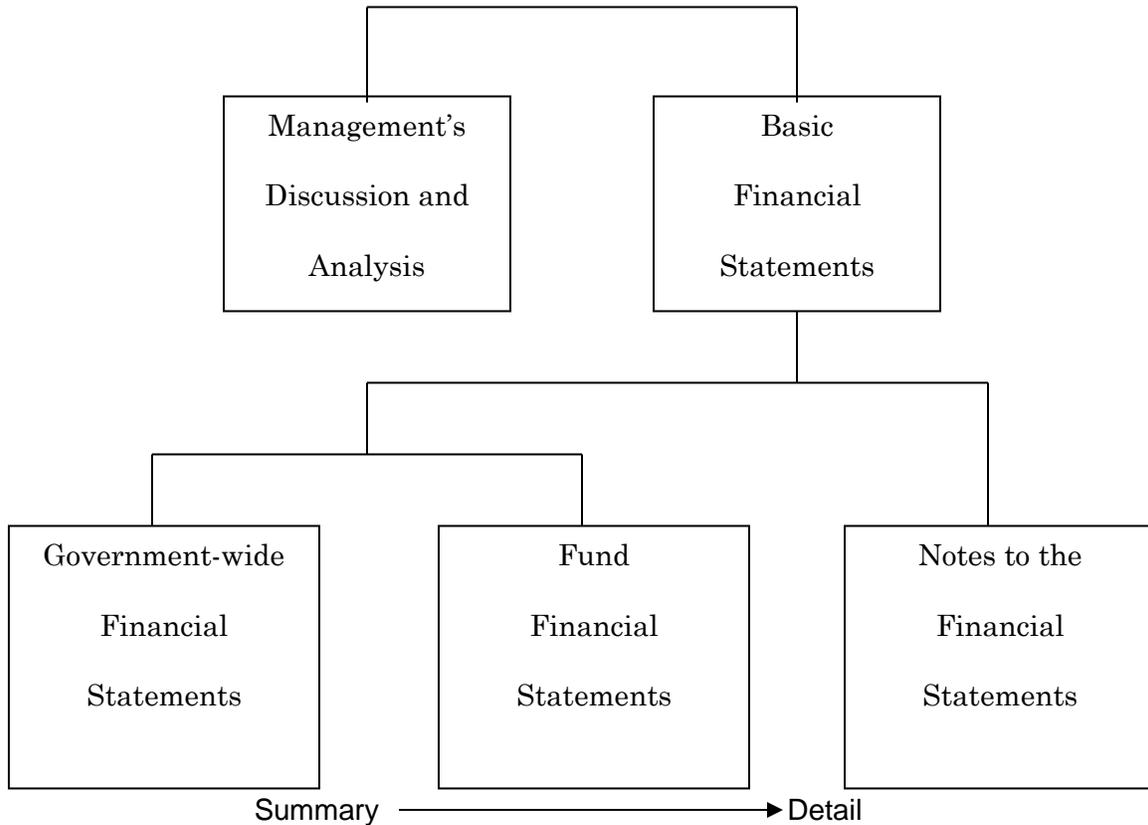
### Financial Highlights

- 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 \$81,770,148 (*net position*). Of this amount \$16,048,770 (*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 \$4,799,691, 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 \$7,876,337, a decrease of \$1,245,458 in comparison with the prior year. Approximately 29.43% of the ending fund balance, or \$2,317,712 is non spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,694,249, or 18.31% of total general fund expenditures for the fiscal year.
- The Town of Clayton's total debt decreased by \$1,876,465 (6.3%) during the current fiscal year. Total General Fund debt decreased by \$1,362,238 (6.34%). 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 maintained its Aa2 and AA bond rating with Moody's Investor Service and Standard & Poor's, respectively.

### 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 eight 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 seven 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 27-55 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 56 of this report.

## Government-Wide Financial Analysis

### Town of Clayton's Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 9,730,175	\$10,801,192	\$15,982,281	\$14,278,122	\$25,712,456	\$25,079,314
Capital assets	49,907,057	48,000,954	39,938,277	39,913,884	89,845,334	87,914,838
Deferred outflows of resources	278,866	-	52,406	-	331,272	-
<b>Total assets and deferred outflows of resources</b>	<b>59,916,098</b>	<b>58,802,146</b>	<b>55,972,964</b>	<b>54,192,006</b>	<b>115,889,062</b>	<b>112,994,152</b>
Long-term liabilities	18,956,353	21,199,922	6,596,547	7,379,901	25,552,900	28,579,823
Other liabilities	2,481,231	3,023,432	3,581,658	3,911,280	6,062,889	6,934,712
Deferred inflows of resources	2,022,792	351,842	480,333	157,318	2,503,125	509,160
<b>Total liabilities and deferred inflows of resources</b>	<b>23,460,376</b>	<b>24,575,196</b>	<b>10,658,538</b>	<b>11,448,499</b>	<b>34,118,914</b>	<b>36,023,695</b>
Net position:						
Net investment in capital assets	30,927,939	27,537,113	32,475,825	31,662,302	63,403,764	59,199,415
Restricted	2,303,842	2,634,979	13,772	6,260	2,317,614	2,641,239
Unrestricted	3,223,941	4,054,858	12,824,829	11,074,945	16,048,770	15,129,803
<b>Total net position</b>	<b>\$36,455,722</b>	<b>\$34,226,950</b>	<b>\$45,314,426</b>	<b>\$42,743,507</b>	<b>\$81,770,148</b>	<b>\$76,970,457</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 \$81,770,148 as of June 30, 2015. The Town's net position increased by \$4,799,691 for the fiscal year ended June 30, 2015, primarily due to increases in both governmental and business-type activities.

By far the largest portion of the Town of Clayton's net position (77.5%) 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, \$2,317,614, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$16,048,770 is unrestricted, which may be used to meet the government's ongoing obligations to citizens and creditors.

The Town implemented GASB Statement 68 this year. With the new reporting change, the Town is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$1,131,701. Decisions regarding the allocations are made by the administrators of the pension plan, not by the Town of Clayton's management.

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 decreased by \$331,137 for the Town's governmental activities, primarily due to the closure of several capital project funds, which is attributable to the completion of the related projects, and a lower stabilization by State statute requirement partially offset by a reduction in the utilization of Powell Bill monies. There was a slight increase of \$7,512 in restricted net position reported for business-type activities due to an increase in the USDA debt service reserve.

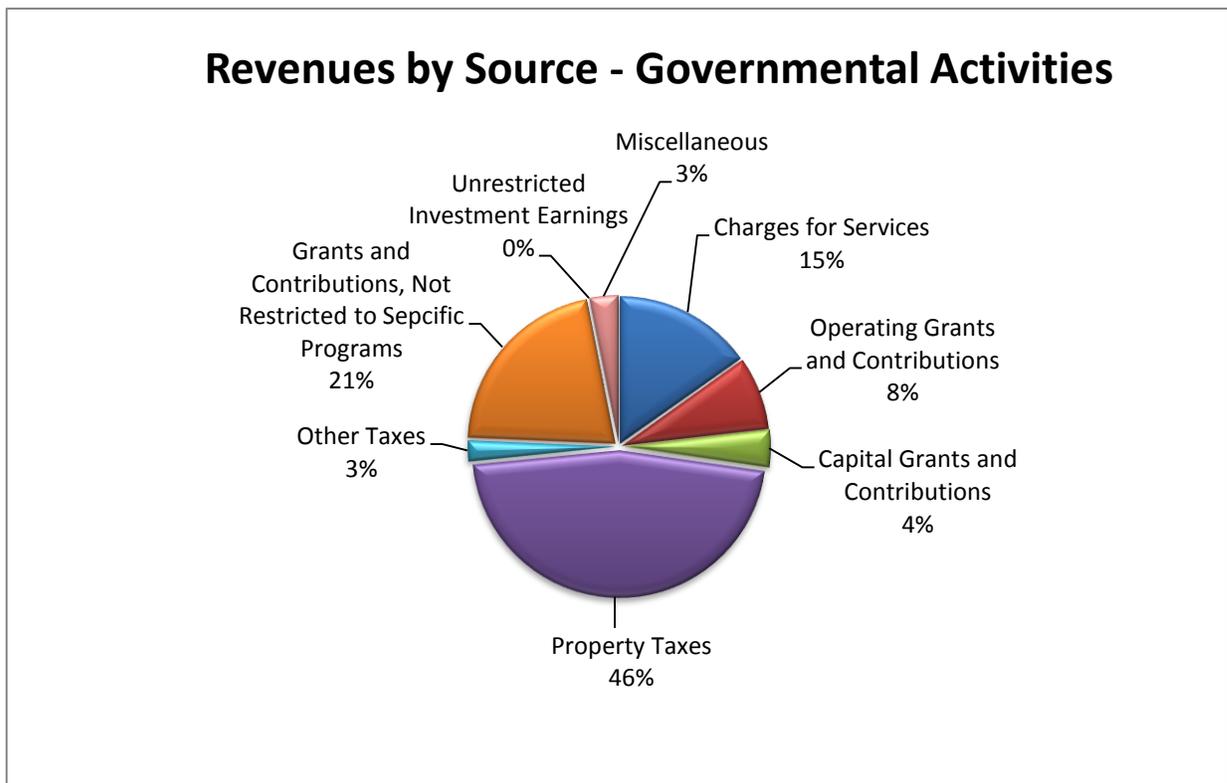
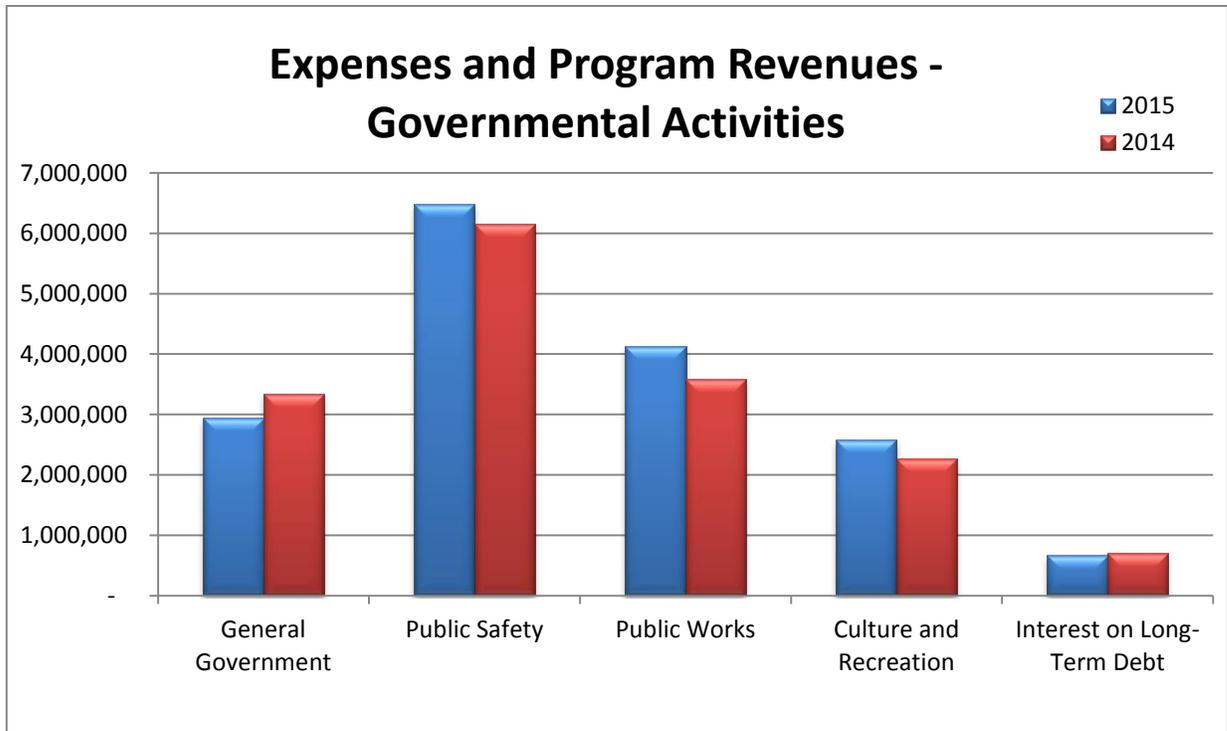
### Town of Clayton Changes in Net Position

	Governmental		Business-Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues						
Charges for services	\$ 2,893,953	\$ 2,886,552	\$ 20,839,374	\$ 20,295,212	\$ 23,733,327	\$ 23,181,764
Operating grants and contributions	1,522,363	1,117,363	363,774	308,526	1,886,137	1,425,889
Capital grants and contributions	773,379	1,793,819	-	293,551	773,379	2,087,370
General revenues:						
Property taxes	8,791,837	8,569,899	-	-	8,791,837	8,569,899
Other taxes	421,492	1,485,579	-	-	421,492	1,485,579
Grants and contributions not restricted to specific programs	4,037,646	2,779,365	-	-	4,037,646	2,779,365
Unrestricted investment earnings	6,427	10,784	4,215	7,026	10,642	17,810
Miscellaneous	589,092	308,148	1,431,251	2,085,958	2,020,343	2,394,106
<b>Total revenue</b>	<b>19,036,189</b>	<b>18,951,509</b>	<b>22,638,614</b>	<b>22,990,273</b>	<b>41,674,803</b>	<b>41,941,782</b>
Expenses:						
General government	2,937,296	3,349,078	-	-	2,937,296	3,349,078
Public safety	6,477,802	6,159,070	-	-	6,477,802	6,159,070
Public works	4,139,308	3,583,516	-	-	4,139,308	3,583,516
Culture and recreation	2,583,676	2,259,979	-	-	2,583,676	2,259,979
Interest on long-term debt	669,335	705,993	-	-	669,335	705,993
Water and Sewer	-	-	7,888,466	7,759,838	7,888,466	7,759,838
Electric	-	-	12,179,229	12,732,649	12,179,229	12,732,649
<b>Total expenses</b>	<b>16,807,417</b>	<b>16,057,636</b>	<b>20,067,695</b>	<b>20,492,487</b>	<b>36,875,112</b>	<b>36,550,123</b>
Increase in net position before transfers	2,228,772	2,893,873	2,570,919	2,497,786	4,799,691	5,391,659
Transfers	-	-	-	-	-	-
<b>Increase in net position</b>	<b>2,228,772</b>	<b>2,893,873</b>	<b>2,570,919</b>	<b>2,497,786</b>	<b>4,799,691</b>	<b>5,391,659</b>
Net position, July 1 (consolidated)	35,176,100	32,282,227	42,926,058	40,428,272	78,102,158	72,710,499
Net position, beginning, restated	34,226,950	32,282,227	42,743,507	40,428,272	76,970,457	72,710,499
<b>Net position, June 30</b>	<b>\$ 36,455,722</b>	<b>\$ 35,176,100</b>	<b>\$ 45,314,426</b>	<b>\$ 42,926,058</b>	<b>\$ 81,770,148</b>	<b>\$ 78,102,158</b>

**Governmental activities.** Governmental activities increased the Town's net position by \$2,228,272, thereby accounting for 46.4% of the total growth in the net position of the Town of Clayton. Key elements of this increase are as follows:

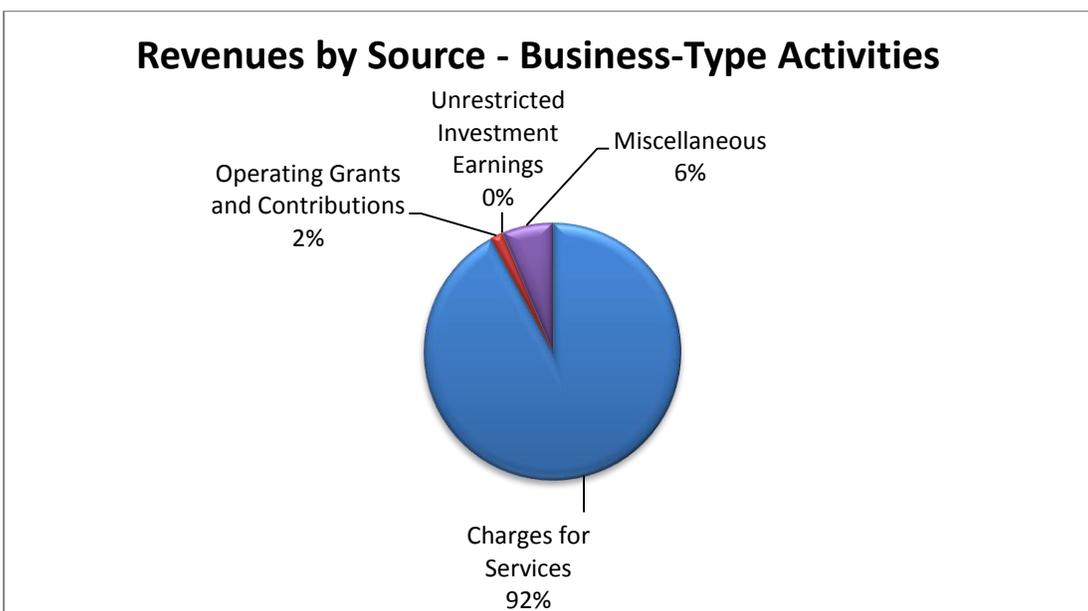
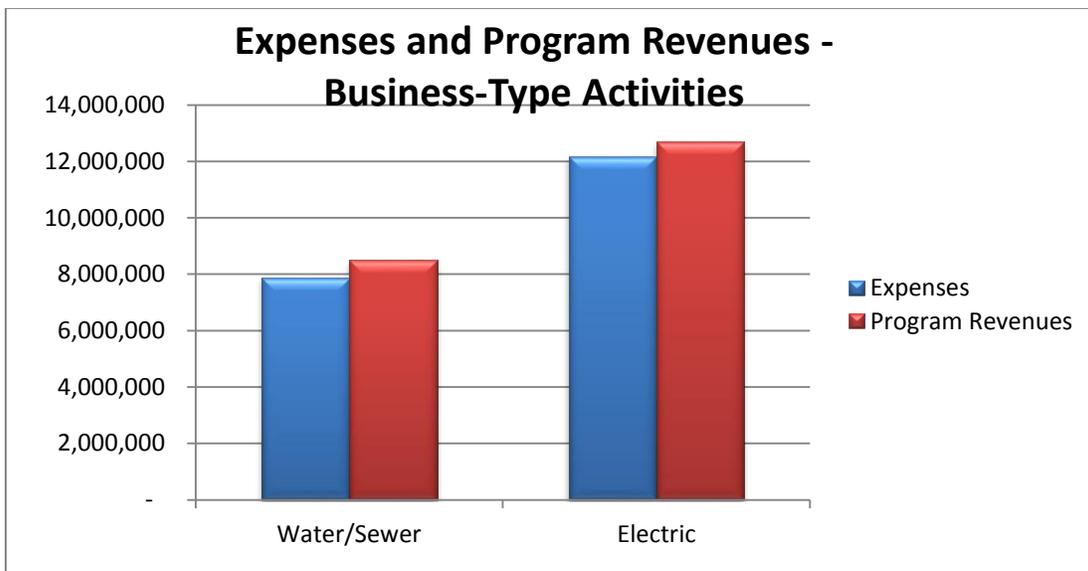
- Sales tax revenue increased 10.72%, or \$288,498 due to economic growth.
- The sale of a cell tower lease contributed \$265,203.
- Property taxes increased 2.59%, or \$221,938, primarily due to a higher tax base in conjunction with an improved collection rate for registered motor vehicles attributable to a change in State law.
- Receipt of \$243,098 from a developer for reimbursement of prior year costs incurred on the East Front Street Extension project.

- Expenses increased 4.67%, or \$749,781, primarily for public safety, public works, and culture and recreation due to higher salaries attributable to additional staffing, primarily in public works, in conjunction with COLA and merit based increases; procurement of public safety equipment; higher contracted services; a building renovation project; and increased grounds maintenance. The Town continues to monitor revenues and expenses closely.



**Business-type activities.** Business-type activities increased the Town of Clayton's net position by \$2,570,919, accounting for a 53.6% increase in the government's net position. Key elements of this increase are as follows:

- Charges for services for business-type activities increased 2.68%, or \$544,162, primarily due to higher revenues generated by the water distribution, wastewater treatment, and electric distribution operations.
- Capacity fees from ongoing new development activity totaled \$1,220,692.
- Grants and contributions decreased by \$238,303, primarily due to completion of the Elevated Water Storage Tank project.
- Expenses decreased 2.07%, or \$424,792, primarily due to wholesale power cost savings of \$317,182, which resulted from the statutory repeal of the gross receipts tax, partially offset by higher salaries related to COLA and merit based increases, and higher contract services costs for water distribution and waste water treatment.



## 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 \$7,876,337 with a net decrease in fund balance of \$1,245,458, primarily due to a decrease in the General Fund attributable to strategic property acquisitions of \$2,073,251 for future park development in conjunction with decreases resulting from closure of the following capital project funds: Greenway Development Project, 2012 GO Bonds East Clayton Community Park, Law Enforcement Center, 2009 GO Bonds Recreation Project, and 2009 GO Bonds Streets Project. CAMPO LAPP is a new capital project fund for projects included in the Capital Area Metropolitan Planning Organization's Locally Administered Projects Program, which utilizes federal funding for local highway, transit, bicycle and pedestrian projects.

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 \$3,694,249, while total fund balance reached \$7,632,406. 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 18.42% of actual net expenditures, which is attributable to capital spending. 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 37.83% of total general fund expenditures. Fund balance of the Town of Clayton's General Fund decreased by \$842,307 during the current fiscal year. Key components of this change are as follows:

- Revenues from ad valorem taxes increased \$153,606, 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 decreased \$659,278 due to lower grant revenues by \$1,288,083, primary attributable to the completion of the East Front Street Extension project partially offset by increased local sales tax revenue of \$288,498.
- Permits and fees revenues decreased \$178,754, primarily due to the completion of a large commercial project at Grifols.
- Miscellaneous revenues increased \$280,944, primarily due to the sale of a cell tower lease.
- Investment income was 40.38% lower, or \$4,351, 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.
- Net transfers from other governmental funds increased \$292,134, primarily due to the closure of the previously mentioned capital project funds.
- Total expenditures were 7.05% lower than budgeted.

## General Fund Budgetary Highlights

During the year there was a \$776,860 increase in fund balance appropriations between the original and final amended budget due to an additional capital outlay requirement for the DuPont property acquisition, a building restoration project, and a transfer to the CAMPO LAPP Capital Project.

**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 \$8,238,498, and for the Electric Fund, \$4,586,331. The total change in net position for the Water and Sewer and the Electric Funds was \$1,979,326 and \$591,593, 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, 2015 amounts to \$89,845,334 (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 2.2% (a 98.74% increase for governmental activities and an 1.26% increase for business-type activities).

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

- Strategic land acquisitions of \$2,073,251 for future park development in governmental-type activities, primarily for Little Creek Church Road, a 67-acre parcel, and DuPont, a 40-acre parcel adjacent to the Neuse River; completion of the East Front Street Extension project; and a deposit on a new fire truck that is expected to be delivered in December 2015.
- In business-type activities, new equipment and infrastructure improvements of \$785,543 in the Water and Sewer Fund and the addition of \$655,129 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	
	2015	2014	2015	2014	2015	2014
	Land	\$ 7,694,921	\$ 5,621,670	\$ 138,600	\$ 138,600	\$ 7,833,521
Nitrogen credits	-	-	2,633,113	2,633,113	2,633,113	2,633,113
Construction in progress	594,098	2,375,298	879,633	766,530	1,473,731	3,141,828
Total non-depreciable assets	8,289,019	7,996,968	3,651,346	3,538,243	11,940,365	11,535,211
Water capacity allocation rights	-	-	3,600,000	3,600,000	3,600,000	3,600,000
Building and improvements	30,085,414	29,907,815	3,096,846	3,096,846	33,182,260	33,004,661
Plant, machinery, and equipment	3,390,333	3,315,156	46,560,059	45,542,804	49,950,392	48,857,960
Vehicles	6,203,457	6,056,044	1,986,053	1,675,740	8,189,510	7,731,784
Infrastructure	16,637,343	14,205,293	-	-	16,637,343	14,205,293
Total depreciable assets	56,316,547	53,484,308	55,242,958	53,915,390	111,559,505	107,399,698
Accumulated depreciation	(14,698,509)	(13,480,322)	(18,956,027)	(17,539,749)	(33,654,536)	(31,020,071)
Total depreciable assets, net	41,618,038	40,003,986	36,286,931	36,375,641	77,904,969	76,379,627
Total	\$ 49,907,057	\$ 48,000,954	\$ 39,938,277	\$ 39,913,884	\$ 89,845,334	\$ 87,914,838

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 \$7,939,746. Of this amount, \$5,330,000 comprises debt backed by the full faith and credit of the Town of Clayton and \$2,609,746 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	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 5,330,000	\$ 5,720,000	\$ -	\$ -	\$ 5,330,000	\$ 5,720,000
Revenue bonds	-	-	2,609,746	2,109,746	2,609,746	2,109,746
Installment debt	13,649,118	14,743,841	5,117,874	6,141,836	18,766,992	20,885,677
OPEB	560,076	494,356	82,943	73,208	643,019	567,564
Pension related debt (LEO)	569,411	512,646	-	-	569,411	512,646
Total	<u>\$ 20,108,605</u>	<u>\$ 21,470,843</u>	<u>\$ 7,810,563</u>	<u>\$ 8,324,790</u>	<u>\$ 27,919,168</u>	<u>\$ 29,795,633</u>

The Town's total debt decreased \$1,876,465, or 6.3%, 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 bond ratings from Moody's Investor Service (Aa2) and Standard and Poor's Corporation (AA). Standard and Poor's affirmed the AA rating with a stable outlook on May 26, 2015.

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 \$116,093,916, 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, 2016**

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 a modest improvement from a rate of 5.7% a year ago. The State average is 6.1% compared to 6.4% a year ago. The unemployment rate information is not seasonally adjusted.
- Higher median household income. The median household income estimate for the Town was \$57,456 compared to \$49,711 for Johnston County and \$46,334 for the State.

- The Town is evolving into a small, prosperous city. Continued growth is benefiting the citizens by offering a stronger and more diverse selection of retail and services, critical healthcare facilities and the related providers, as well as quality local entertainment venues. Programs and services continue to expand to meet the demands of a growing population in conjunction with attracting new investment in the local economy. The Town is responding to the growth by adding nine full-time staff and two half-time staff. Budgeted expenditures in the General Fund are expected to rise 5.45% 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, 2016 are included as well as partial year implementation of a salary study that was conducted for approximately 50% of the Town's positions. The 2016 budget includes a \$0.025 increase in the property tax rate to \$0.55 per \$100 of valuation to offset the loss of revenue due to the legislative repeal of the Privilege License Tax and the rising cost of employee health insurance premiums.
- The Town has chosen to appropriate \$1,235,066 for spending in the 2016 fiscal year budget, primarily to make critical improvements and building repairs along with the drawdown of existing Powell Bill funds for qualifying street expenditures.
- The Water and Sewer Fund will increase water rates by \$0.15 per 1,000 gallons of use and sewer rates will increase by \$0.25 per 1,000 gallons of use.
- No changes are proposed to retail electric rates. The sale of generation assets by the North Carolina Eastern Municipal Power Agency (NCEMPA) to Duke Energy Progress in July 2015 is expected to result in a reduction to the Town's wholesale power cost. The Town will conduct an independent rate study to determine the appropriate rate structure for 2016 and beyond.

All of these factors were considered in preparing the Town of Clayton's budget for the 2016 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, 2015**

**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	\$ 6,362,596	\$ 11,425,478	17,788,074	\$ 10,740
Taxes receivables (net)	34,796	-	34,796	-
Accounts receivable (net)	573,055	2,974,242	3,547,297	-
Due from/to other governments	1,071,060	-	1,071,060	-
Inventories	13,870	1,171,314	1,185,184	-
Restricted cash and cash equivalents	986,886	278,940	1,265,826	-
Total current assets	<u>9,042,263</u>	<u>15,849,974</u>	<u>24,892,237</u>	<u>10,740</u>
<b>Non-current assets</b>				
Net pension asset	687,912	132,307	820,219	-
<b>Capital assets (Note 3)</b>				
Land, non-depreciable improvements and construction in progress	8,289,019	3,651,346	11,940,365	-
Other capital assets, net of depreciation	41,618,038	36,286,931	77,904,969	2,185
Total capital assets	<u>49,907,057</u>	<u>39,938,277</u>	<u>89,845,334</u>	<u>2,185</u>
Total assets	<u>\$ 59,637,232</u>	<u>\$ 55,920,558</u>	<u>\$ 115,557,790</u>	<u>\$ 12,925</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Contributions to LGERS pension plan in current fiscal year	278,866	52,406	331,272	-
Total assets and deferred outflows of resources	<u>\$ 59,916,098</u>	<u>\$ 55,972,964</u>	<u>\$ 115,889,062</u>	<u>\$ 12,925</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

**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	\$ 787,809	\$ 1,660,045	\$ 2,447,854	\$ -
Customer deposits	-	600,030	600,030	-
Current portion of long-term liabilities	<u>1,693,422</u>	<u>1,321,583</u>	<u>3,015,005</u>	-
<b>Total current liabilities</b>	<u>2,481,231</u>	<u>3,581,658</u>	<u>6,062,889</u>	<u>-</u>
<b>Long-term liabilities</b>				
Due in more than one year	<u>18,956,353</u>	<u>6,596,547</u>	<u>25,552,900</u>	<u>-</u>
<b>Total liabilities</b>	<u>21,437,584</u>	<u>10,178,205</u>	<u>31,615,789</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Assessments	328,189	157,318	485,507	-
Prepaid rental revenue	13,738	-	13,738	-
Prepaid taxes	1,394	-	1,394	-
Pension deferrals	<u>1,679,471</u>	<u>323,015</u>	<u>2,002,486</u>	<u>-</u>
<b>Total deferred inflows of resources</b>	<u>2,022,792</u>	<u>480,333</u>	<u>2,503,125</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment of capital assets	30,927,939	32,475,825	63,403,764	2,185
Restricted for:				
Other functions-Powell Bill	532,998	-	532,998	-
Public Improvements	240,687	-	240,687	-
USDA debt service reserve	176,160	13,772	189,932	-
Public Safety	9,827	-	9,827	-
Stabilization by State Statute	1,340,926	-	1,340,926	-
Cemetery perpetual care-Nonexpendable	3,244	-	3,244	-
Unrestricted	<u>3,223,941</u>	<u>12,824,829</u>	<u>16,048,770</u>	<u>10,740</u>
<b>Total net position</b>	<u>36,455,722</u>	<u>45,314,426</u>	<u>81,770,148</u>	<u>12,925</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$59,916,098</u>	<u>\$55,972,964</u>	<u>\$ 115,889,062</u>	<u>\$ 12,925</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Clayton Downtown Development
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government operations	\$ 2,937,296	\$ 743,379	\$ 107,922	\$ 47,196	\$ (2,038,799)	\$ -	\$ (2,038,799)	\$ -
Public safety	6,477,802	19,121	1,414,440	1,717	(5,042,524)	-	(5,042,524)	-
Public works	4,139,308	1,448,472	-	474,466	(2,216,370)	-	(2,216,370)	-
Cultural and recreational	2,583,676	682,981	-	250,000	(1,650,695)	-	(1,650,695)	-
Interest on long-term debt	669,335	-	-	-	(669,335)	-	(669,335)	-
Total governmental activities	<u>16,807,417</u>	<u>2,893,953</u>	<u>1,522,362</u>	<u>773,379</u>	<u>(11,617,722)</u>	<u>-</u>	<u>(11,617,722)</u>	<u>-</u>
Business-type activities								
Water and sewer	7,888,466	8,221,760	278,024	-	-	611,318	611,318	-
Electric	12,179,229	12,617,614	85,750	-	-	524,135	524,135	-
Total business-type activities	<u>20,067,695</u>	<u>20,839,374</u>	<u>363,774</u>	<u>-</u>	<u>-</u>	<u>1,135,453</u>	<u>1,135,453</u>	<u>-</u>
Total primary government	<u>\$ 36,875,112</u>	<u>\$ 23,733,327</u>	<u>\$ 1,886,136</u>	<u>\$ 773,379</u>	<u>\$ (11,617,722)</u>	<u>\$ 1,135,453</u>	<u>\$ (10,482,269)</u>	<u>\$ -</u>
Component unit								
Clayton Downtown Development Association, Inc	<u>\$ 40,417</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,417)</u>
General revenues								
Property taxes, levied for general purposes					8,791,837	-	8,791,837	-
Sales taxes					3,961,445	-	3,961,445	-
Franchise taxes					297,215	-	297,215	-
Alcoholic beverage taxes					81,919	-	81,919	-
Other taxes					42,358	-	42,358	-
Grants and contributions, not restricted to specific programs					76,201	-	76,201	-
Unrestricted investment earnings					6,427	4,215	10,642	-
Miscellaneous					589,092	1,431,251	2,020,343	43,497
Total general revenues					<u>13,846,494</u>	<u>1,435,466</u>	<u>15,281,960</u>	<u>43,497</u>
Change in net position					2,228,772	2,570,919	4,799,691	3,080
Net position, beginning, previously reported					35,176,100	42,926,058	78,102,158	9,845
Restatement (Note 7)					(949,150)	(182,551)	(1,131,701)	-
Net position, beginning, restated					34,226,950	42,743,507	76,970,457	9,845
Net position, ending					<u>\$ 36,455,722</u>	<u>\$ 45,314,426</u>	<u>\$ 81,770,148</u>	<u>\$ 12,925</u>

	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	CAMPO LAPP Capital Project		
<b>ASSETS</b>										
Cash and cash equivalents	\$ 6,359,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,244	\$ 6,362,596
Restricted cash	718,985	-	-	-	-	-	238,472	29,429	-	986,886
Receivables, net										
Taxes	34,796	-	-	-	-	-	-	-	-	34,796
Accounts	573,055	-	-	-	-	-	-	-	-	573,055
Due from other governments	1,071,060	-	-	-	-	-	-	-	-	1,071,060
Due from other funds	-	-	-	-	-	-	-	-	-	-
Inventories	13,870	-	-	-	-	-	-	-	-	13,870
<b>Total assets</b>	<b>\$ 8,771,118</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 238,472</b>	<b>\$ 29,429</b>	<b>\$ 3,244</b>	<b>\$ 9,042,263</b>
<b>LIABILITIES AND FUND BALANCES</b>										
<b>Liabilities</b>										
Accounts payable and accrued liabilities	\$ 760,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,214	\$ -	\$ 787,809
<b>Total liabilities</b>	<b>760,595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,214</b>	<b>-</b>	<b>\$ 787,809</b>
<b>Deferred Inflows of Resources</b>										
Assessments	328,189	-	-	-	-	-	-	-	-	328,189
Property tax receivable	34,796	-	-	-	-	-	-	-	-	34,796
Prepaid rental revenue	13,738	-	-	-	-	-	-	-	-	13,738
Prepaid taxes	1,394	-	-	-	-	-	-	-	-	1,394
<b>Total Deferred Inflows of Resources</b>	<b>378,117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>378,117</b>
<b>Fund balances</b>										
<b>Non Spendable</b>										
Inventories	13,870	-	-	-	-	-	-	-	-	13,870
Perpetual maintenance	-	-	-	-	-	-	-	-	3,244	3,244
<b>Restricted</b>										
Stabilization by State Statute	1,340,926	-	-	-	-	-	-	-	-	1,340,926
Streets - Powell Bill	532,998	-	-	-	-	-	-	-	-	532,998
Public Improvements	-	-	-	-	-	238,472	2,215	-	-	240,687
USDA debt service reserve	176,160	-	-	-	-	-	-	-	-	176,160
Public Safety-Police	9,827	-	-	-	-	-	-	-	-	9,827
Library	-	-	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-
<b>Committed</b>										
Public Improvements	626,955	-	-	-	-	-	-	-	-	626,955
Public Safety-Fire	-	-	-	-	-	-	-	-	-	-
<b>Assigned</b>										
Public Safety-Fire	2,355	-	-	-	-	-	-	-	-	2,355
Subsequent year's expenditures	1,235,066	-	-	-	-	-	-	-	-	1,235,066
Unassigned	3,694,249	-	-	-	-	-	-	-	-	3,694,249
<b>Total fund balances</b>	<b>7,632,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238,472</b>	<b>2,215</b>	<b>3,244</b>	<b>7,876,337</b>
<b>Total liabilities, deferred inflows of of resources and fund balances</b>	<b>\$ 8,771,118</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 238,472</b>	<b>\$ 29,429</b>	<b>\$ 3,244</b>	<b>\$ 9,042,263</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										\$ 7,876,337
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										49,907,057
Net LGERS pension asset										687,912
Contributions to the LGERS pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position										278,866
Liabilities for earned revenues considered deferred inflows of resources in fund statements										34,796
Compensated absences not expected to be materially liquidated with expendable available resources										(541,170)
Net law enforcement officers' pension obligation										(569,411)
Other postemployment benefits										(560,076)
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										(18,979,118)
LGERS pension related deferrals										(1,679,471)
Net position of governmental activities										<u>\$36,455,722</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

**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	CAMPO LAPP Capital Project			
<b>REVENUES</b>											
Ad valorem taxes	\$ 8,741,219	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,741,219
Other taxes and licenses	160,790	-	-	-	-	-	-	-	-	-	160,790
Unrestricted intergovernmental	5,747,973	-	-	-	-	-	-	-	-	-	5,747,973
Restricted intergovernmental	661,409	-	-	-	-	-	-	-	-	-	661,409
Permits and fees	859,288	-	-	-	-	-	-	-	-	-	859,288
Sales and services	2,038,690	-	-	-	-	-	-	-	-	-	2,038,690
Investment earnings	6,425	-	-	-	-	-	-	-	2	-	6,427
Miscellaneous	589,092	-	-	-	-	-	-	-	-	-	589,092
<b>Total revenues</b>	<b>18,804,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>18,804,888</b>
<b>EXPENDITURES</b>											
<b>Current</b>											
General government operations	3,112,902	-	-	-	-	-	-	-	-	-	3,112,902
Public safety	6,479,859	-	-	-	-	-	-	-	-	-	6,479,859
Public works	4,097,833	-	-	-	-	-	-	-	-	-	4,097,833
Cultural and recreational	4,332,910	-	-	-	-	-	-	-	-	-	4,332,910
Debt service	-	-	-	-	-	-	-	-	-	-	-
Principal retirement	1,484,723	-	-	-	-	-	-	-	-	-	1,484,723
Interest and other charges	669,335	-	-	-	-	-	-	-	-	-	669,335
Capital outlay	-	-	-	-	-	-	-	122,785	-	-	122,785
<b>Total expenditures</b>	<b>20,177,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,785</b>	<b>-</b>	<b>-</b>	<b>20,300,347</b>
Excess (deficiency) of revenues over expenditures	(1,372,675)	-	-	-	-	-	-	(122,785)	2	-	(1,495,458)
<b>OTHER FINANCING SOURCES (USES)</b>											
Fair market value of purchased property	250,000	-	-	-	-	-	-	-	-	-	250,000
Transfers from (to) other funds	280,368	(224,377)	(44)	(122,683)	(40,045)	(18,219)	-	125,000	-	-	-
<b>Total other financing sources (uses)</b>	<b>530,368</b>	<b>(224,377)</b>	<b>(44)</b>	<b>(122,683)</b>	<b>(40,045)</b>	<b>(18,219)</b>	<b>-</b>	<b>125,000</b>	<b>-</b>	<b>-</b>	<b>250,000</b>
<b>Net change in fund balances</b>	<b>(842,307)</b>	<b>(224,377)</b>	<b>(44)</b>	<b>(122,683)</b>	<b>(40,045)</b>	<b>(18,219)</b>	<b>-</b>	<b>2,215</b>	<b>2</b>	<b>-</b>	<b>(1,245,458)</b>
Fund balance, beginning	8,474,713	224,377	44	122,683	40,045	18,219	238,472	-	3,242	-	9,121,795
<b>Fund balances, ending</b>	<b>\$ 7,632,406</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 238,472</b>	<b>\$ 2,215</b>	<b>\$ 3,244</b>	<b>\$ -</b>	<b>\$ 7,876,337</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, 2015**

**Exhibit 5**

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		\$ (1,245,458)
<p>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.</p>		
	Capital outlay	3,284,397
	Depreciation	(1,378,294)
Contributions to the LGERS pension plan in the current fiscal year are not included on the Statement of Activities		278,866
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	(18,700)
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	(11,866)
	Current law enforcement officers' pension obligation	(56,765)
	LGERS pension expense	(42,411)
	Other postemployment benefits	(65,720)
<p>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.</p>		
	Debt principle paid	<u>1,484,723</u>
		<u>1,484,723</u>
Total changes in net position of governmental activities		<u>\$ 2,228,772</u>

**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, 2015**

**Exhibit 6**

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 8,697,866	\$ 8,697,866	\$ 8,741,219	\$ 43,353
Other taxes and licenses	147,400	147,400	160,790	13,390
Unrestricted intergovernmental	5,971,238	5,971,238	5,747,973	(223,265)
Restricted intergovernmental	1,000,780	1,054,057	661,409	(392,648)
Permits and fees	755,680	755,680	859,288	103,608
Sales and services	1,889,348	1,901,001	2,038,690	137,689
Investment earnings	12,000	12,000	6,425	(5,575)
Miscellaneous	39,316	400,610	589,092	188,482
<b>Total revenues</b>	<b>18,513,628</b>	<b>18,939,852</b>	<b>18,804,886</b>	<b>(134,966)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government operations	2,981,780	3,103,265	3,112,902	(9,637)
Public safety	6,802,784	6,872,064	6,479,859	392,205
Public works	4,751,709	5,011,433	4,097,833	913,600
Cultural and recreational	3,582,450	4,460,045	4,332,910	127,135
<b>Debt service</b>				
Principal retirement	1,484,724	1,484,724	1,484,723	1
Interest and other charges	669,335	669,335	669,335	-
<b>Total expenditures</b>	<b>20,272,782</b>	<b>21,600,866</b>	<b>20,177,562</b>	<b>1,423,304</b>
Revenues over (under) expenditures	(1,759,154)	(2,661,014)	(1,372,675)	1,288,339
<b>OTHER FINANCING SOURCES (USES)</b>				
Fair market value of purchased property	-	250,000	250,000	
Transfer from (to) other funds	-	(125,000)	280,368	405,368
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>125,000</b>	<b>530,368</b>	<b>405,368</b>
Fund balance appropriated	1,759,154	2,536,014	-	(2,536,014)
Net change in fund balance	\$ -	\$ -	(842,307)	\$ (842,307)
Fund balances, beginning			8,474,713	
Fund balances, ending			\$ 7,632,406	

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2015**

**Exhibit 7**

	Enterprise Funds		Total
	Water and Sewer Fund	Electric Fund	
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 7,686,037	\$ 3,739,441	\$ 11,425,478
Accounts receivable (net) - billed	841,608	728,540	1,570,148
Accounts receivable (net) - unbilled	546,818	857,276	1,404,094
Inventories	172,057	999,257	1,171,314
Restricted cash and cash equivalents	<u>13,772</u>	<u>265,168</u>	<u>278,940</u>
Total current assets	<u>9,260,292</u>	<u>6,589,682</u>	<u>15,849,974</u>
Non-current assets			
Net pension asset	72,454	59,853	132,307
Capital assets			
Land, improvements and construction in progress	3,541,574	109,772	3,651,346
Other capital assets, net of depreciation	<u>29,667,366</u>	<u>6,619,565</u>	<u>36,286,931</u>
Capital assets, net	<u>33,208,940</u>	<u>6,729,337</u>	<u>39,938,277</u>
Total non-current assets	<u>33,281,394</u>	<u>6,789,190</u>	<u>40,070,584</u>
Total assets	<u>\$ 42,541,686</u>	<u>\$ 13,378,872</u>	<u>\$ 55,920,558</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contributions to pension plan in current fiscal year	<u>29,668</u>	<u>22,738</u>	<u>52,406</u>
Total assets and deferred outflows of resources	<u>\$ 42,571,354</u>	<u>\$ 13,401,610</u>	<u>\$ 55,972,964</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 598,832	\$ 1,061,213	\$ 1,660,045
Customer deposits	71,008	529,022	600,030
Compensated absences - current	28,121	25,663	53,784
Revenue bond note payable - current	20,000	260,000	280,000
Installment purchases payable - current	<u>908,920</u>	<u>78,879</u>	<u>987,799</u>
Total current liabilities	<u>1,626,881</u>	<u>1,954,777</u>	<u>3,581,658</u>
Noncurrent liabilities			
Other noncurrent liabilities			
Other postemployment benefits	49,854	33,089	82,943
Compensated absences	28,121	25,662	53,783
Revenue bond note payable - noncurrent	1,419,746	910,000	2,329,746
Installment purchases payable - noncurrent	<u>3,996,455</u>	<u>133,620</u>	<u>4,130,075</u>
Total noncurrent liabilities	<u>5,494,176</u>	<u>1,102,371</u>	<u>6,596,547</u>
Total liabilities	<u>7,121,057</u>	<u>3,057,148</u>	<u>10,178,205</u>
Deferred Inflows of Resources			
Assessments	157,318	-	157,318
Pension deferrals	<u>176,890</u>	<u>146,125</u>	<u>323,015</u>
Total deferred inflows of resources	<u>334,208</u>	<u>146,125</u>	<u>480,333</u>
<b>NET POSITION</b>			
Net investments in capital assets	26,863,819	5,612,006	32,475,825
Restricted for USDA debt service reserve	13,772	-	13,772
Unrestricted	<u>8,238,498</u>	<u>4,586,331</u>	<u>12,824,829</u>
Total net position	<u>35,116,089</u>	<u>10,198,337</u>	<u>45,314,426</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 42,571,354</u>	<u>\$ 13,401,610</u>	<u>\$ 55,972,964</u>

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

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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, 2015**

**Exhibit 8**

	Enterprise Funds		
	Water and Sewer Fund	Electric Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 8,179,485	\$ 12,617,614	\$ 20,797,099
Water and sewer taps	42,275	-	42,275
Other operating revenues	278,024	85,750	363,774
Total operating revenues	<u>8,499,784</u>	<u>12,703,364</u>	<u>21,203,148</u>
<b>OPERATING EXPENSES</b>			
Electric operations	-	11,188,427	11,188,427
Water distribution	3,064,219	-	3,064,219
Water preventive maintenance	660,559	-	660,559
Waste collection and treatment	1,668,109	-	1,668,109
Tax reimbursements - General Fund	-	31,177	31,177
Support services - General Fund	1,230,792	611,972	1,842,764
Depreciation and amortization	1,081,484	334,795	1,416,279
Total operating expenses	<u>7,705,163</u>	<u>12,166,371</u>	<u>19,871,534</u>
Operating income (loss)	<u>794,621</u>	<u>536,993</u>	<u>1,331,614</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	1,708	2,507	4,215
Interest and other charges	(183,303)	(12,858)	(196,161)
Capacity fees	1,220,692	-	1,220,692
Nutrient offset fees	127,208	-	127,208
Miscellaneous	18,400	64,951	83,351
Total nonoperating revenue (expenses)	<u>1,184,705</u>	<u>54,600</u>	<u>1,239,305</u>
Change in net position	<u>1,979,326</u>	<u>591,593</u>	<u>2,570,919</u>
Total net position, previously reported	33,236,732	9,689,326	42,926,058
Restatement	(99,969)	(82,582)	(182,551)
Total net position restatement (Note 7)	<u>33,136,763</u>	<u>9,606,744</u>	<u>42,743,507</u>
Total net position, ending	<u>\$ 35,116,089</u>	<u>\$ 10,198,337</u>	<u>45,314,426</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2015**

**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	\$ 8,293,579	\$ 12,526,487	\$ 20,820,066
Cash paid for goods and services	(6,016,367)	(11,389,336)	(17,405,703)
Cash paid to or on behalf of employees for services	(1,005,642)	(766,383)	(1,772,025)
Other operating revenues	278,024	85,750	363,774
Miscellaneous revenue	18,400	64,951	83,351
Net cash provided by operating activities	<u>1,567,994</u>	<u>521,469</u>	<u>2,089,463</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Capacity fees	1,220,692	-	1,220,692
Nutrient offset fees	127,208	-	127,208
Total cash flows from noncapital financing activities	<u>1,347,900</u>	<u>-</u>	<u>1,347,900</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(857,997)	(714,982)	(1,572,979)
Principal paid on bond maturities and equipment contracts	(966,039)	(207,923)	(1,173,962)
Proceeds from debt issuance	-	650,000	650,000
Interest paid on bond maturities and equipment contracts	(183,303)	(12,858)	(196,161)
Net cash (used) by capital and related financing activities	<u>(2,007,339)</u>	<u>(285,763)</u>	<u>(2,293,102)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>1,708</u>	<u>2,507</u>	<u>4,215</u>
Net increase in cash and cash equivalents	910,263	238,213	1,148,476
Balances, beginning	<u>6,789,546</u>	<u>3,766,396</u>	<u>10,555,942</u>
Balances, ending	<u>\$ 7,699,809</u>	<u>\$ 4,004,609</u>	<u>\$ 11,704,418</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2015**

**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	\$ 794,621	\$ 536,993	\$ 1,331,614
Adjustments to reconcile operating income to net cash provided by operating activities			
Miscellaneous revenue	18,400	64,951	83,351
Depreciation & amortization	1,081,484	334,795	1,416,279
Pension expense	4,467	3,690	8,157
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	71,819	(91,127)	(19,308)
( Increase) decrease in inventory	(80,166)	(323,902)	(404,068)
Increase (decrease) in accounts payable and accrued liabilities	(373,059)	(116,591)	(489,650)
Increase (decrease) in customer deposits	(4,055)	62,985	58,930
Increase in postemployment benefits	3,621	6,114	9,735
Increase in accrued vacation pay	8,076	6,446	14,522
Increase (decrease) in deferred outflows of resources for pensions	(29,668)	(22,738)	(52,406)
Increase in net pension asset	72,454	59,853	132,307
Total adjustments	<u>773,373</u>	<u>(15,524)</u>	<u>757,849</u>
Net cash provided by operating activities	<u>\$ 1,567,994</u>	<u>\$ 521,469</u>	<u>\$ 2,089,463</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**June 30, 2015**

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**Exhibit 10**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 1,930,229
Taxes receivable	<u>11,551</u>
Total assets	<u>\$ 1,941,780</u>
Liabilities	
Liabilities:	
Intergovernmental payable	<u>1,941,780</u>
Total liabilities	<u>\$ 1,941,780</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, 2015**

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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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation. 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, 2015**

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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.

**Campo Lapp Project Fund** – This fund is used to account for Town projects included in the Capital Area Metropolitan Planning Organization's Locally Administered Projects Program, which utilizes federal funding for local highway, transit, bicycle and pedestrian projects.

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.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

**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.

*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, 2014, 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, 2014 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. Sales taxes are considered a shared revenue for the Town of Clayton because the tax is levied by Johnston County and then remitted to and distributed by the State. Most 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

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

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

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 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 is restricted to comply with a \$176,160 sinking fund requirement for a USDA loan (rural development reserve) in conjunction with the Clayton Community Center project. Powell Bill funds are also classified as restricted cash because they can be expended only for the purpose of maintaining, repairing,

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

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

constructing, reconstructing or widening of local streets per state law (G.S. 136-41.1 through G.S. 136-41.4). Monies in the Parks and Recreation Capital Project Fund and CAMPO LAPP Capital Project Fund are classified as restricted cash because the use is restricted to each fund per state law (G.S. 159-13.2). Money for public safety is classified as restricted cash which can only be expended for purposes to enhance the Town's law enforcement activities per state and federal law (G.S. 105-113.113; Controlled Substances Act, Title 21-Section 881(e)(3)).

Restricted Assets (Continued)

General Fund			
	Streets	\$	532,998
	USDA debt reserve		176,160
	Public Safety		9,827
	Parks and Recreation		238,472
	Public Transportation		29,429
Total governmental activities		\$	<u>986,886</u>
Business-type Activities			
Electric Fund	Unspent revenue bond proceeds		265,168
Water and Sewer Fund	USDA future debt service		13,772
Total Business-type Activities		\$	<u>278,940</u>
Total Restricted Cash		\$	<u>1,265,826</u>

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, 2014.

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, 2015 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.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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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

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.

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. The Town has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. 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 several items that meet the criterion for this category – assessments, prepaid rental revenue, prepaid taxes, property taxes receivable, and deferrals of pension expense that result from the implementation of GASB Statement 68.

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.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

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

Long-Term Obligations (Continued)

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.

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)].

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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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 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.

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). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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 purposes.

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. Only the General Fund can report a positive amount of unassigned fund balance.

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.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (LGERS) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Clayton’s employer contributions are recognized when due and the Town of Clayton has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters’ and Rescue Squad Workers’ Pension Fund (FRSWPF) and additions to/deductions from FRSWPF’s fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

**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.

**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, 2015, the Town's deposits had a carrying amount of \$8,715,534 and a bank balance of \$9,134,828. Of the bank balance, \$753,242 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 \$10,740 and the bank balance was \$10,740. At June 30, 2015, the Town's petty cash fund totaled \$2,400.

Investments

At June 30, 2015, the Town of Clayton had \$5,768,824 and \$6,497,371 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, 2015 are net of the following allowances for doubtful accounts:

General fund:	
Taxes receivable	\$ 24,000
Accounts receivable	5,513
	<u>29,513</u>
Enterprise funds	86,368
Total	<u>\$ 115,881</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

**A. Assets (Continued)**

Due from Other Governmental Agencies

At June 30, 2015, funds due from other governmental agencies consisted of the following:

	Governmental Activities			Business-type Activities
	General	Non-Major Governmental	Total	
Local Option Sales Tax	\$ 527,289	\$ -	\$ 527,289	\$ -
Franchise Sales Tax	182,970	-	182,970	-
Telecommunication Sales Tax	16,959	-	16,959	-
Video Programming Fees	44,888	-	44,888	-
Solid Waste Disposal Fees	2,544	-	2,544	-
Vehicle & Property taxes	165,268	-	165,268	-
PEG Channel	14,184	-	14,184	-
Claytex Fire District	116,958	-	116,958	-
	<u>\$ 1,071,060</u>	<u>\$ -</u>	<u>\$ 1,071,060</u>	<u>\$ -</u>

Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,621,670	\$ 2,073,251	\$ -	\$ 7,694,921
Construction in progress	<u>2,375,298</u>	<u>434,122</u>	<u>2,215,322</u>	<u>594,098</u>
Total capital assets not being depreciated	<u>7,996,968</u>	<u>2,507,373</u>	<u>2,215,322</u>	<u>8,289,019</u>
Capital assets being depreciated				
Buildings and improvements	29,907,815	177,599	-	30,085,414
Equipment	3,315,156	75,177	-	3,390,333
Vehicles and motorized equipment	6,056,044	307,520	160,107	6,203,457
Infrastructure	<u>14,205,293</u>	<u>2,432,050</u>	<u>-</u>	<u>16,637,343</u>
Total capital assets being depreciated	<u>53,484,308</u>	<u>2,992,346</u>	<u>160,107</u>	<u>56,316,547</u>
Less accumulated depreciation				
Buildings	3,629,368	579,309	-	4,208,677
Equipment	2,675,173	151,395	-	2,826,568
Vehicles and motorized equipment	4,873,881	359,484	160,107	5,073,258
Infrastructure	<u>2,301,900</u>	<u>288,106</u>	<u>-</u>	<u>2,590,006</u>
Total accumulated depreciation	<u>13,480,322</u>	<u>1,378,294</u>	<u>160,107</u>	<u>14,698,509</u>
Total capital assets being depreciated, net	<u>40,003,986</u>	<u>1,614,052</u>	<u>-</u>	<u>41,618,038</u>
Governmental activity capital assets, net	<u>\$ 48,000,954</u>	<u>\$ 4,121,425</u>	<u>\$ 2,215,322</u>	<u>\$ 49,907,057</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

**A. Assets (Continued)**

Capital Assets (Continued)

At June 30, 2015, construction in progress was comprised primarily of the public improvement construction projects.

General government	\$ 190,715
Public safety	383,358
Public works	434,290
Cultural and recreational	<u>369,931</u>
Total depreciation expense	<u>\$ 1,378,294</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>755,376</u>	<u>34,485</u>	-	<u>789,861</u>
Total capital assets not being depreciated	<u>3,507,089</u>	<u>34,485</u>	-	<u>3,541,574</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	34,994,764	205,641	-	35,200,405
Furniture and maintenance equipment	1,211,860	235,104	-	1,446,964
Vehicles	<u>516,021</u>	<u>310,313</u>	-	<u>826,334</u>
Total capital assets being depreciated	<u>42,276,260</u>	<u>751,058</u>	-	<u>43,027,318</u>
Less accumulated depreciation for				
Wastewater capacity allocation rights	1,575,000	180,000	-	1,755,000
Buildings	429,593	27,811	-	457,404
Plant and distribution system	9,149,783	695,986	-	9,845,769
Furniture and maintenance equipment	624,019	142,294	-	766,313
Vehicles	<u>500,073</u>	<u>35,393</u>	-	<u>535,466</u>
Total accumulated depreciation	<u>12,278,468</u>	<u>1,081,484</u>	-	<u>13,359,952</u>
Total Capital assets being depreciated, net	<u>29,997,792</u>	<u>(330,426)</u>	-	<u>29,667,366</u>
Water and Sewer Fund				
Capital Assets – net	<u>\$ 33,504,881</u>	<u>\$ (295,941)</u>	<u>\$ -</u>	<u>\$ 33,208,940</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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**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>11,154</u>	<u>89,772</u>	<u>11,154</u>	<u>89,772</u>
Total capital assets not being depreciated	<u>31,154</u>	<u>89,772</u>	<u>11,154</u>	<u>109,772</u>
Capital assets being depreciated				
Buildings	1,143,231	-	-	1,143,231
Plant and distribution system	9,112,315	571,997	-	9,684,312
Furniture and maintenance	223,865	4,513	-	228,378
Vehicles	<u>1,159,719</u>	<u>-</u>	<u>-</u>	<u>1,159,719</u>
Total capital assets being depreciated	<u>11,639,130</u>	<u>576,510</u>	<u>-</u>	<u>12,215,640</u>
Less accumulated depreciation for				
Buildings	250,508	19,062	-	269,570
Plant and distribution system	3,979,138	239,880	-	4,219,018
Furniture and maintenance equipment	215,839	2,169	-	218,008
Vehicles	<u>815,796</u>	<u>73,683</u>	<u>-</u>	<u>889,479</u>
Total accumulated depreciation	<u>5,261,281</u>	<u>334,794</u>	<u>-</u>	<u>5,596,075</u>
Total capital assets being depreciation, net	<u>6,377,849</u>	<u>241,716</u>	<u>-</u>	<u>6,619,565</u>
Electric Fund				
Capital Assets – net	<u>\$ 6,409,003</u>	<u>\$ 331,488</u>	<u>\$ 11,154</u>	<u>\$ 6,729,337</u>
Business-type activities capital assets, net	<u>\$ 39,913,884</u>			<u>\$ 39,938,277</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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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 is a participating employer in 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 membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERs Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERs provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERs plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Clayton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERs Board of Trustees. The Town of Clayton's contractually required contribution rate for the year ended June 30, 2015 was 7.07% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Clayton were \$331,272 for the year ended June 30, 2015.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

1. Pension Plan Obligations (Continued)

*Refunds of Contributions.* Town of Clayton employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Town reported an asset of \$820,219 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town of Clayton's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2015, the Town's proportion was 0.139%, which was a decrease of 0.00002% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the Town recognized pension expense of \$50,568. At June 30, 2015, the Town of Clayton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 89,623
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,909,452
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	3,411
Town contributions subsequent to the measurement date	<u>331,272</u>	<u>-</u>
Total	<u>\$ 331,272</u>	<u>\$ 2,002,486</u>

\$331,272 reported as deferred outflows of resources related to pensions resulting from Town of Clayton contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$ (500,680)
2017	(500,680)
2018	(500,680)
2019	(500,446)
2020	-
Thereafter	-

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

1. Pension Plan Obligations (Continued)

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

1. Pension Plan Obligations (Continued)

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town of Clayton's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

1% Decrease <u>(6.25%)</u>	Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
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Town of Clayton's proportionate share of the net pension liability (asset)	\$ 2,784,178	\$ (820,219)	\$ (3,855,005)
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*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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, 2014, 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>42</u>
Total	<u>46</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, 2015**

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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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 67 and 68:

- contributions to the pension plan and earnings on those contributions are irrevocable
- pension plan assets are dedicated to providing benefits to plan members
- pension plan assets are legally protected from the creditors or employers, nonemployer contributing entities, the plan administrator, and plan members

*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, 2014 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, 2014 was 16 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	\$ 132,819
Interest on net pension obligation	25,632
Adjustment to annual required contribution	<u>(43,306)</u>
Annual pension cost	115,145
Contributions made	<u>58,380</u>
Increase in net pension obligation	56,765
Net pension obligation beginning of year	<u>512,646</u>
Net pension obligation end of year	<u>\$ 569,411</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

**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>	
2013	\$ 87,983	42.23%	\$ 480,734
2014	\$ 90,292	64.66%	\$ 512,646
2015	\$115,145	50.70%	\$ 569,411

Funded Status and Funding Progress

As of December 31 2014, 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 \$1,094,305. The covered payroll (annual payroll of active employees covered by the plan) was \$2,131,150, and the ratio of the UAAL to the covered payroll was 51.35 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*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, 2015 were \$584,231, which consisted of \$353,973 from the Town and \$230,258 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. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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, 2015**

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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)*

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2014, the State contributed \$14,627,000 to the plan. The Town of Clayton's proportionate share of the State's contribution is \$2,769.

*Refunds of Contributions* – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$42,834. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.

For the year ended June 30, 2015, the Town recognized pension expense of \$16,104 and revenue of \$16,104 for support provided by the State. At June 30, 2015, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan in Section a. of this note.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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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)*

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

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	Law
	Employees:	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	114	45

*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 annual required contribution (ARC) rate is 1.2% of annual covered payroll. For the current year, the Town contributed \$10,745 or 0.2% of annual covered payroll. The Town obtains healthcare coverage through private insurers. The Town's required contributions, under a Town resolution, for employees not engaged in law enforcement and for law enforcement officers represented 0.1% and 0.1% of covered payroll, respectively. The Town's contributions totaled \$10,745 in fiscal year 2015. Retirees made contributions in the amount of \$5,777. The Town's obligation to contribute to HCB Plan is established and may be amended by the Town Council.

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

**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	\$ 85,185
Interest on net OPEB obligation	22,703
Adjustment to annual required contribution	<u>(21,688)</u>
Annual OPEB cost (expense)	86,200
Contributions made	<u>(10,745)</u>
Increase (decrease) in net OPEB obligation	75,455
Net OPEB obligation, beginning of year	<u>567,564</u>
Net OPEB obligation, end of year	<u>\$ 643,019</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 were as follows:

<u>For Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 105,998	8.02%	\$491,376
2014	85,402	10.79%	567,564
2015	86,200	12.47%	643,019

*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, 2015**

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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. For the fiscal year ended June 30, 2015, the Town made contributions to the State for death benefits of \$0. The Town's required contributions for employees not engaged in law enforcement and for law enforcement officers represented 0.0% and 0.0% of covered payroll, respectively. Due to a surplus in the death benefit, a decision was made by the State to temporarily stop contributions to the LGERS Death Benefit Plan beginning July 1, 2012. The relief period was based on the number of years the employer had contributed as of December 31, 2010. Employers contributing for 10 or more (but less than 20) years or for 20 or more years were granted a relief period of 2 years and 3 years, respectively. The Town has a three year reprieve and contributions will resume in the fiscal year beginning July 1, 2015.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Contributions to pension plan in current fiscal year	\$ 331,272

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

Prepaid taxes (General Fund)	\$ 1,394
Taxes Receivable, less penalties (General Fund)	34,796
Prepaid rental revenue (General Fund)	13,738

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

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

3. Deferred Outflows and Inflows of Resources *(Continued)*

Community Development Assessments (General Fund)	328,189
Special Assessments (Water Fund)	157,318
Pension deferrals	2,002,486

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 \$70.9 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, 2015, 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, 2015 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	\$ 3,750,000	\$ -
\$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>1,580,000</u>	<u>-</u>
Total general obligation bonds	<u>\$ 5,330,000</u>	<u>\$ -</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

**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>
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%	\$ -	\$ 1,439,746
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%	-	520,000
Electric System Revenue Bond, Series 2015 dated June 16, 2015 and maturing in annual installments of \$130,000 through June 2020; interest at 1.50%	-	650,000
Total revenue bonds	<u>\$ -</u>	<u>\$ 2,609,746</u>
<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%	\$ 866,667	\$ -
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%	882,791	-
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%	377,063	-
2007 Park Land Purchase; contract for \$2,073,435; due in monthly installments of \$11,519; interest at 3.94%	1,002,160	-
2008 Fire Truck; contract of \$ 410,000; due in monthly installments of \$3,980; interest at 3.11%	122,065	-
2007 Municipal Building; contract of \$5,000,000; due in monthly installments of variable principal; interest at 2.975%	4,525,701	-
2011 Clayton Law Enforcement Center; contract of \$6,070,000; annual installments of variable principal starting in 2015; interest at 4.46%	5,787,780	-
2012 Rolling Stock; contract of \$336,077; due in monthly installments of \$9,471; interest at 0.94%	84,891	-
2008 Sanitary Sewer Loan; contract of \$3,600,000; due in annual installments of \$180,000; interest at 2.10%	-	2,340,000

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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**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>
Capital leases (Continued)		
2007 Sanitary Sewer Loan; contract for \$3,921,798; due in annual installments of \$257,117 plus interest at 2.205%.	-	1,799,820
1996 Sanitary Sewer Loan; contract of \$4.3 million; due in annual installments of \$220,511; interest at 2.89%	-	220,511
1998 Sanitary Sewer Project; contract for \$1,007,888; due in annual installments of \$50,394; interest at 2.91%	-	208,069
1995 Clean Water Bond; contract of \$354,000; annual installments of \$17,700; interest at 5.3%	-	35,400
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%	-	181,575
2012 Rolling Stock; contract of \$386,499; due in monthly installments of \$6,753; interest at 1.22%	-	212,499
	<u>13,649,118</u>	<u>5,117,874</u>
Total Capital leases		
Total outstanding	18,979,118	7,727,620
Less current portion	<u>1,422,837</u>	<u>1,267,799</u>
	<u>\$ 17,556,281</u>	<u>\$ 6,459,821</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

6. Long-Term Debt (Continued)

At June 30, 2015, the Town of Clayton had a legal debt margin of \$116,093,916

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, 2015:

	<u>Balances</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2015</u>	<u>Current</u> <u>Portion</u> <u>of Balance</u>
Governmental activities:					
General obligation bonds	\$ 5,720,000	\$ -	\$ 390,000	\$ 5,330,000	\$ 390,000
Capital leases	14,743,841	-	1,094,723	13,649,118	1,032,837
Compensated absences	529,304	460,216	448,350	541,170	270,585
Other postemployment benefits	494,356	65,720	-	560,076	-
Net pension liability (LIGERS)	1,406,227	-	1,406,227	-	-
Net pension obligation (LEO)	<u>512,646</u>	<u>56,765</u>	<u>-</u>	<u>569,411</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 23,406,374</u>	<u>\$ 582,701</u>	<u>\$ 3,339,300</u>	<u>\$ 20,649,775</u>	<u>\$ 1,693,422</u>
Business-type activities:					
Revenue bonds	\$ 2,109,746	\$ 650,000	\$ 150,000	\$ 2,609,746	\$ 280,000
Capital leases	6,141,836	-	1,023,962	5,117,874	987,799
Other postemployment benefits	73,208	9,735	-	82,943	-
Net pension liability (LIGERS)	270,462	-	270,462	-	-
Compensated absences	<u>93,045</u>	<u>88,141</u>	<u>73,619</u>	<u>107,567</u>	<u>53,784</u>
Business-type activity long-term liabilities	<u>\$ 8,688,297</u>	<u>\$ 747,876</u>	<u>\$ 1,518,043</u>	<u>\$ 7,918,130</u>	<u>\$ 1,321,583</u>

The LIGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

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, 2015, 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						
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	390,000	129,988	710,017	366,915	1,100,017	496,903
2021-2025	1,890,000	458,537	3,323,795	1,476,975	5,213,795	1,935,512
Thereafter	<u>1,490,000</u>	<u>142,449</u>	<u>5,941,284</u>	<u>1,506,087</u>	<u>7,411,284</u>	<u>1,648,536</u>
Total	<u>5,330,000</u>	<u>1,358,568</u>	<u>13,649,118</u>	<u>5,059,432</u>	<u>18,979,118</u>	<u>6,418,000</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

**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						
2016	\$ 280,000	\$ 67,535	\$ 987,799	\$ 108,672	\$ 1,267,799	\$ 176,207
2017	281,000	63,341	586,681	85,710	867,681	149,051
2018	282,000	58,706	542,909	73,201	824,909	131,907
2019	283,000	54,036	489,134	61,992	772,134	116,028
2020	153,000	49,331	437,117	51,028	590,117	100,359
2021-2025	130,000	224,130	1,414,234	130,408	1,544,234	354,538
Thereafter	<u>1,200,746</u>	<u>653,560</u>	<u>660,000</u>	<u>22,680</u>	<u>1,860,746</u>	<u>676,240</u>
	<u>2,609,746</u>	<u>1,170,639</u>	<u>5,117,874</u>	<u>533,691</u>	<u>7,727,620</u>	<u>1,704,330</u>
Total	<u>\$7,939,746</u>	<u>\$2,529,207</u>	<u>\$18,766,992</u>	<u>\$5,593,123</u>	<u>\$26,706,738</u>	<u>\$ 8,122,330</u>

Revenue Bonds

The Town has been in compliance with the covenant 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 Town has been in compliance with the covenants as to rates, fees, rentals, and charges in Section 5.02 of the First Supplemental Bond Order, authorizing the issuance of Electric System Revenue Bonds, Series 2014 and Series 2015, since adoption in 2015. Section 5.02(a) requires Net Revenues plus 20% of the Unrestricted Net Position of the System as of the last day of the preceding fiscal year will not be less than 120% of the debt service requirement for the Bonds. The debt service coverage ratio calculations for the year ended June 30, 2015 are as follows:

	Water & Sewer	Electric
Operating revenues	\$8,499,784	\$12,703,364
Operating expenses	<u>6,623,679</u>	<u>11,831,576</u>
Net Revenues	\$1,876,105 <sup>1</sup>	\$ 871,788 <sup>1</sup>
20% Unrestricted Net Position	N/A <sup>2</sup>	844,149
Income Available for Debt Service	<u>\$1,876,105</u>	<u>\$ 1,715,937</u>
Debt service, principal and interest paid (Revenue bond only)	\$ 71,091	\$ 139,750
Debt service coverage ratio	26.39	12.28
Debt service, principal and interest paid (All indebtedness)	\$1,149,342	\$ 220,781
Debt service coverage ratio	1.63	7.77

<sup>1</sup> Per rate covenants, this does not include depreciation expense of \$1,081,484 and \$334,795, respectively.

<sup>2</sup> Per rate covenants, this does not apply to the Water and Sewer System Revenue Bond.

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 customer net revenues were \$71,091 and \$1,876,105, respectively.

The Town has pledged future electric customer revenues, net of specified operating expenses to repay \$1.3 million in electric system revenue bonds issued in May 2014 and June 2015. Proceeds from the bonds provided financing for improvements. The bonds are payable solely from electric system customer net revenues and are payable

**TOWN OF CLAYTON, NORTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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

6. Long-Term Debt (Continued)

through 2019 and 2020, respectively. Annual principal and interest payments on the bonds are expected to require less than 2 percent of operating revenues. The total principal and interest remaining to be paid on the bonds is \$1,218,344. Principal and interest paid for the current year and total customer net revenues were \$139,750 and \$871,788, respectively.

**C. Interfund Balances and Activity**

Transfers to/from Other Funds at June 30, 2015, consist of the following:

From the Greenway Development Project to the General Fund	\$224,377
From the 2012 GO Bonds East Clayton Park Project to the General Fund	44
From the Law Enforcement Center to the General Fund	122,683
From the 2009A GO Bonds Recreation Project to the General Fund	40,045
From the 2009A GO Bonds Streets Project to the General Fund	18,219
From the General Fund to the CAMPO LAPP Project	125,000

**D. Revenues, Expenditures and Expenses**

On-Behalf Payments for Fringe Benefits and Salaries

For the fiscal year ended June 30, 2015, the Town of Clayton has recognized on-behalf payments for pension contributions made by the state as a revenue and an expenditure of \$19,727 for the 57 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 \$14,700 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, 2015. 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, 2015, the Town reported revenues and expenditures for the payments of \$14,700 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, 2015. 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, 2015**

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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, 2015 were \$9,725,561.

**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	\$ 7,632,406
Less:	
Inventories	13,870
Stabilization by State Statute	1,340,926
Streets-Powell Bill	532,998
Public Improvements	626,955
Public Safety	9,827
USDA Debt Service Reserve	176,160
Appropriate Fund Balance in 2016 Budget	1,235,066
Working Capital / Fund Balance Policy	4,010,512
Remaining Fund Balance	(313,908)

**NOTE 7 – CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

The Town implemented Governmental Accounting Standards Board (GASB) statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the Town to record beginning net pension liability and the effects on net position of contributions made by the Town during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$949,150 and \$182,551, respectively.

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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

Schedule of Proportionate Share of Net Pension Asset for Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Schedule of Proportionate Share of Net Pension Liability for Firefighters' and Rescue Squad Workers' Pension Plan



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

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<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarially Accrued Liability- Projected Unit Credit (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll ((b-a)/c)</u>
12/31/2014	\$ -	\$ 1,094,305	\$1,094,305	0.00%	\$ 2,131,150	51.35%
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>
6/30/2015	132,819	43.95%
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	12/31/2014
Actuarial cost method	Projected unit credit
Amortization method	Level dollar closed
Remaining amortization period	16 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**

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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**

---

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2015	85,185	12.61%
2014	82,704	11.14%
2013	103,836	8.18%
2012	96,465	5.76%

---

***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

**TOWN OF CLAYTON, NORTH CAROLINA  
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (LGERS)  
REQUIRED SUPPLEMENTARY INFORMATION  
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**

---

	<u>2015</u>	<u>2014</u>
Clayton's proportion of net pension liability (asset) %	0.13908%	0.13910%
Clayton's proportion of net pension liability (asset) \$	\$ (820,219)	\$ 1,676,689
Clayton's covered-employee payroll	\$ 7,892,069	\$ 7,465,635
Clayton's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	-10.39%	22.46%
Plan fiduciary net position as a percentage of the total pension liability	102.64%	94.35%

**TOWN OF CLAYTON, NORTH CAROLINA  
 LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM (LGERS)  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS**

---

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 331,272	\$ 300,173
Contributions in relation to the contractually required contribution	<u>\$ 331,272</u>	<u>\$ 300,173</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Clayton's covered-employee payroll	\$ 4,903,097	\$ 4,486,604
Contributions as a percentage of covered-employee payroll	6.76%	6.69%

**TOWN OF CLAYTON, NORTH CAROLINA  
 FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 PROPORTIONATE SHARE OF NET PENSION LIABILITY**

---

	<u>2015</u>
Clayton's proportionate share of the net pension liability %	0.00000%
Clayton's proportionate share of the net pension liability \$	\$ -
State's proportionate share of the net pension liability associated with the Town of Clayton	\$ 42,834
Total	<u>\$ 42,834</u>
Clayton's covered-employee payroll	\$ 698,205
Clayton's proportionate share of the net pension liability as a percentage of its covered-employee payroll	6.13%
Plan fiduciary net position as a percentage of the total pension liability	93.42%

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**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.

***CAMPO LAPP Capital Project Fund*** – This fund is used to account for Town projects included in the Capital Area Metropolitan Planning Organization's Locally Administered Projects Program, which utilizes federal funding for local highway, transit, bicycle and pedestrian projects.

**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, 2015**

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

	2015		Variance Positive (Negative)
	Budget	Actual	
<b>REVENUES:</b>			
Ad valorem taxes:			
Taxes	\$ -	\$ 8,705,484	\$ -
Penalties and interest	-	35,735	-
Total	<u>8,697,866</u>	<u>8,741,219</u>	<u>43,353</u>
Other taxes and licenses:			
Motor vehicle licenses	-	69,318	-
Payments in lieu of taxes	-	15,271	-
Privilege licenses	-	76,201	-
Total	<u>147,400</u>	<u>160,790</u>	<u>13,390</u>
Unrestricted intergovernmental:			
Local option sales tax	-	2,978,962	-
ABC profit distribution	-	107,922	-
Gasoline tax refunds	-	93	-
Utilities sales tax	-	903,237	-
Piped natural gas sales tax	-	6,173	-
Telecommunications sales tax	-	73,073	-
Video programming fees	-	209,199	-
Beer and wine tax	-	81,919	-
Tax Reimbursements	-	31,177	-
Reimbursement from rural fire department	-	1,356,218	-
Total	<u>5,971,238</u>	<u>5,747,973</u>	<u>(223,265)</u>
Restricted intergovernmental:			
Powell Bill allocation	-	474,466	-
State grants	-	47,196	-
Federal grants	-	1,717	-
Controlled substance tax	-	15,910	-
PEG channel support	-	56,839	-
On-behalf of payments - Fire	-	50,531	-
First responder subsidy	-	3,666	-
Solid waste disposal tax	-	11,084	-
Total	<u>1,054,057</u>	<u>661,409</u>	<u>(392,648)</u>
Permits and fees:			
Alarm response fees	-	7,932	-
Recreation fees in lieu	-	107,977	-
Building permits	-	575,479	-
Inspection and rezoning fees	-	167,900	-
Total	<u>755,680</u>	<u>859,288</u>	<u>103,608</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, 2015**

**Exhibit A-1**  
**Page 2 of 6**

	2015		Variance Positive (Negative)
	Budget	Actual	
REVENUES: (Continued)			
Sales and service:			
Court costs and fees	-	11,189	-
Refuse collection fees	-	1,351,452	-
Cemetery lots and fees	-	97,020	-
Public safety contributions	-	4,025	-
Recreation fees and contributions	-	304,539	-
Clayton Center Cultural Arts	-	246,104	-
Library fees and contributions	-	24,361	-
Total	<u>1,901,001</u>	<u>2,038,690</u>	<u>137,689</u>
Investment earnings	<u>12,000</u>	<u>6,425</u>	<u>(5,575)</u>
Miscellaneous:			
Miscellaneous	-	6,087	-
Sale of surplus property	-	12,634	-
Lease revenue	-	17,105	-
Reimbursable projects	-	271,098	-
Sale of Real Property	-	265,203	-
Damage and insurance reimbursement	-	16,965	-
Total	<u>400,610</u>	<u>589,092</u>	<u>188,482</u>
Total Revenues	<u>18,939,852</u>	<u>18,804,886</u>	<u>(134,966)</u>
EXPENDITURES:			
General Government:			
Legislative:			
Salaries and employee benefits	-	155,542	-
Other operating expenditures	-	42,525	-
Capital outlay	-	150,508	-
Reimbursement - proprietary funds	-	(65,155)	-
Total	<u>-</u>	<u>283,420</u>	<u>-</u>
Administration:			
Salaries and employee benefits	-	451,440	-
Other operating expenditures	-	389,324	-
Reimbursement - proprietary funds	-	(295,695)	-
Total	<u>-</u>	<u>545,069</u>	<u>-</u>
Human Resources:			
Salaries and employee benefits	-	163,452	-
Other operating expenditures	-	177,097	-
Capital outlay	-	14,911	-
Reimbursement - proprietary funds	-	(44,984)	-
Total	<u>-</u>	<u>310,476</u>	<u>-</u>
Special Appropriations:			
Miscellaneous	-	44,734	-
Reimbursement - proprietary funds	-	-	-
Total	<u>-</u>	<u>44,734</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, 2015**

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

	2015		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
General Government: (Continued)			
Legal:			
Other operating expenditures	-	115,645	-
Reimbursement - proprietary funds	-	(33,150)	-
Total	-	82,495	-
Total General Government	1,200,616	1,266,194	(65,578)
Financial Services:			
Administration:			
Salaries and employee benefits	-	309,063	-
Other operating expenditures	-	262,743	-
Reimbursement - proprietary funds	-	(156,865)	-
Total	-	414,941	-
Customer Services:			
Salaries and employee benefits	-	481,318	-
Other operating expenditures	-	100,112	-
Capital outlay	-	13,033	-
Reimbursement - proprietary funds	-	(563,075)	-
Total	-	31,388	-
Information Services:			
Salaries and employee benefits	-	60,138	-
Other operating expenditures	-	746,763	-
Reimbursement - proprietary funds	-	(135,884)	-
Total	-	671,017	-
Total Financial Services	1,171,098	1,117,346	53,752
Community Development Services:			
Planning and Zoning:			
Salaries and employee benefits	-	370,824	-
Other operating expenditures	-	130,987	-
Capital outlay	-	28,999	-
Total	-	530,810	-
Downtown and Economic Development			
Salaried and employee benefits	-	85,752	-
Other operating expenditures	-	112,800	-
Total	-	198,552	-
Total Community Development Services	731,551	729,362	2,189
Total General Government Operations	3,103,265	3,112,902	(9,637)

**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, 2015**

**Exhibit A-1**  
**Page 4 of 6**

	2015		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Law Enforcement:			
Police Administration:			
Salaries and employee benefits	-	320,328	-
Vehicle maintenance and fuel	-	785	-
Other operating expenditures	-	167,946	-
Total	-	489,059	-
Police Investigation:			
Salaries and employee benefits	-	577,963	-
Vehicle maintenance and fuel	-	14,684	-
Other operating expenditures	-	77,081	-
Capital outlay	-	33,713	-
Total	-	703,441	-
Police Patrol:			
Salaries and employee benefits	-	1,600,899	-
Vehicle maintenance and fuel	-	80,757	-
Other operating expenditures	-	115,706	-
Capital outlay	-	124,178	-
Total	-	1,921,540	-
Police Special Operations			
Salaries and employee benefits	-	682,246	-
Vehicle maintenance and fuel	-	27,058	-
Other operating expenditures	-	95,711	-
Total	-	805,015	-
Total Law Enforcement	4,145,659	3,919,055	226,604
Fire Protection:			
Salaries and employee benefits	-	1,686,999	-
Vehicle maintenance and fuel	-	79,909	-
Other operating expenditures	-	459,076	-
Capital outlay	-	284,289	-
On Behalf of Payments-Fire	-	50,531	-
Total	-	2,560,804	-
Total Fire Protection	2,726,405	2,560,804	165,601
Total Public Safety	6,872,064	6,479,859	392,205
Public Works:			
Administration:			
Salaries and employee benefits	-	305,595	-
Other operating expenditures	-	115,684	-
Capital outlay	-	58,493	-
Reimbursement - proprietary funds	-	(248,174)	-
Total	-	231,598	-

**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, 2015**

	2015		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Public Works: (Continued)			
Inspections:			
Salaries and employee benefits	-	339,587	-
Vehicle maintenance and fuel	-	3,985	-
Other operating expenditures	-	55,803	-
Total	-	399,375	-
Engineering:			
Salaries and employee benefits	-	227,859	-
Other operating expenditures	-	17,850	-
Reimbursement - proprietary funds	-	(131,145)	-
Total	-	114,564	-
Vehicle Maintenance Shop:			
Salaries and employee benefits	-	186,305	-
Other operating expenditures	-	51,387	-
Reimbursement - proprietary funds	-	(47,818)	-
Total	-	189,874	-
Streets:			
Salaries and employee benefits	-	331,133	-
Vehicle maintenance and fuel	-	21,799	-
Street lights	-	80,443	-
Other operating expenditures	-	190,761	-
Capital outlay	-	273,564	-
Reimbursement - proprietary funds	-	(7,907)	-
Total	-	889,793	-
Property Maintenance:			
Salaries and employee benefits	-	528,537	-
Vehicle maintenance and fuel	-	18,501	-
Other operating expenditures	-	432,263	-
Capital outlay	-	60,758	-
Reimbursement - proprietary funds	-	(112,912)	-
Total	-	927,147	-
Sanitation:			
Trash hauling fee	-	522,883	-
Landfill fees	-	247,902	-
Recycling efforts	-	314,143	-
Miscellaneous activities	-	260,554	-
Total	-	1,345,482	-
Total Public Works	5,011,433	4,097,833	913,600

**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, 2015**

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

	2015		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Parks & Recreation:			
Salaries and employee benefits	-	713,909	-
Vehicle maintenance and fuel	-	8,105	-
Other operating expenditures	-	494,331	-
Capital outlay	-	2,119,165	-
Total Parks & Recreation	<u>3,427,541</u>	<u>3,335,510</u>	<u>92,031</u>
Cultural & Performing Arts:			
Salaries and employee benefits	-	325,227	-
Other operating expenditures	-	223,634	-
Total Cultural & Performing Arts	<u>587,975</u>	<u>548,861</u>	<u>39,114</u>
Library Operations:			
Salaries and employee benefits	-	355,856	-
Other operating expenditures	-	92,683	-
Total Library Operations	<u>444,529</u>	<u>448,539</u>	<u>(4,010)</u>
Total Cultural and Recreational	<u>4,460,045</u>	<u>4,332,910</u>	<u>127,135</u>
Debt Service:			
Principal retirement	-	1,484,723	-
Interest and fees	-	669,335	-
Total Debt Service	<u>2,154,059</u>	<u>2,154,058</u>	<u>1</u>
Total Expenditures	<u>21,600,866</u>	<u>20,177,562</u>	<u>1,423,304</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,661,014)</u>	<u>(1,372,675)</u>	<u>1,288,339</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers (to) from other funds:			
Fair market value of purchased property	250,000	250,000	-
Transfer to CAMPO LAPP Project	(125,000)	(125,000)	-
Transfer from Closed Capital Project Funds	-	405,368	405,368
Total other financing sources (uses)	<u>125,000</u>	<u>530,368</u>	<u>405,368</u>
Fund balance appropriated	<u>2,536,014</u>	-	<u>(2,536,014)</u>
Net change in fund balance	<u>\$ -</u>	<u>(842,307)</u>	<u>\$ (842,307)</u>
Fund balance, beginning		<u>8,474,713</u>	
Fund balance, ending		<u>\$ 7,632,406</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, 2015**

	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	(224,377)	210,241	(210,132)
Total other financing sources:	<u>420,373</u>	<u>434,618</u>	<u>(224,377)</u>	<u>210,241</u>	<u>(210,132)</u>
Net change in Fund balance	<u>\$ -</u>	<u>\$ 224,377</u>	(224,377)	<u>\$ -</u>	<u>-</u>
Fund balance, beginning			<u>224,377</u>		
Fund balance, ending			<u>\$ -</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, 2015**

	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	2,014,666	-	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>2,169,142</u>	<u>-</u>	<u>2,169,142</u>	<u>524</u>
REVENUES OVER (UNDER) EXPENDITURES	(2,166,866)	(2,166,822)	-	(2,166,822)	44
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers (to) from:					
General fund	151,966	151,966	(44)	151,922	(44)
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>2,166,866</u>	<u>(44)</u>	<u>2,166,822</u>	<u>(44)</u>
Net change in fund balance	\$ -	\$ 44	(44)	\$ -	\$ -
Fund balance, beginning			44		
Fund balance, ending			<u>\$ -</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, 2015

	Project Authorization	Actual			Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
REVENUES:					
Interest revenue	5,000	3,220	-	3,220	(1,780)
Total Revenues	5,000	3,220	-	3,220	(1,780)
EXPENDITURES:					
Capital outlay:					
Professional services	75,500	75,217	-	75,217	283
Construction	4,799,874	4,799,838	-	4,799,838	36
Furniture, Fixtures & Equipment	480,000	479,125	-	479,125	875
Administrative	220,600	220,600	-	220,600	-
Geotechnical investigation	50,600	50,558	-	50,558	42
Contingency	319,593	319,049	-	319,049	544
Preservation expense	6,150	6,150	-	6,150	-
Total expenditures	5,952,317	5,950,537	-	5,950,537	1,780
REVENUES OVER (UNDER) EXPENDITURES	(5,947,317)	(5,947,317)	-	(5,947,317)	-
OTHER FINANCING SOURCES:					
Operating transfers (to) from:					
General fund	(122,683)	-	(122,683)	(122,683)	-
Debt Proceeds	6,070,000	6,070,000	-	6,070,000	-
Total other financing sources:	5,947,317	6,070,000	(122,683)	5,947,317	-
Net change in fund balance	\$ -	\$ 122,683	(122,683)	\$ -	\$ -
Fund balance, beginning			122,683		
Fund balance, ending			\$ -		

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, 2015

	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>319,500</u>	<u>319,475</u>	<u>-</u>	<u>319,475</u>	<u>(25)</u>
<b>EXPENDITURES:</b>					
Capital outlay:					
Professional services	57,597	57,595	-	57,595	2
Construction	65,100	65,092	-	65,092	8
Land acquisition	2,009,210	2,009,206	-	2,009,206	4
Site improvements	<u>167,695</u>	<u>167,684</u>	<u>-</u>	<u>167,684</u>	<u>11</u>
Total expenditures	<u>2,299,602</u>	<u>2,299,577</u>	<u>-</u>	<u>2,299,577</u>	<u>25</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,980,102)	(1,980,102)	-	(1,980,102)	-
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers (to) from:					
General fund	(40,045)	-	(40,045)	(40,045)	-
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>1,980,102</u>	<u>2,020,147</u>	<u>(40,045)</u>	<u>1,980,102</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 40,045</u>	(40,045)	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>40,045</u>		
Fund balance, ending			<u>\$ -</u>		

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, 2015

	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	4,845,337	-	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>5,125,113</u>	<u>-</u>	<u>5,125,113</u>	<u>96,304</u>
REVENUES OVER (UNDER) EXPENDITURES	(5,134,017)	(5,115,798)	-	(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	-
Transfers (to) from General Fund	1,418,104	1,418,104	(18,219)	1,399,885	(18,219)
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>(18,219)</u>	<u>5,115,798</u>	<u>(18,219)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 18,219</u>	(18,219)	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			18,219		
Fund balance, ending			<u>\$ -</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, 2015

	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		

## CAPITAL PROJECTS FUND

## CAMPO LAPP PROJECTS

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

## BUDGET AND ACTUAL

From Inception and for the Fiscal Year Ended June 30, 2015

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
REVENUES:					
Grant revenue	\$ 1,902,800	\$ -	\$ -	\$ -	\$(1,902,800)
Total Revenues	<u>1,902,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,902,800)</u>
EXPENDITURES:					
Capital outlay:					
Construction	2,183,500	-	8,530	8,530	2,174,970
Design	<u>211,000</u>	<u>-</u>	<u>114,255</u>	<u>114,255</u>	<u>96,745</u>
Total expenditures	<u>2,394,500</u>	<u>-</u>	<u>122,785</u>	<u>122,785</u>	<u>2,271,715</u>
REVENUES OVER (UNDER) EXPENDITURES	(491,700)	-	(122,785)	(122,785)	368,915
OTHER FINANCING SOURCES:					
Transfer from General Fund	<u>491,700</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>(366,700)</u>
Total other financing sources:	<u>491,700</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>(366,700)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,215</u>	<u>\$ 2,215</u>	<u>\$ 2,215</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 2,215</u>		

## **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, 2015**

**Exhibit B-1**

	<u>Special Revenue Fund</u>	<u>Total Non-Major Governmental Fund</u>
	Horne Cemetery Fund	
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 3,244	\$ 3,244
Accounts receivable	<u>-</u>	<u>-</u>
Total assets	<u>\$ 3,244</u>	<u>\$ 3,244</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>3,244</u>	<u>3,244</u>
Total fund balances	<u>3,244</u>	<u>3,244</u>
Total liabilities and fund balances	<u>\$ 3,244</u>	<u>\$ 3,244</u>

TOWN OF CLAYTON, NORTH CAROLINA

Exhibit B-2

HORNE CEMETERY FUND

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

BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2015

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	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES			
Investment Earnings	\$ -	\$ 2	\$ 2
EXPENDITURES			
Cemetery Care	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>
Fund balance, beginning		<u>3,242</u>	
Fund balance, ending		<u>\$ 3,244</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, 2015**

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

	2015		Variance Positive (Negative)
	Budget	Actual	
<b>REVENUES:</b>			
<b>Operating revenues:</b>			
Water sales	\$ -	\$ 4,385,101	\$ -
Sewer charges	-	3,794,384	-
Connection and tap fees	-	42,275	-
Total	<u>8,411,563</u>	<u>8,221,760</u>	<u>(189,803)</u>
Other operating revenues	<u>565,984</u>	<u>278,024</u>	<u>(287,960)</u>
Total operating revenues	<u>8,977,547</u>	<u>8,499,784</u>	<u>(477,763)</u>
<b>Nonoperating revenues:</b>			
Investment earnings	-	1,708	-
Capacity fees	-	1,220,692	-
Nutrient offset fees	-	127,208	-
Miscellaneous	-	18,400	-
Total nonoperating revenues	<u>207,102</u>	<u>1,368,008</u>	<u>1,160,906</u>
Total revenues	<u>9,184,649</u>	<u>9,867,792</u>	<u>683,143</u>
<b>EXPENDITURES:</b>			
<b>Water Distribution Operations:</b>			
Water purchases	-	1,883,903	-
Salaries and employee benefits	-	431,571	-
Meter replacements	-	83,827	-
Bad debt expense	-	30,149	-
Other operating expenditures	-	648,273	-
Total water distribution	<u>-</u>	<u>3,077,723</u>	<u>-</u>
<b>Preventative Maintenance:</b>			
Salaries and employee benefits	-	214,606	-
Chemicals	-	74,475	-
Supplies	-	4,880	-
Other operating expenditures	-	366,598	-
Total preventative maintenance	<u>-</u>	<u>660,559</u>	<u>-</u>
<b>Water Treatment:</b>			
Salaries and employee benefits	-	367,541	-
Chemicals	-	26,723	-
Supplies	-	22,544	-
Other operating expenditures	-	1,251,301	-
Total water treatment	<u>-</u>	<u>1,668,109</u>	<u>-</u>
Total water distribution and treatment	<u>5,957,886</u>	<u>5,406,391</u>	<u>551,495</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, 2015**

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

	2015		Variance Positive (Negative)
	Budget	Actual	
EXPENDITURES: (Continued)			
Debt service:			
Principal	\$ -	\$ 966,039	\$ -
Interest	-	183,303	-
Total debt service	<u>1,153,762</u>	<u>1,149,342</u>	<u>4,420</u>
Capital outlay:			
Water prevention	-	711,538	-
Water treatment	-	39,520	-
Total capital outlay	<u>770,780</u>	<u>751,058</u>	<u>19,722</u>
Reimbursement - General Fund:			
Support services - General Fund	<u>1,302,221</u>	<u>1,230,792</u>	<u>71,429</u>
Total expenditures	<u>9,184,649</u>	<u>8,537,583</u>	<u>647,066</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,330,209</u>	<u>1,330,209</u>
Other financing sources (uses)			
Transfer from closed Capital Project funds	-	33,576	33,576
Total other financing sources	<u>-</u>	<u>33,576</u>	<u>33,576</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,363,785</u>	<u>1,363,785</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		\$ 1,363,785	
Reconciling items:			
Principal retirement		966,039	
Capital outlay		751,058	
Other postemployment benefits		(3,621)	
Vacation accrual		(8,076)	
Deferred outflows of resources for contributions made to LGERS pension plan in current fiscal year		29,668	
Pension expense		(4,467)	
Depreciation & Amortization		(1,081,484)	
Transfer from Closed Capital Project funds		<u>(33,576)</u>	
Total Reconciling items		615,541	
Change in net assets		<u>\$ 1,979,326</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, 2015**

**Exhibit C-2**

	Project Authorization	Prior Years	Actual		Variance Positive (Negative)
			Current Year	Total to Date	
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	268,180	-	268,180	6,820
Easements	250,000	229,370	34,485	263,855	(13,855)
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>1,562,742</u>	<u>34,485</u>	<u>1,597,227</u>	<u>5,494,573</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,241,800)</u>	<u>(1,307,742)</u>	<u>(34,485)</u>	<u>(1,342,227)</u>	<u>1,899,573</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>\$(1,307,742)</u>	<u>(34,485)</u>	<u>\$(1,342,227)</u>	<u>\$ (1,342,227)</u>
Fund balance, beginning			<u>(1,307,742)</u>		
Fund balance, ending			<u>\$(1,342,227)</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, 2015**

**Exhibit C-3**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>REVENUES</b>					
Grant Revenue	\$ 1,562,200	\$ 772,964	\$ -	\$ 772,964	\$ (789,236)
Interest earnings	-	1,796	-	1,796	1,796
Total revenues	<u>1,562,200</u>	<u>774,760</u>	<u>-</u>	<u>774,760</u>	<u>(787,440)</u>
<b>EXPENDITURES:</b>					
Professional services	278,728	278,727	-	278,727	1
Construction	2,650,000	1,951,246	-	1,951,246	698,754
Contingency	113,885	-	-	-	113,885
Total expenditures	<u>3,042,613</u>	<u>2,229,973</u>	<u>-</u>	<u>2,229,973</u>	<u>812,640</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,480,413)</u>	<u>(1,455,213)</u>	<u>-</u>	<u>(1,455,213)</u>	<u>25,200</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>(118,787)</u>	<u>(126,254)</u>	<u>(22,533)</u>	<u>(148,787)</u>	<u>(30,000)</u>
Total other financing sources	<u>1,480,413</u>	<u>1,477,746</u>	<u>(22,533)</u>	<u>1,455,213</u>	<u>(25,200)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ 22,533</u>	<u>(22,533)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>22,533</u>		
Fund balance, ending			<u>\$ -</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, 2015**

**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>
<b>REVENUES OVER (UNDER)</b>					
EXPENDITURES	<u>\$ -</u>	<u>\$ 11,043</u>	<u>-</u>	<u>\$ 11,043</u>	<u>\$ 11,043</u>
<b>OTHER FINANCING SOURCES:</b>					
Operating transfers (to) from:					
Water and Sewer fund	-	-	(11,043)	(11,043)	(11,043)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(11,043)</u>	<u>(11,043)</u>	<u>(11,043)</u>
<b>REVENUES AND OTHER FINANCING</b>					
<b>SOURCES OVER (UNDER)</b>					
EXPENDITURES	<u>\$ -</u>	<u>\$ 11,043</u>	<u>(11,043)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>11,043</u>		
Fund balance, ending			<u>\$ -</u>		

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**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
For the Fiscal Year Ended June 30, 2015**

	2015		Variance Positive (Negative)
	Budget	Actual	
<b>REVENUES:</b>			
Operating revenues:			
Electricity sales	\$ -	\$ 12,369,001	\$ -
Connection fees	-	36,162	-
Penalties	-	212,451	-
Total	<u>12,358,000</u>	<u>12,617,614</u>	<u>259,614</u>
Other operating revenues	<u>67,900</u>	<u>85,750</u>	<u>17,850</u>
Total operating revenues	<u>12,425,900</u>	<u>12,703,364</u>	<u>277,464</u>
Nonoperating revenues:			
Investment earnings	-	2,507	-
Damage reimbursement	-	22,138	-
Miscellaneous	-	42,813	-
Total nonoperating revenues	<u>97,269</u>	<u>67,458</u>	<u>(29,811)</u>
Total revenues	<u>12,523,169</u>	<u>12,770,822</u>	<u>247,653</u>
<b>EXPENDITURES:</b>			
Electric operations:			
Electric power purchased	-	9,725,561	-
Salaries and employee benefits	-	772,829	-
Contracted maintenance	-	167,739	-
Vehicle maintenance	-	19,867	-
Bad Debt expense	-	98,835	-
Other operating expenditures	-	410,084	-
Total electric operations	<u>11,157,394</u>	<u>11,194,915</u>	<u>(37,521)</u>
Debt service:			
Principal	-	207,923	-
Interest	-	12,858	-
Total debt service	<u>220,836</u>	<u>220,781</u>	<u>55</u>
Capital outlay	<u>746,525</u>	<u>655,129</u>	<u>91,396</u>
Reimbursement - General Fund:			
Taxes	374,677	31,177	
Support services	<u>640,262</u>	<u>611,972</u>	<u>-</u>
Total reimbursement	<u>1,014,939</u>	<u>643,149</u>	<u>371,790</u>

**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)  
For the Fiscal Year Ended June 30, 2015**

	2015		Variance Positive (Negative)
	Budget	Actual	
Total expenditures	<u>13,139,694</u>	<u>12,713,974</u>	<u>425,720</u>
Revenues over (under) expenditures	<u>\$ (616,525)</u>	<u>\$ 56,848</u>	<u>\$ 673,373</u>
Other financing sources			
Debt issuance	<u>828,936</u>	<u>650,000</u>	<u>(178,936)</u>
Revenues and other financing sources over (under) expenditures	<u>212,411</u>	<u>706,848</u>	<u>494,437</u>
RECONCILIATION FROM BUDGETARY BASIS (MODIFIED ACCRUAL) TO FULL ACCRUAL:			
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES		\$ 706,848	
Reconciling items:			
Capital outlay		655,129	
Principal retirement		207,923	
Debt proceeds		(650,000)	
Other postemployment benefits		(6,114)	
Vacation accrual		(6,446)	
Deferred outflows of resources for contributions made to LGERS pension plan in current fiscal year		22,738	
Pension expense		(3,690)	
Depreciation		<u>(334,795)</u>	
Total Reconciling items		<u>(115,255)</u>	
Change in net assets		<u>\$ 591,593</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, 2015**

**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

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

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## 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, 2015**

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**Exhibit D-1**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,904,482	\$ 1,337,034	\$ 1,311,287	\$ 1,930,229
Taxes receivable	12,814	286,089	287,352	11,551
Total assets	<u>\$ 1,917,296</u>	<u>\$ 1,623,123</u>	<u>\$ 1,598,639</u>	<u>\$ 1,941,780</u>
<b>LIABILITIES</b>				
Intergovernmental payable	<u>1,917,296</u>	<u>1,623,123</u>	<u>1,598,639</u>	<u>1,941,780</u>
Total liabilities	<u>\$ 1,917,296</u>	<u>\$ 1,623,123</u>	<u>\$ 1,598,639</u>	<u>\$ 1,941,780</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, 2015**

**Exhibit E-1**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2014</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2015</u>
2014-2015	\$ -	\$ 8,888,810	\$ 8,882,801	6,009
2013-2014	26,936	-	18,276	8,660
2012-2013	15,195	-	4,360	10,835
2011-2012	9,247	-	1,175	8,072
2010-2011	5,373	-	531	4,842
2009-2010	14,078	-	115	13,963
2008-2009	5,830	-	142	5,688
2007-2008	367	-	-	367
2006-2007	65	-	-	65
2005-2006	295	-	-	295
2004-2005	246	-	246	-
	<u>\$ 77,632</u>	<u>\$ 8,888,810</u>	<u>\$ 8,907,646</u>	<u>\$ 58,796</u>
Plus: Uncollected 2014-2015 ad valorem taxes receivable on annually registered vehicles				-
Less: Allowance for uncollectible accounts General Fund				<u>24,000</u>
Ad valorem taxes receivable - net				<u>\$ 34,796</u>
Reconciliation with revenues				
Ad valorem taxes - General Fund				<u>\$ 8,741,219</u>
Reconciling items:				
Interest collected				(35,735)
EDIG Rebate				177,926
Releases/adjustments				<u>24,236</u>
Subtotal				<u>166,427</u>
Total collections and credits				<u>\$ 8,907,646</u>

**TOWN OF CLAYTON, NORTH CAROLINA**  
**ANALYSIS OF CURRENT TAX LEVY**  
**TOWN-WIDE LEVY**  
**For the Fiscal Year Ended June 30, 2015**

**Exhibit E-2**

	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes at current year's rate	\$ 1,660,901,812	\$0.525	\$ 8,719,744	\$ 7,937,495	\$ 782,249
Penalties	-		-	-	-
Total	<u>1,660,901,812</u>		<u>8,719,744</u>	<u>7,937,495</u>	<u>782,249</u>
Discoveries:					
Current years taxes	20,414,524	0.525	107,177	106,972	205
Prior year taxes	11,654,445	0.531	61,889	61,889	-
Total	<u>32,068,969</u>		<u>169,066</u>	<u>168,861</u>	<u>205</u>
Abatements:					
Current years taxes	<u>(4,557,853)</u>		<u>(23,929)</u>	<u>(18,757)</u>	<u>(5,172)</u>
Total	<u>(4,557,853)</u>		<u>(23,929)</u>	<u>(18,757)</u>	<u>(5,172)</u>
Total property valuation	<u>\$ 1,688,412,928</u>				
Net levy			8,864,881	8,087,599	777,282
Uncollected taxes at June 30, 2015			<u>6,009</u>	<u>5,885</u>	<u>124</u>
Current year's taxes collected			<u>\$ 8,858,872</u>	<u>\$ 8,081,714</u>	<u>\$ 777,158</u>
Current levy collection percentage			<u>99.93%</u>	<u>99.93%</u>	<u>99.98%</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.

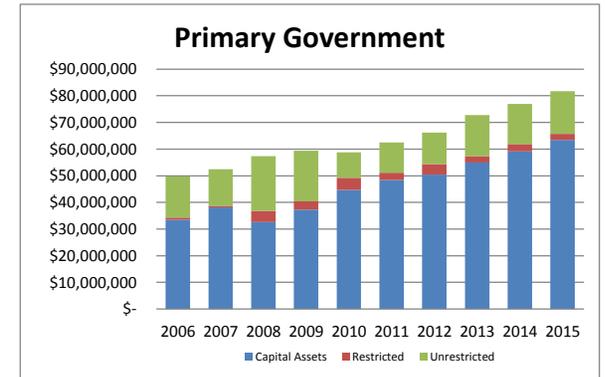
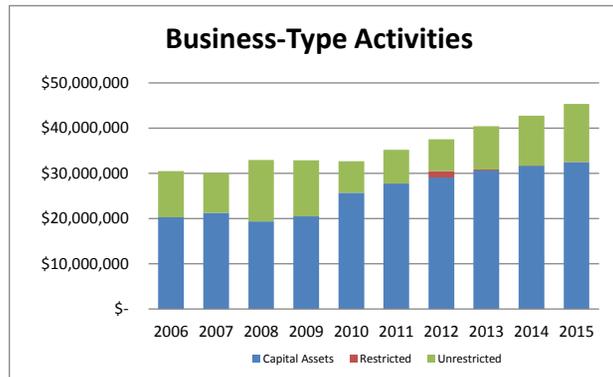
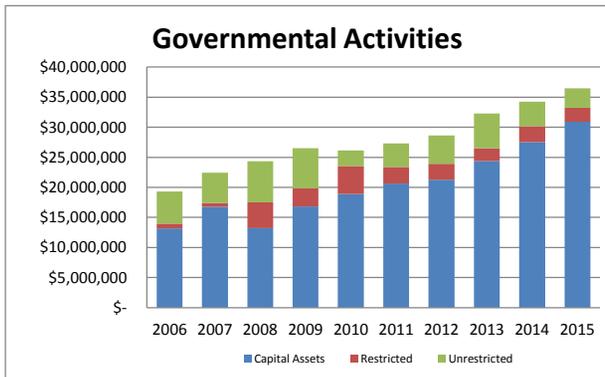
<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	89
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	98
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>	102
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>	107
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>	109

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)**

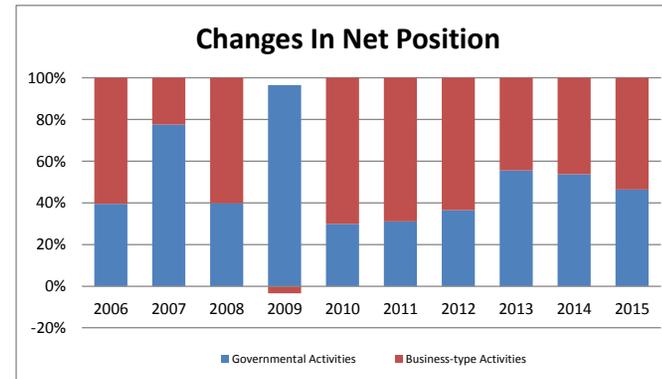
	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental activities</b>										
Net investment in capital assets	\$ 30,927,939	\$ 27,537,113	\$ 24,372,799	\$ 21,281,487	\$ 20,619,008	\$ 18,906,564	\$ 16,847,632	\$ 13,240,544	\$ 16,782,361	\$13,168,311
Restricted	2,303,842	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
Unrestricted	3,223,941	4,054,858	5,790,979	4,727,996	3,889,662	2,634,837	6,644,625	6,825,392	4,991,394	5,300,590
<b>Total governmental activities net position</b>	<b>\$ 36,455,722</b>	<b>\$ 34,226,950</b>	<b>\$ 32,282,227</b>	<b>\$ 28,638,210</b>	<b>\$ 27,295,553</b>	<b>\$26,164,242</b>	<b>\$ 26,508,116</b>	<b>\$ 24,345,079</b>	<b>\$ 22,416,024</b>	<b>\$19,290,314</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 32,475,825	\$ 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
Restricted	13,772	6,260	208,893	1,365,128	-	-	-	-	-	-
Unrestricted	12,824,829	11,074,945	9,569,310	7,047,946	7,404,641	6,941,780	12,378,126	13,604,433	8,754,446	10,191,517
<b>Total business-type activities net position</b>	<b>\$ 45,314,426</b>	<b>\$ 42,743,507</b>	<b>\$ 40,428,272</b>	<b>\$ 37,514,211</b>	<b>\$ 35,176,952</b>	<b>\$32,672,205</b>	<b>\$ 32,876,190</b>	<b>\$ 32,954,401</b>	<b>\$ 30,043,215</b>	<b>\$30,450,898</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 63,403,764	\$ 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
Restricted	2,317,614	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
Unrestricted	16,048,770	15,129,803	15,360,289	11,775,942	11,294,303	9,576,617	19,022,751	20,429,825	13,745,840	15,492,107
<b>Total primary government net position</b>	<b>\$ 81,770,148</b>	<b>\$ 76,970,457</b>	<b>\$ 72,710,499</b>	<b>\$ 66,152,421</b>	<b>\$62,472,505</b>	<b>\$58,836,447</b>	<b>\$ 59,384,306</b>	<b>\$ 57,299,480</b>	<b>\$ 52,459,239</b>	<b>\$49,741,212</b>



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

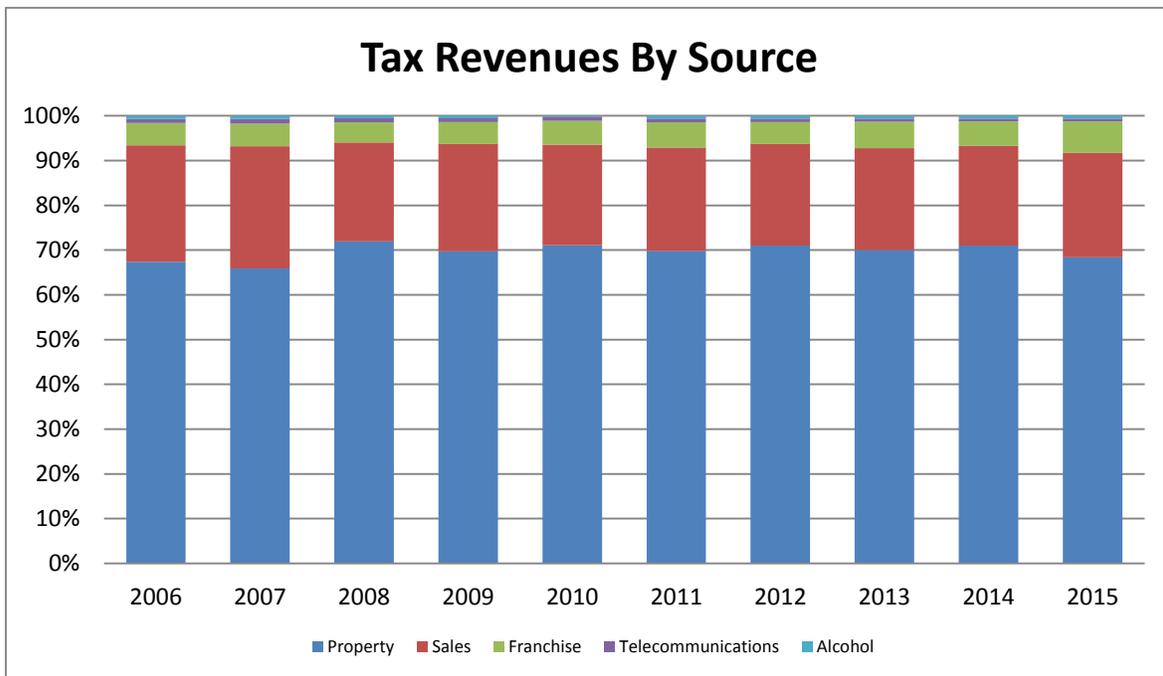
<b>Expenses</b>	<b>Fiscal Year</b>									
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Governmental activities</b>										
General government	\$ 2,937,295	\$ 3,349,078	\$ 2,889,392	\$ 2,891,649	\$ 3,022,085	\$ 3,405,756	\$ 3,297,244	\$ 2,411,424	\$ 2,147,952	\$ 1,888,907
Public safety	6,477,802	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
Public works	4,139,308	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
Culture and recreation	2,583,676	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
Interest on long-term debt	669,335	705,993	832,444	870,236	645,725	409,069	339,114	280,458	205,870	206,415
<b>Total governmental activities expenses</b>	<b>16,807,416</b>	<b>16,057,636</b>	<b>15,178,515</b>	<b>14,435,349</b>	<b>13,928,406</b>	<b>14,636,084</b>	<b>14,204,252</b>	<b>12,592,430</b>	<b>10,946,966</b>	<b>10,217,809</b>
<b>Business-type activities:</b>										
Water and sewer	7,888,466	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
Electric	12,179,229	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
<b>Total business-type activities expenses</b>	<b>20,067,695</b>	<b>20,492,487</b>	<b>19,549,151</b>	<b>18,708,789</b>	<b>19,013,321</b>	<b>18,961,491</b>	<b>19,202,950</b>	<b>17,922,212</b>	<b>16,959,057</b>	<b>15,662,243</b>
<b>Total primary government expenses</b>	<b>\$ 36,875,111</b>	<b>\$ 36,550,123</b>	<b>\$ 34,727,666</b>	<b>\$ 33,144,138</b>	<b>\$ 32,941,727</b>	<b>\$ 33,597,575</b>	<b>\$ 33,407,202</b>	<b>\$ 30,514,642</b>	<b>\$ 27,906,023</b>	<b>\$ 25,880,052</b>
 <b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	\$ 743,379	\$ 1,012,842	\$ 670,300	\$ 524,188	\$ 388,093	\$ 413,241	\$ -	\$ -	\$ -	\$ 105,065
Public safety	19,121	18,915	28,944	20,404	32,961	24,982	695	4,416	1,929	2,525
Public works	1,448,472	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
Culture and recreation	682,981	462,402	664,432	541,268	446,947	163,769	130,574	127,244	457,328	84,227
Operating grants and contributions	1,522,362	1,117,363	1,023,369	980,116	946,535	904,069	971,218	1,104,690	840,492	810,890
Capital grants and contributions	773,379	1,793,819	1,588,744	433,306	447,724	873,513	1,043,361	580,065	1,636,529	1,288,210
<b>Total governmental activities program revenues</b>	<b>5,189,694</b>	<b>5,797,734</b>	<b>5,350,016</b>	<b>3,711,570</b>	<b>3,434,903</b>	<b>3,518,778</b>	<b>3,728,586</b>	<b>3,429,423</b>	<b>4,331,005</b>	<b>3,719,232</b>
<b>Business-type activities:</b>										
Charges for services:										
Water and sewer	8,221,760	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
Electric	12,617,614	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
Operating grants and contributions	363,774	308,526	335,072	291,277	196,755	202,311	151,061	180,306	164,488	131,058
Capital grants and contributions	-	293,551	479,412	220,907	837,258	-	79,160	1,196,576	-	1,649,832
<b>Total business-type activities program revenues</b>	<b>21,203,148</b>	<b>20,897,289</b>	<b>20,716,530</b>	<b>20,118,662</b>	<b>21,142,093</b>	<b>19,071,257</b>	<b>18,319,371</b>	<b>18,822,549</b>	<b>16,729,273</b>	<b>17,563,797</b>
<b>Total primary government program revenues</b>	<b>\$ 26,392,842</b>	<b>\$ 26,695,023</b>	<b>\$ 26,066,546</b>	<b>\$ 23,830,232</b>	<b>\$ 24,576,996</b>	<b>\$ 22,590,035</b>	<b>\$ 22,047,957</b>	<b>\$ 22,251,972</b>	<b>\$ 21,060,278</b>	<b>\$ 21,283,029</b>

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net (expense) revenue										
Governmental activities	\$(11,617,722)	\$(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)
Business-type activities	1,135,453	404,802	1,167,379	1,409,873	2,128,772	109,766	(883,579)	900,337	(229,784)	1,901,554
Total primary government net (expense) revenue	<u>\$(10,482,269)</u>	<u>\$(9,855,100)</u>	<u>\$(8,661,120)</u>	<u>\$(9,313,906)</u>	<u>\$(8,364,731)</u>	<u>\$(11,007,540)</u>	<u>\$(11,359,245)</u>	<u>\$(8,262,670)</u>	<u>\$(6,845,745)</u>	<u>\$(4,597,023)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 8,791,837	\$ 8,569,899	\$ 8,049,338	\$ 7,931,296	\$ 7,249,558	\$ 7,307,811	\$ 7,303,733	\$ 7,164,272	\$ 5,194,264	\$ 4,803,277
Other taxes	497,693	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
Unrestricted grants and contributions	3,961,445	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
Investment earnings	6,427	10,784	22,805	15,397	23,932	36,076	138,837	249,753	258,677	268,071
Miscellaneous	589,092	308,148	520,956	97,685	448,463	677,145	1,398,090	558,354	722,258	752,328
Transfers	-	-	685,692	-	-	-	-	(300,000)	300,000	-
Proceeds from borrowings	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>13,846,494</u>	<u>13,153,775</u>	<u>13,472,516</u>	<u>12,066,436</u>	<u>11,624,814</u>	<u>11,323,199</u>	<u>12,638,703</u>	<u>11,092,062</u>	<u>9,741,671</u>	<u>8,583,487</u>
Business-type activities										
Investment earnings	4,215	7,026	10,761	11,659	16,644	13,540	88,252	217,901	260,343	200,062
Miscellaneous	1,431,251	2,085,958	2,421,613	915,727	359,331	358,923	717,116	1,492,948	1,174,026	1,081,389
Transfers	-	-	(685,692)	-	-	-	-	300,000	(300,000)	-
Total business-type activities	<u>1,435,466</u>	<u>2,092,984</u>	<u>1,746,682</u>	<u>927,386</u>	<u>375,975</u>	<u>372,463</u>	<u>805,368</u>	<u>2,010,849</u>	<u>1,134,369</u>	<u>1,281,451</u>
Total primary government	<u>\$ 15,281,960</u>	<u>\$ 15,246,759</u>	<u>\$ 15,219,198</u>	<u>\$ 12,993,822</u>	<u>\$ 12,000,789</u>	<u>\$ 11,695,662</u>	<u>\$ 13,444,071</u>	<u>\$ 13,102,911</u>	<u>\$ 10,876,040</u>	<u>\$ 9,864,938</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 2,228,772	\$ 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
Business-type activities	2,570,919	2,497,786	2,914,061	2,337,259	2,504,747	482,229	(78,211)	2,911,186	904,585	3,183,005
Total primary government	<u>\$ 4,799,691</u>	<u>\$ 5,391,659</u>	<u>\$ 6,558,078</u>	<u>\$ 3,679,916</u>	<u>\$ 3,636,058</u>	<u>\$ 688,122</u>	<u>\$ 2,084,826</u>	<u>\$ 4,840,241</u>	<u>\$ 4,030,295</u>	<u>\$ 5,267,915</u>



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

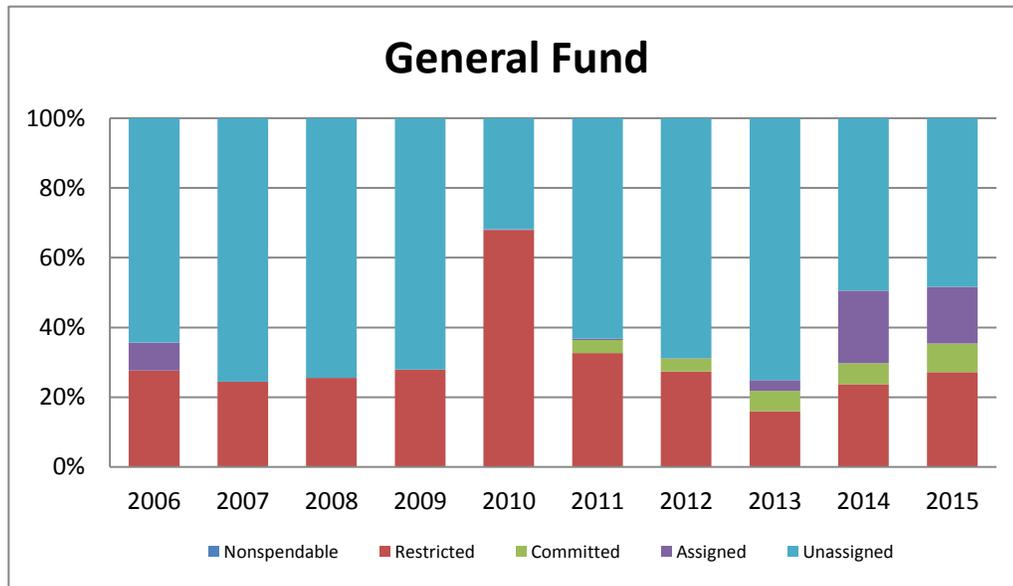
<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Telecommunications Tax</u>
2015	\$ 8,741,219	\$ 2,978,962	\$ 903,237	\$ 81,919	\$ 76,060
2014	8,587,613	2,690,464	665,640	72,303	78,472
2013	7,984,694	2,594,116	674,211	66,364	85,657
2012	7,931,632	2,531,400	542,253	70,355	87,516
2011	7,244,251	2,403,131	576,336	63,171	92,088
2010	7,306,114	2,307,722	544,455	19,540	96,028
2009	7,292,034	2,504,203	512,761	57,970	87,937
2008	7,163,604	2,202,723	445,827	55,857	92,641
2007	5,192,790	2,150,906	397,069	52,346	83,906
2006	4,800,759	1,857,610	351,311	48,052	68,943



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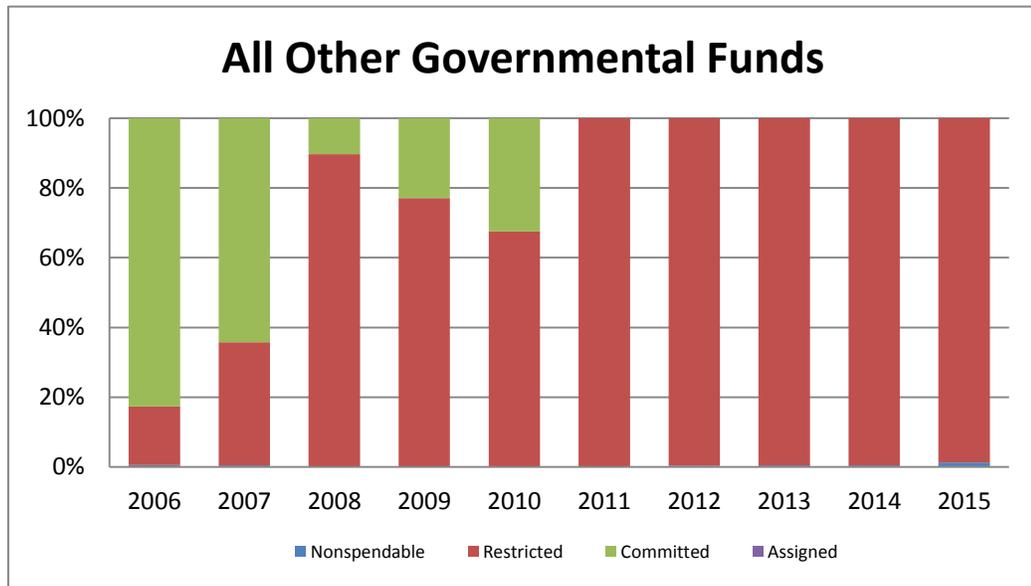
**Town of Clayton  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>General Fund</b>				
Nonspendable	\$ 13,870	\$ 19,979	\$ 15,908	\$ -
Restricted	2,059,911	1,987,897	1,343,811	2,309,833
Committed	626,955	510,568	494,918	315,668
Assigned	1,237,421	1,761,509	262,304	6,061
Unassigned	3,694,249	4,194,760	6,378,452	5,813,270
<b>Total general fund</b>	<b>\$ 7,632,406</b>	<b>\$ 8,474,713</b>	<b>\$ 8,495,393</b>	<b>\$ 8,444,832</b>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ 3,244	\$ 3,242	\$ 3,234	\$ 3,226
Restricted	240,687	643,840	653,964	750,892
Committed	-	-	-	-
Assigned	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 243,931</b>	<b>\$ 647,082</b>	<b>\$ 657,198</b>	<b>\$ 754,118</b>



<b>Fiscal Year</b>					
<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,497,248	8,007,923	2,226,861	1,999,265	1,340,575	1,654,087
286,418	-	-	-	-	-
32,430	21,908	-	-	-	481,685
4,836,252	3,750,283	5,737,562	5,819,819	4,139,225	3,849,188
<u>\$ 7,652,348</u>	<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>

\$ 3,217	\$ 3,198	\$ 3,180	\$ 3,160	\$ 3,124	\$ 3,084
4,038,249	1,196,152	1,876,127	3,492,035	241,480	89,925
-	577,543	560,211	401,622	439,440	442,314
-	-	-	-	-	-
<u>\$ 4,041,466</u>	<u>\$ 1,776,893</u>	<u>\$ 2,439,518</u>	<u>\$ 3,896,817</u>	<u>\$ 684,044</u>	<u>\$ 535,323</u>



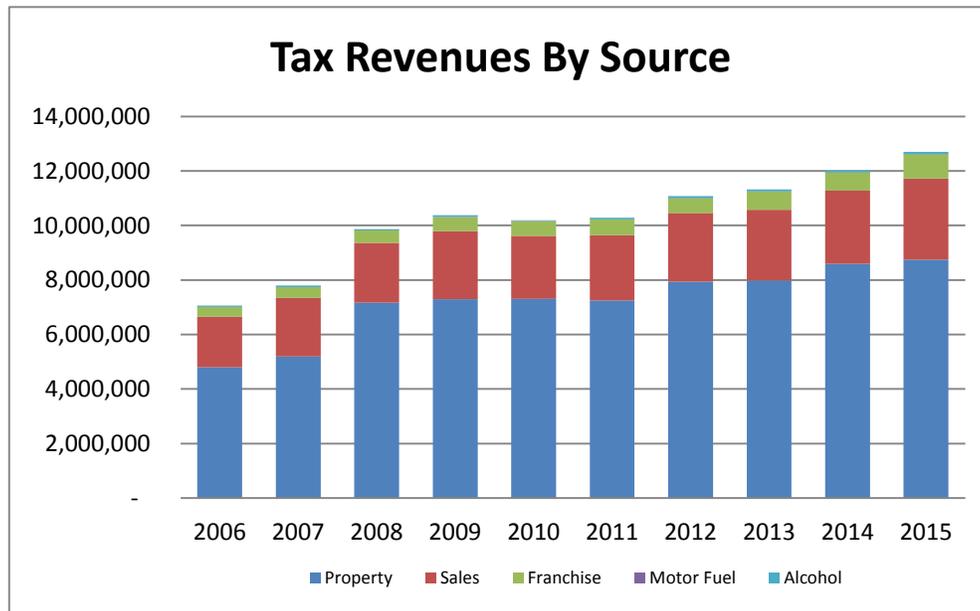
**Town of Clayton**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenues</b>				
Taxes	\$ 8,741,219	\$ 8,587,613	\$ 7,984,694	\$ 7,931,632
Licenses and permits	1,020,078	1,223,613	1,060,864	726,688
Intergovernmental	6,409,382	7,068,660	6,667,741	5,252,125
Charges for services	2,038,690	1,855,127	1,874,335	1,754,815
Investment earnings	6,427	10,784	22,805	15,397
Miscellaneous	589,092	308,148	520,956	97,685
Total revenues	<u>18,804,888</u>	<u>19,053,945</u>	<u>18,131,395</u>	<u>15,778,342</u>
<b>Expenditures</b>				
General government	2,905,451	2,895,658	2,442,668	2,470,834
Public safety	6,037,678	5,623,161	5,357,560	5,231,200
Public works	3,705,018	3,178,465	3,089,937	2,660,077
Culture and recreation	2,213,745	1,928,696	1,962,514	1,851,413
Capital outlay	3,284,397	3,125,028	4,021,172	5,912,652
Debt Service				
Principal	1,484,723	1,627,740	1,493,228	1,542,991
Interest and other fees	669,335	705,993	832,444	870,236
Total expenditures	<u>20,300,347</u>	<u>19,084,741</u>	<u>19,199,523</u>	<u>20,539,403</u>
Excess of revenues over (under) expenditures	(1,495,458)	(30,796)	(1,068,128)	(4,761,061)
<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
Fair market value of purchased property	250,000	-	-	-
Total other financing sources (uses)	<u>250,000</u>	<u>-</u>	<u>1,021,769</u>	<u>2,266,197</u>
Net changes in fund balances	<u>\$ (1,245,458)</u>	<u>\$ (30,796)</u>	<u>\$ (46,359)</u>	<u>\$ (2,494,864)</u>
Fund balances, beginning	9,121,795	9,152,591	9,198,950	11,693,814
Change in accounting principle	-	-	-	-
Prior period adjustment	-	-	-	-
Fund balances, beginning as restated	<u>9,121,795</u>	<u>9,152,591</u>	<u>9,198,950</u>	<u>11,693,814</u>
Fund balances, ending	<u>\$ 7,876,337</u>	<u>\$ 9,121,795</u>	<u>\$ 9,152,591</u>	<u>\$ 9,198,950</u>
Debt service as a percentage of noncapital expenditures	12.66%	14.62%	15.32%	16.50%

<b>Fiscal Year</b>					
<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ 7,244,251	\$ 7,306,114	\$ 7,292,034	\$ 7,163,604	\$ 5,192,790	\$ 4,800,759
575,556	529,748	550,072	802,563	687,565	911,983
5,122,366	4,948,652	5,711,754	4,988,377	5,632,979	4,753,203
1,639,842	1,342,543	1,264,805	1,058,166	1,276,933	813,857
23,932	36,076	138,837	249,753	258,677	268,071
477,846	677,145	1,213,907	414,153	600,132	487,571
<u>15,083,793</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>
2,586,501	2,994,719	2,638,543	1,982,216	1,732,990	1,328,660
5,001,618	5,305,648	5,245,807	5,017,638	4,456,901	4,025,678
2,608,345	2,805,203	2,895,533	2,644,920	2,051,952	2,133,482
1,793,801	1,860,810	1,760,348	1,623,764	1,345,211	1,377,071
8,563,407	2,072,292	5,208,660	5,368,997	4,029,868	2,138,087
1,564,823	1,289,839	1,296,582	1,100,701	779,203	747,936
645,725	409,069	339,114	280,458	205,870	206,415
<u>22,764,220</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>
(7,680,427)	(1,897,302)	(3,213,178)	(3,342,078)	(952,919)	78,115
-	-	-	(300,000)	300,000	-
-	-	-	-	-	-
-	5,000,000	-	-	-	-
-	50,368	-	-	-	-
6,367,000	-	1,901,218	9,194,135	296,480	659,000
-	-	-	-	-	-
<u>6,367,000</u>	<u>5,050,368</u>	<u>1,901,218</u>	<u>8,894,135</u>	<u>596,480</u>	<u>659,000</u>
<u>\$ (1,313,427)</u>	<u>\$ 3,153,066</u>	<u>\$ (1,311,960)</u>	<u>\$ 5,552,057</u>	<u>\$ (356,439)</u>	<u>\$ 737,115</u>
13,557,008	10,403,942	11,715,902	6,163,845	6,520,284	5,783,169
(549,767)	-	-	-	-	-
-	-	-	-	-	-
<u>13,007,241</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>
<u><u>\$ 11,693,814</u></u>	<u><u>\$ 13,557,008</u></u>	<u><u>\$ 10,403,942</u></u>	<u><u>\$ 11,715,902</u></u>	<u><u>\$ 6,163,845</u></u>	<u><u>\$ 6,520,284</u></u>
15.57%	11.58%	11.54%	10.92%	9.32%	9.72%

**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>
2015	\$ 8,741,219	\$ 2,978,962	\$ 903,237	\$ 93	\$ 81,919	\$ 12,705,430
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 <sup>1</sup>	48,052	7,057,845

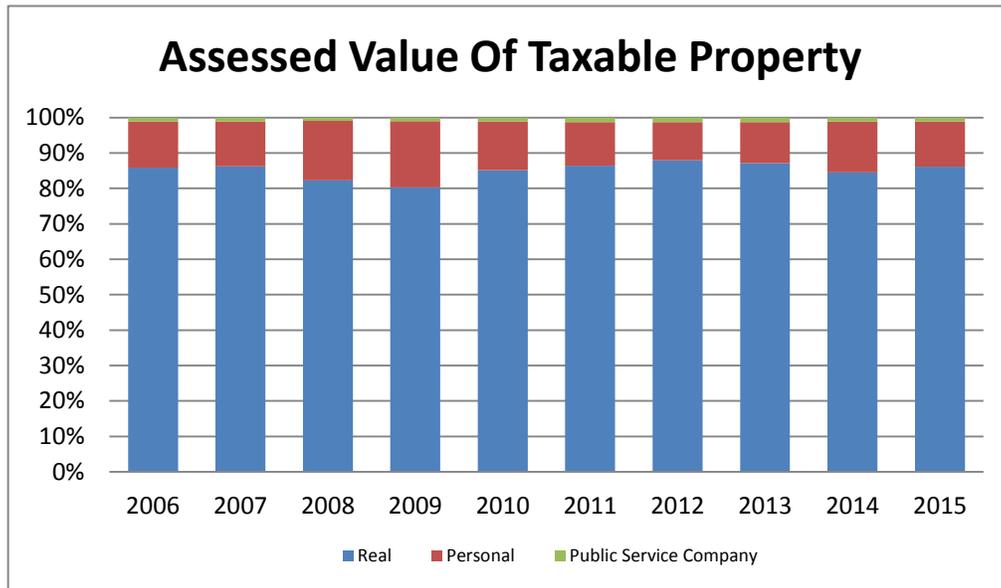


<sup>1</sup> Motor fuel tax repealed in 2003. Subsequent year revenues attributable to retail purchases.

<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**

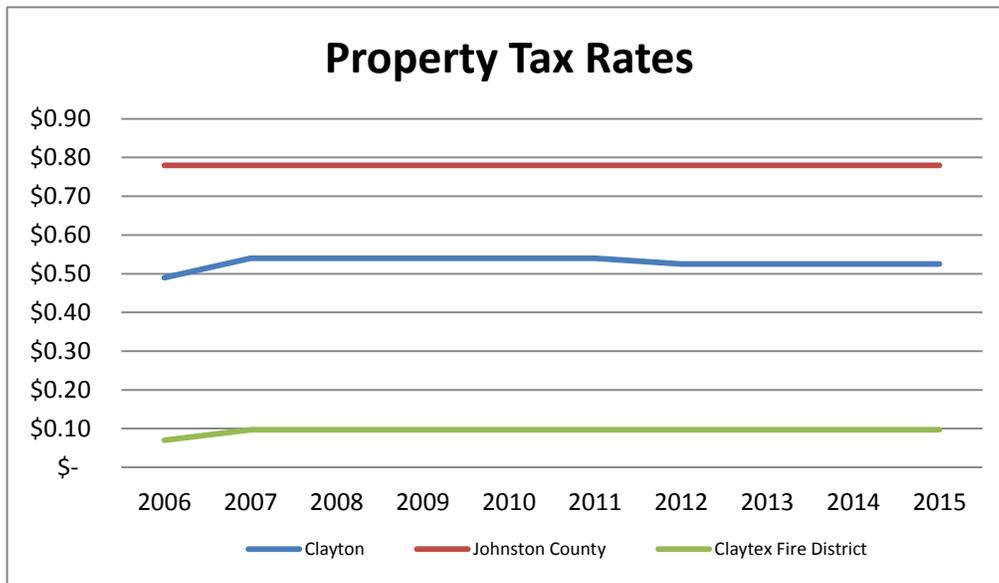
<b>Fiscal Year Ended June 30</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Public Service Company Property</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>
2015	1,454,430,248	214,972,791	19,009,889	1,688,412,928	0.525
2014	1,396,500,503	235,885,630	19,000,115	1,651,386,248	0.525
2013	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



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.

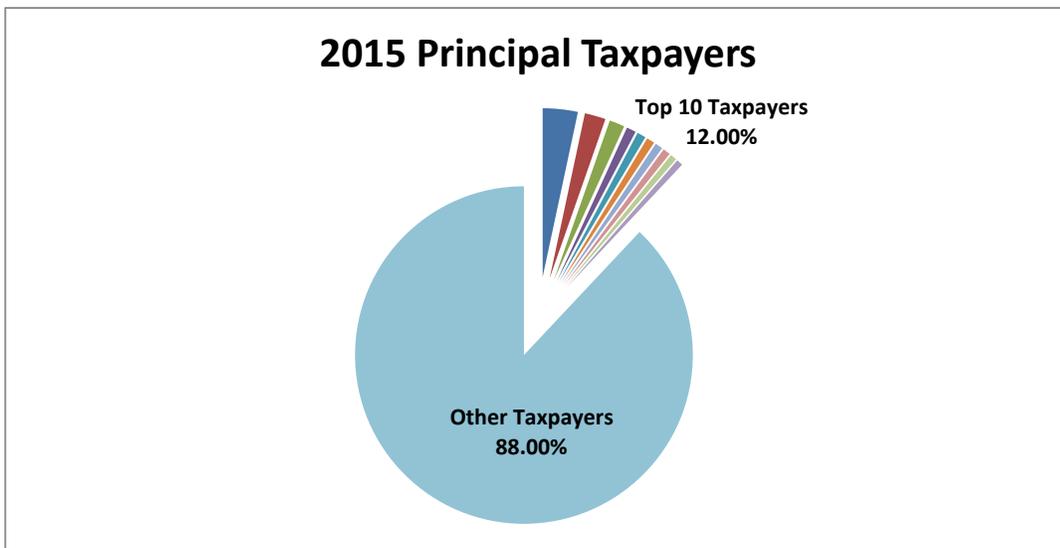
**Town of Clayton**  
**Property Tax Rates - Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Town of Clayton</b>	<b>Johnston County</b>	<b>Claytex Fire District</b>
2015	2014	0.525	0.78	0.0975
2014	2013	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



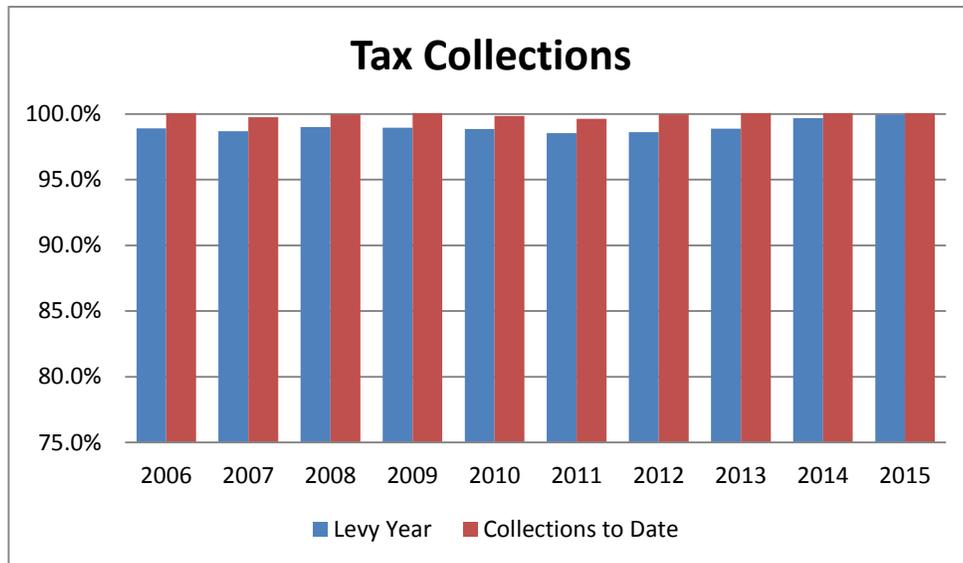
**Town of Clayton  
Principal Property Taxpayers  
June 30, 2015**

Taxpayer	2015			2006		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Crown Raleigh III & IV LLC	56,587,652	1	3.35%			
Automatic Rolls of NC LLC	33,890,730	2	2.01%			
Fred Smith Companies	24,642,990	3	1.46%			
Wal-Mart	15,198,465	4	0.90%			
3C Packaging & Elphick Properties	14,123,570	5	0.84%			
Clayton Multi-Family Investments LLC	12,996,740	6	0.77%			
DDRM Clayton Corners LLC	12,380,430	7	0.73%			
Amelia Village LLC	11,936,410	8	0.71%			
American Residential Leasing Company	10,408,770	9	0.62%			
Caterpillar Inc	10,350,920	10	0.61%			
Winn Dixie				53,616,834	1	5.50%
Wal-Mart				16,195,797	2	1.66%
Inland Southeast Clayton LLC				11,318,030	3	1.16%
Amelia Village LLC				9,180,000	4	0.94%
Riverwood Athletic Club LLC				7,228,190	5	0.74%
Parkside Village Associates				7,055,230	6	0.72%
Clayton Town Partners LLC				6,213,940	7	0.64%
Walthom Group				5,818,240	8	0.60%
Clayton Summit Properties LLC				5,757,380	9	0.59%
Carolina Telephone				5,393,406	10	0.55%
<b>Totals</b>	<u>\$ 202,516,677</u>		<u>12.00%</u>	<u>\$ 127,777,047</u>		<u>13.10%</u>
<b>Total Assessed Value</b>	<u>\$ 1,688,412,928</u>			<u>\$ 974,769,324</u>		
Clayton Summit Properties LLC						



**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>
2015	\$ 8,864,881	\$ 8,858,872	99.9%	\$ 24,347	\$ 8,883,219	100.2%
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%



<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			
2015	\$5,330,000	\$13,649,118	\$ -	\$2,609,746	\$ 5,117,874	\$ 26,706,738	N/A	148.52
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

Note 1: Details on the town's outstanding debt can be found in the notes to the financial statements on pages 49-53.

<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>
2015	\$5,330,000	\$1,688,412,928	0.32%	\$ 29.64
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%	-

Note: See pages 49-53 in the notes to the financial statements for debt details.

<sup>1</sup> See Assessed Value of Taxable Property on page 98.

<sup>2</sup> See Demographic and Economic Statistics on page 107.

**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>	
2015	\$18,979,118	\$1,688,412,928	100%	\$263,270,000	\$14,403,354,135	10.49%	\$46,602,465
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

<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>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Debt limit	\$ 135,073,034	\$ 132,110,900	\$ 124,051,157	\$ 120,355,751
Total net debt applicable to limit	18,979,118	20,463,841	22,091,581	23,248,732
Legal debt margin	\$ 116,093,916	\$ 111,647,059	\$ 101,959,576	\$ 97,107,019
Total net debt applicable to the limit as a percentge of debt limit	14.05%	15.49%	17.81%	19.32%

**Legal Debt Margin Calculation for Fiscal Year 2015**

Total assessed value	\$ 1,688,412,928
Debt limit (8% of total assessed value)	135,073,034
Less general obligation debt	<u>(18,979,118)</u>
Legal debt margin	<u>\$ 116,093,916</u>

**Fiscal Year**

<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
\$ 107,561,719	\$ 109,642,273	\$ 107,569,665	\$ 107,078,802	\$ 84,711,634	\$ 77,981,546
22,540,426	17,738,249	14,028,088	13,423,453	5,330,019	5,812,742
\$ 85,021,293	\$ 91,904,024	\$ 93,541,577	\$ 93,655,349	\$ 79,381,615	\$ 72,168,804
20.96%	16.18%	13.04%	12.54%	6.29%	7.45%

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

<b>Fiscal Year</b>	<b>Population</b> <sup>1</sup>	<b>Personal Income</b> <sup>2</sup>	<b>Per Capita Personal Income</b>	<b>Median Age</b> <sup>1</sup>	<b>School Enrollment</b> <sup>3</sup>	<b>Unemployment Rate</b> <sup>4</sup>
2015	179,822	N/A	N/A	37.00	34,660	5.5
2014	177,184	N/A	N/A	37.00	33,341	5.7
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

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

<sup>1</sup> AccessNC (ESRI)

<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>Rank</b>	<b>Top Employers - Johnston County</b>	<b>Industry</b>	<b>Employees</b>	<b>Percentage of County Employment <sup>1</sup></b>
1	Johnston County School System	Education	1,000 +	N/A
2	Grifols Therapeutics Inc	Manufacturing	1,000 +	N/A
3	Johnston Memorial Hospital Authority	Health Services	1,000 +	N/A
4	Johnston County Government	Public Administration	1,000 +	N/A
5	Asplundh Tree Expert Co.	Professional & Business	500-999	N/A
6	Wal-Mart Associates Inc.	Trade	500-999	N/A
7	Food Lion	Trade	500-999	N/A
8	Novo Nordisk Pharmaceutical	Manufacturing	500-999	N/A
9	Flanders Airpure NC Division	Manufacturing	500-999	N/A
10	Caterpillar Inc.	Manufacturing	500-999	N/A
Total County Employment			87,762 <sup>2</sup>	

<sup>1</sup> Data not available for the Clayton. Percentage of County Employment isn't available.

<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>2015</u>	<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>
General government	33	35	37	35	35	42	43	39	40	37
Public safety										
Police										
Officers	42	42	42	41	41	41	41	42	38	36
Civilians	3	3	4	4	4	4	4	4	4	3
Fire										
Firefighters and officers	16	16	14	14	14	14	11	10	10	5
Civilians	1	1	1	1	1	1	1	1	1	1
Public works	34	26	23	24	24	28	26	27	26	23
Culture and recreation	11	11	11	12	12	11	11	9	9	8
Water/Sewer	17	16	16	16	16	16	13	10	11	12
Electric	11	11	11	10	10	10	10	9	10	8
<b>Total</b>	<u>168</u>	<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>

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

<b>Function</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Police</b>				
Physical arrests	522	542	424	502
Traffic citations	4,373	3,751	3,070	3,283
<b>Fire</b>				
Number of calls answered	1,520	793	769	661
Inspections	360	304	388	432
<b>Streets</b>				
Street resurfacing (feet)	-	2,583	2,632	4,320
Pavement repairs	32	87	67	64
<b>Sanitation</b>				
Refuse collected (tons)	5,191	4,517	4,729	4,977
Recyclables collected (tons)	1,002	932	1,016	962
<b>Culture and recreation</b>				
Athletic field permits issued	519	405	456	367
Cultural arts center event rentals	869	666	733	689
<b>Water</b>				
New connections	257	232	191	117
Leak repairs	70	90	126	95
Average daily consumption	2,374,645	2,334,356	2,259,806	2,277,256
<b>Wastewater</b>				
Average daily sewage treatment (in thousands of gallons)	2,068	1,821	1,605	1,581

Source: Various town departments.

<b>Fiscal Year</b>					
<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
547	691	551	695	761	448
4,399	3,291	2,978	3,110	3,017	1,768
771	718	700	817	904	711
290	334	322	342	257	183
17,886	2,380	-	-	4,190	-
59	79	82	35	89	72
4,587	4,518	4,657	5,256	4,864	4,515
929	879	815	489	252	228
49	22	19	19	17	18
830	651	549	581	579	371
80	121	200	342	651	601
72	150	116	81	94	28
2,270,151	2,148,158	2,192,885	2,288,340	2,339,000	1,967,992
1,780	1,781	1,619	1,370	1,387	1,439

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

<b>Function</b>	<b>Fiscal Year</b>									
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Public safety</b>										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	55	55	55	55	42	42	42	42	42	41
K-9 units	2	2	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
<b>Highways and streets</b>										
Streets (miles)	76	74	71	70	68	68	67	67	64	60
<b>Culture and recreation</b>										
Parks	7	7	7	6	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
<b>Sewer</b>										
Wastewater treatment facilities	1	1	1	1	1	1	1	1	1	1
<b>Electric</b>										
Distribution stations	1	1	1	1	1	1	1	2	2	2
Street lights	1,437	1,441	1,425	1,403	1,390	1,373	1,365	1,350	1,300	1,250

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>	
2015	220	\$ 26,023,349	361	\$50,156,711	581	\$ 76,180,060	\$ 356,188,000
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

<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, 2015

<b>Type of Coverage</b>	<b>Details of Coverage</b>	
Health Insurance Blue Cross Blue Shield Blue Options		Employee payments ranging from \$25-\$500 per service with use of provider designated physician/ medical facility. \$5,500 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 10,000	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	3,128,509 500 1,000	Actual cash value or cost of repair, whichever is less deductible - private passenger & light trucks deductible - all others
Automobile Collision	3,128,509 500 1,000	Actual cash value or cost of repair, whichever is less deductible - private passenger & light trucks deductible - all others
Uninsured Motorist	250,000 2,500	Limits of coverage Deductible
Real & Personal Property	70,931,128 2,500	Cause of loss Deductible per occurrence includes boiler & machinery
Municipal Equipment	1,228,520 2,500	All risk coverage Deductible per occurrence
Computer Equipment/Media	250,000 2,500	Limits of coverage Deductible
Fine Arts	213,500 500	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, 2015

**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	\$.14286per 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	\$.13733per 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, 2015, 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 October 2, 2015.

***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 "Anderson Smith + Wike PLLC". The signature is written in a cursive, flowing style.

Rockingham, NC  
October 2, 2015